

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

Preparing for Change...

Transforming Our Business



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

2 0 0 7

The Farsons Group is on track with its process of transformation. Our programme of investments is forming the cornerstone of our re-engineered operations. There are other, equally important preparations underway as we are preparing for change and transforming our group's business.

Louis A. Farrugia  
Group Chief Executive



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

## 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  
 Roderick Chalmers  
 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  
 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  
 Alberto Miceli Farrugia

### – 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 -  
 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  
 Adrian Tonna - General Manager - National Sales

### – FARSONS FOUNDATION BOARD OF TRUSTEES –

Bryan A. Gera - President  
 Arthur Muscat  
 Chev. Joseph Sammut  
 Chev. Dr. Vincent Despasquale  
 Franco Masini  
 Mark Miceli-Farrugia  
 Kenneth Pullicino - Secretary

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## Chairman's Statement

I am delighted that this year I am able to present to you a much improved set of accounts.



In my statement last year I emphasised that your board of directors and executive management were determined to address the reasons for the disappointing performance of the previous year. I am delighted that this year I am able to present to you a much improved set of accounts. Group turnover increased by just over 2% from Lm26,189,000 to Lm26,721,000 whilst group profit before taxation doubled from Lm487,000 to Lm969,000.

The main reasons for this improvement are:

1. Increases in sales of beers and beverages throughout the year;
2. A reduction in headcount at the brewery operations;
3. A reduction in selling and administration costs;
4. Further improved results in our food import subsidiary Quintano Foods Limited;
5. A reduction in losses in the subsidiaries, Guido Vella Limited and Vita Sana S.r.l.

These improved results come during the year when we are nearing the completion of a heavy investment programme in a new soft drinks packaging hall and a new logistics centre amounting to Lm10,600,000 which will be completed by end 2007 within our targeted time scale and on budget. As explained in this annual report, this investment was needed for your group to face the impending liberalisation of the packaging regulations for carbonated non alcoholic beverages as from January 1st 2008. In fact we have called this period in the company's history as one of 'transformation' or 'reinvention', because we are reorganising the way we operate in a fundamental way. The Group Chief Executive's review gives some detail on these important changes.

The funding of this investment will be generated from our operating cash flow, new bank funding that is in place, and the sale of property surplus to our requirements. Surplus properties will primarily consist of depots which will no longer be needed, as our distribution will, as from next year, be centralised at our new state of the art logistics centre. As explained last year, in early 2008, the Wands property will be vacated, and the market value of this land can be freed up for inclusion in our balance sheet. Towards the end of 2008 a large area of our Mriehel site will also be freed up for new uses. Your board has therefore decided that an architect's valuation of all the group's property will be conducted in 2007 with the intention of being able to include a number of properties vacated during the re-organisation of our operations in our investment property portfolio over the next couple of years.

The challenge is, of course, to study how best to use these properties for the ultimate benefit of the shareholders. Your board of directors is going to examine all options in detail, and when a decision in principle is taken, we shall put forward proposals for discussion and consideration at a shareholders' meeting.

we have called this period in the company's history as one of 'transformation' or 'reinvention'

This year our trading performance has improved in an even more competitive market place. Three years after Malta joined the EU, we can proudly state that our products are competing well. Our market leaders such as *Cisk* and *Kinnie* remain strong, and this year we have seen increased interest in both these products from overseas markets. Indeed, our export team have scored a number of successes in important markets such as the United States, Australia, Italy, Libya and the UK. We expect that further export opportunities will grow in the years to come.

As already mentioned, we are also extremely pleased with the success of Quintano Foods Limited, our food import subsidiary that we acquired in 2004. This business is now a substantial contributor to our group profit, notwithstanding the fact that it holds only a relatively small market share of the food market. Wherever it is possible, management utilises the group's considerable administration and IT capability across the group's activities and this helps to maximise efficiencies. When the Wands and Caruana businesses are transferred to the Mriehel site we expect to make further savings in such overheads.

Progress was also achieved in reducing losses in two subsidiaries. Vita Sana S.r.l. continues to increase its sales and Guido Vella Ltd has cut a considerable amount of its overheads. Food Chain group has improved its performance in two of its franchises and needs to concentrate on one other. We are confident that further progress will be made in the current financial year. Our objective must be to turn all these companies round in the short term.

In view of the improved results your board is recommending to the General Meeting that it approves the interim dividend already declared of Lm75,000, and a final dividend of Lm425,000 bringing the total dividend to Lm500,000. Both payments are payable out of tax-exempt profits. The board has also announced that as from this new financial year (2007/2008) an interim dividend will be announced after the six monthly results are declared in September of each year. This new practice will therefore start in September 2007.

The road ahead will continue to be challenging and highly competitive. That is why your board is focusing on the ongoing need to reduce operating and administration costs, increase efficiencies and productivity, improving quality standards and remaining innovative and in touch with consumers' changing lifestyles, aspirations and preferred choices. This year we have launched a number of new products such as *Cisk Excel*, a low carbohydrate beer, and *Kinnie Zest* with less than one calorie - an orange variant of our flagship brand *Kinnie*. We have also developed a number of new products for our export markets which could also be launched on the local market in due course.

I would like to thank my colleagues on the board for their commitment and support. I thank also Mr Louis Farrugia who together with senior members of Management, ensured that the building of the new logistics centre was kept on track and is in fact scheduled to start operating at the end of the year as planned. My thanks go also to the entire staff at the brewery and the subsidiaries.

PricewaterhouseCoopers were also particularly helpful in many ways during the year, and for this we are grateful.

Finally my thanks go to our external legal advisor Prof Andrew Muscat of Mamo TCV.

Bryan A. Gera  
Chairman



A taste of things to come - the substantial investment in new plant and technology is being complemented with the careful redesign of existing products and new ones in the pipeline.

## Preparing for Change... ...Transforming Our Business

The financial year under review saw the Farsons Group recover from the sluggish performance it had experienced in the corresponding period last year. The remedial actions that are being taken to address the new realities of the market place, that of a heavy investment program and the restructuring of our operations, have already started to bear fruit and should continue to do so in the years to come. It was also a year which saw decisive actions being taken to reduce and eliminate the ongoing losses of certain subsidiary companies.

On the macro level there have been some opposing trends within the local economy. Although the general economic conditions have improved, increased utility bills continue to dampen general consumer demand. In 2006 this was further aggravated by the negative trends the tourism industry faced, with a decline of 4% in tourist arrivals to Malta. This trend has now started to reverse. The above-average temperatures and better weather conditions experienced throughout the year, as well as the usual local euphoria that the football world cup generates, somewhat mitigated these negative experiences. In fact, the parent company's net sales during the financial year increased by 4%.

Some of the worrying developments we experienced in the market place during 2005 continued to present themselves in 2006. The importation of beverages for trading into Malta on the false premise that they are for personal consumption increased. This is harming the law-abiding local entrepreneur and is also resulting in substantial lost revenue from eco contribution and VAT to Government. Fair competition from parallel trading is an accepted reality of the times. Abusive competition is harmful to the country and should not be tolerated.

The soft drinks sector is on the eve of a major packaging revolution. The market is awaiting the end of the derogation period negotiated by Malta with the EU, prohibiting the sale of the product in anything other than returnable glass bottles. In effect this will open up the market to all packages and intensify competitive activity.

The on-going measures that your board agreed upon and initiated in 2005 to control costs together with the decision to invest heavily in state of the art and efficient infrastructure remain the key to our strategy to grow our business.

*The new logistics centre and soft drinks factory represent a significant investment and will form the cornerstones of our re-engineered operations. There are other, equally important, if less visible, preparations underway.*

Louis A. Farrugia  
Group Chief Executive





*The new soft drinks factory  
now in its final stages.*

#### THE BEVERAGES PORTFOLIO

In our beverage business, consolidation was the key word throughout 2006, practised in every sense of the word at every level of our market operations.

As happens in all long established companies, there is always the right time to take stock of organisational and portfolio strengths and weaknesses and re-engineer a stronger platform for growth in the year ahead. This is exactly what we have been doing over the past year. The necessity is further reinforced by the fact that as from next January this sector of the market will be totally liberalised with the resultant effect of a "big" change in consumer choices. Our sales force has been streamlined to be more effective for both the parent company and the other beverage subsidiaries.

Given the incessant competitive forces at work in the trade we are satisfied that the challenges are being met. Enhanced trade relationships are evident and new beverage categories growth has been achieved.

One significant factor that has become a routine feature of the market place is the non-stop stream of parallel imports of international brands that we have long represented in Malta. It is only through diligent trade monitoring and maintaining a balanced partnership with outlet owners that we have managed to limit the impact of cross-border imports. This is possible since as an organisation we constantly strive to give value to our customers.

During 2006 new creative and aggressive marketing tactics were launched. The overall scope was one of providing competitive edge at ground level to spur consumer demand and trade repeat business.

Work on new product development was also underway in this year. With a careful eye on evolving consumer trends both on the world scenario and the local scene, we have continued to work on new product and packaging concepts that will seek to take the opportunities that lie ahead both in 2007 and beyond, when the soft drinks market packaging liberalisation comes into effect.

*The investment program  
taking shape.*



# pour gold

## CREDIT MANAGEMENT

A professional approach to credit management is another necessity in such a highly competitive market. It gives certainty and flexibility to the client and ensures sound finances for the company. During the past year our credit management department was strengthened and acted in a more focused and disciplined manner resulting in an improved debt collection rate and ultimately lower finance costs.

## EXPORT INITIATIVES

During 2006, the company gave new impetus to its export drive through the provision of additional resources to this important function. A fully fledged export department was re-established and resourced with export management personnel. Much of the export department's focus throughout 2006 was dedicated towards the improvement of the company's export competitiveness. A number of improvements in the company's export offerings were also achieved this year and these included the realisation of cost-savings on packaging for export, some rationalisation in production and the development of new products, including soft drinks and beers for selected markets overseas.

The company's export strategy takes full advantage of the company's strengths, particularly its manufacturing flexibility, its in-house product development capabilities and its ability to quickly satisfy the different needs of export clients in target markets in Europe, North Africa and North America. The Farsons export strategy seeks to maximize the benefits arising from these strengths by targeting the smaller, niche markets rather than the price-driven, high volume ones where the pressure on margins is usually much higher and where the primary focus is often on price rather than quality, quick turnaround times and flexibility.

Due to the highly competitive nature of the business, the company is conscious of the fact that results in the export arena will not come quickly and that a long term perspective to export development is essential. Nonetheless, a number of significant and encouraging tangible results in the export field were achieved during this year. These results included the securing of new export business from Italy, the USA, Libya and Australia for both soft drinks (Kinnie) and beer. Export plans for 2007-2008 will consolidate the results attained this year and should result in the strengthening of the company's importation-distribution networks in these markets.

## BEVERAGE IMPORTATION

In the beverage importation sector, the strong competition from both legal and illegal cross-border trading has continued to grow, fuelled mainly by the high level of excise duty on spirits in Malta compared to neighbouring countries such as Italy. Wands and Anthony Caruana & Sons have faced such competition on their leading spirits and beer brands.

In the wine sector, the proliferation of foreign wines at the lower end of the market has continued, especially from Italian and Spanish producers. Nevertheless, wine sales increases have been registered by both subsidiaries due to focused efforts to further increase our presence in restaurants' wine menus.

pairfect pint



You know your beer

You know your love

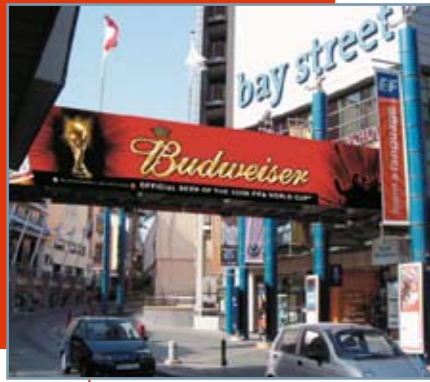


You know your beer

Know your beer campaign keeps Cisk flowing in a market full of choice.

Cisk XS is gaining momentum in pubs across Italy.

You know your beer



*Budweiser - bridging the gap between sports and leisure.*

**FOOD IMPORTATION**

There have been significant changes within the local food retail infrastructure. This has continued to further fuel the already prevailing competitive environment that exists in this sector too. In response to this, Quintano Foods is actively working on re-dimensioning its structures and strategy to be able to better respond to these challenging moments so as to be able to maintain its positive performance. The company's performance is well on track. This year it has experienced double digit growth both in terms of turnover as well as in profitability.

Without any doubt, Danone has firmly established itself as the flagship brand of Quintano Foods. It has continued to grow volume and value, and is today considered a leader within the chilled dairy category. Furthermore, the company extended its brand portfolio by taking on representation of the Quaker brand towards the end of the year. Quintano Foods will continue to look to represent suitable brands which complement its current portfolio. Its future looks bright.

**DISPENSE WATER BOTTLES**

Eco-Pure Premium Water Company, our subsidiary which sells 19 litre water bottles for dispense, has delivered another satisfactory result. In spite of intense competition, the company has successfully managed to register material improvements in both turnover as well as profitability.

With respect to our other subsidiary, Vita Sana S.r.l., based in Treviso, Italy, which also operates in water dispensing, there have been some improvements, namely in turnover growth and reduction in operational costs. While this has substantially improved company performance, we have not yet reached a profitable level. Nonetheless, we are on track, and as was reported last year, management remains committed to reach break even within 2007/2008.

*Only Kinnie dominates the Maltese skyline in a Unique and Genuine campaign - Made just for you.*

**FOOD FRANCHISING**

The climate in the food and beverage sector during the year under review was a very difficult one. The added costs imposed by the very high utilities surcharge has seriously eroded the profitability of operators in this sector. This has happened at a time when consumer demand has been dampened, in part the result of a negative trend in the tourism industry. The Food Chain group was certainly not immune from these negative trends.

The turnover of Pizza Hut during the year registered a decrease. This can be attributed in a large part to the closure of the Fgura outlet and the temporary closure for refurbishment of the St Julian's outlet. Following the success in St Julian's, the Sliema outlet has been totally refurbished as part of the process of revamping the image of the brand, and work on the refurbishment of the Valletta outlet is currently underway.

The various promotional initiatives undertaken at Burger King during the year helped to reverse the previous trends and register an increase in its turnover. The more aggressive approach has certainly paid off.

KFC managed to retain the same level of turnover as last year despite the serious challenge it had to face from the international scares of avian flu. Additions to the menu have proved to be a great success.

TGI Fridays continues to experience serious challenges. Various promotions, mail shots and monthly live events have been carried out in an effort to stimulate demand.

At the end of the year a new concept in food and beverage outlets was launched. Nove opened its doors to the public as an elegant wine and beer bar which is a flagship for the group's products. The popularity of this new outlet in the heart of St Julian's has been steadily increasing and from the feedback received to date the outlook for this year seems very positive.

**PROPERTY MANAGEMENT**

I am pleased to inform you that the Galleria Complex in Fgura, the source of substantial losses to the group in past years, has now been sold. This year's financial statements show the final loss incurred from this operation prior to the transfer.

As was already announced last year, the changes in the company's operations will mean that over the next few years a sizeable amount of land and property principally used for our depot operations will be released by the group. The decisions on how best to handle these properties will be taken on an individual basis,



*Lacto comes out strong with a bold new look.*

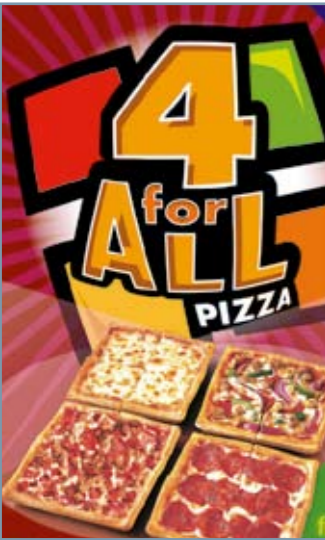


*Music Stars liven up bus shelters all around Malta and Gozo, Daring for More.*

*Fruitwaves choice increases to a total of five flavours.*



The Farsons Portfolio



Innovative ideas at Pizza Hut created an influx of clientele.

with some being sold and others being used to generate new income streams to the group. This process has already started and an agreement has been entered into to dispose of one of the depots when this ceases to be used later in the year.

The focus of this activity will now turn to optimizing the return that can be obtained from the Wands site and the façade of the brewery, areas that will be released from operations over the coming years. There is no doubt that these are both prime sites and your board will ensure that their potential is exploited to the full.

GEARING FOR CHANGE

2008 will see the final step in the full liberalisation of the beverages market. The packaging derogation period for the soft drinks sector negotiated on accession to the EU comes to an end on 31st December 2007. This will undoubtedly result in an immediate shift of soft drinks from the returnable glass bottles we are used to so far to one way PET bottles. It is this change that was paramount in the minds of your board when the decision to embark on a major investment program was taken. In order to compete in the new market place the company had to streamline and modernise its operations.

During the course of last year major infrastructural work started on site and the construction phase is now nearing completion. I am confident that the work will be completed according to schedule and within budget. I am sure many of you have seen the impressive steel structure that has been erected and that has been transformed into the central distribution depot for our products. This depot will ensure a more efficient service to our clients, will guarantee a much fresher product and will result in significant cost savings for the company.

Works on the new soft drinks building are at a very advanced stage. The finishes and mechanical and engineering work has all been completed. Work is currently being carried out to install the new equipment. This is being done with the full participation of our employees who are carrying out this task very professionally under the supervision of a team of overseas contractors. When operational, this new soft drinks factory will significantly improve efficiency, reduce overheads and improve quality.

The completion during this year of these two projects will see the realisation of phases one and two of our investment program. The third phase which will involve the construction of a new brew house is planned to take place in 2009-2010.

The Farsons Group has been going through a period of change. This change has been entirely market driven. In a radically changed market place one has to either change and face the challenges or succumb to the new realities. Your board has been very bold in the decisions taken. We have been meeting and will continue to meet the challenges head on. Last year and the current year were without doubt years of consolidation and preparation. We have ensured that by the end of the year the group is ready to face the further change this sector will be facing. Your board is confident that, with the measures it has taken, the group will not only survive the change, but will emerge stronger in the future scenario. We have built on our past experience, used our acquired know-how and prepared ourselves for the future. I am confident we have prepared well.



Nove Wine & Beer Bar - the new in-place for chilling out.

## The Farsons Group



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

# Financial Statements



## Directors' Report

The directors present their report and the audited financial statements for the year ended 31 January 2007.

**– 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 for the financial year to 31 January 2007 increased by 2.0% from Lm26,189,000 to Lm26,721,000. Profit before tax amounted to Lm969,000 compared to Lm487,000 in the previous year. Profit for the financial year after tax and after charging losses from discontinued operations amounts to Lm868,000 (2006: Lm210,000).

These improved results were largely achieved due to:

- Increases in sales of beers and beverages due to improved selling and marketing programmes helped by above average temperatures in the summer and winter seasons;
- A determined effort to reduce headcount and administration costs;
- Further continued improvement in the results of Quintano Foods Limited, our food importation subsidiary;
- Reduction in losses from Guido Vella Limited and Vita Sana S.r.l.

These improved results have been achieved at a time when the group is nearing the completion of a heavy investment in a new soft drinks packaging hall and a new logistics centre. This investment will enable the group to face the full liberalisation of current packaging restrictions for soft drinks as from 1 January 2008.

The board of directors is determined to pursue its objective of reducing headcount and administration costs and increase group sales of products in the established businesses as well as in new export markets.

**– RESULTS AND DIVIDENDS –**

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

The directors have announced a net interim dividend of Lm75,000 payable on 16 May 2007 to the ordinary shareholders, and will recommend the payment of a final dividend to the ordinary shareholders of Lm425,000 at the Annual General Meeting on 27 June 2007. The interim dividend is being paid out of tax exempt profits to the ordinary shareholders who will be on the register of members of the company on 30 April 2007. The final dividend will be recommended for the approval of the shareholders at the next Annual General Meeting, and, if approved, will be paid out of tax exempt profits to the shareholders who will be on the register of members of the company on 31 May 2007. Net dividends to the ordinary shareholders with regards to the year ended 31 January 2006 amounted to Lm300,000.

**– DIRECTORS –**

The directors in office during the year ended 31 January 2007 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  
Marquis Marcus John Scicluna Marshall  
Mr. Marcantonio Stagno d'Alcontres  
Dr. Max Ganado LL.D.  
Mr. Alberto Miceli Farrugia A.&C.E.

Mr. Roderick Chalmers M.A. Div. (Edin.), F.C.A., A.T.I.I., F.C.P.A., M.I.A. – appointed on 24 May 2006

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.



Bryan A. Gera  
Chairman

By order of the board



Vincent Curmi  
Vice-Chairman



Louis A. Farrugia  
Group Chief Executive

Registered address: The Brewery, Notabile Road, Mriehel, Malta.  
25 April 2007

## Corporate Governance - Statement of Compliance

This statement is being made by Simonds Farsons Cisk plc (SFC) pursuant to listing rules 8.37 and 8.38 issued by the Listing Authority of the Malta Financial Services Authority and sets out the measures taken to ensure compliance with the Code of Principles of Good Corporate Governance referred to in the said rules.

Since its establishment in 1948 as a public limited liability company, SFC has always adhered to generally accepted standards of good corporate governance encompassing the requirements for transparency, proper accountability and the fair treatment of shareholders. The board of directors has therefore endorsed 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.

**– 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 52), normally each appoint two directors for a total of six, the remaining two directors then being elected by the general public shareholders. Accordingly, no individual or small group of individuals will be in a position to dominate the board. The interests of the directors in the shares of the company are disclosed in this Annual report.

The statute also 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 ensure 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 considered 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 appoint directors as explained above, 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 not considered appropriate. 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**

The board, in fulfilling this mandate within the terms of the company's Memorandum and Articles of Association, and discharging its duty of stewardship of the company and the group, assumes responsibility for the following:

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

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.

The company has an operations board which discusses the operational issues on a monthly basis and a group debtors review board, which monitors the collection of debts. Both boards are composed of executive managers of the group. Each subsidiary has its own management structure and accounting systems and internal controls, and is governed by its own board, whose members comprise SFC directors and/or representatives of the GEB, and/or senior 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 2006, 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. The group internal auditor is always present for the Audit Committee meetings.

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 listing rule 8.72 in terms of its independence.

During the year ended 31 January 2007, the Audit Committee held seven meetings. According to listing rule 8.61, which was modified as from June 2006 and subsequently in March 2007, the Audit Committee shall meet at least six times a year preferably every two months.

*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.

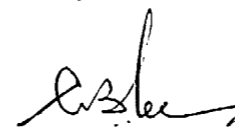
**5. COMMUNICATIONS WITH SHAREHOLDERS AND MARKETS**

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 auditor's 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 25 April 2007 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	Lm37,000
Directors' other emoluments	Lm80,000

**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.

## Independent Auditor's Report on the Statement of Compliance on Corporate Governance

To the shareholders of Simonds Farsons Cisk plc pursuant to listing rule 8.39 issued by the Listing Authority

*Directors' Responsibility*

Listing rules 8.37 and 8.38 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.

*Auditor's Responsibility*

Our responsibility, as auditors of the group, is laid down by listing rule 8.39 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.

*Opinion*

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 8.37 and 8.38 issued by the Listing Authority.

PRICEWATERHOUSECOOPERS 

167, Merchants Street, Valletta, Malta  
25 April 2007

## 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 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 the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that 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.

The directors are responsible for the maintenance and integrity of the group's website.

## Independent Auditor's report

To the shareholders of Simonds Farsons Cisk plc

We have audited the financial statements of Simonds Farsons Cisk Limited on pages 22 to 51 which comprise the group's and the company's balance sheets as at 31 January 2007 and the profit and loss accounts, statements of changes in equity and cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory notes.

*Directors' Responsibility for the Financial Statements*

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Maltese Companies Act, 1995. As described in the statement of directors' responsibilities above, this responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial positions of the group and the company as at 31 January 2007, and of their financial performance and their 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 requirements of the Maltese Companies Act, 1995.

PRICEWATERHOUSECOOPERS 

167, Merchants Street, Valletta, Malta  
25 April 2007

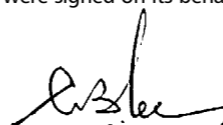
Profit and Loss Accounts

	Notes	Year ended 31 January			
		Group		Company	
		2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
<b>Continuing operations:</b>					
Turnover	1	26,721	26,189	15,624	15,019
Cost of sales	3	(17,002)	(17,014)	(8,804)	(8,648)
<b>Gross profit</b>		<b>9,719</b>	<b>9,175</b>	<b>6,820</b>	<b>6,371</b>
Selling and distribution costs	3	(4,267)	(4,504)	(4,052)	(3,847)
Administrative expenses	3	(4,168)	(4,352)	(1,537)	(1,888)
<b>Operating profit</b>		<b>1,284</b>	<b>319</b>	<b>1,231</b>	<b>636</b>
Fair value gains on investment property	15	370	380	-	-
Impairment of amount due by group undertaking	22	-	-	(50)	(52)
Impairment of investment in associated undertaking	17	-	-	(43)	-
Share of losses of associated undertakings	17	(43)	(4)	-	-
Investment income	6	-	525	281	343
Interest payable	7	(642)	(733)	(550)	(656)
<b>Profit before tax</b>		<b>969</b>	<b>487</b>	<b>869</b>	<b>271</b>
Tax (expense)/income	9	(44)	265	(15)	(61)
<b>Profit for the year from continuing operations</b>		<b>925</b>	<b>752</b>	<b>854</b>	<b>210</b>
<b>Discontinued operations:</b>					
Loss for the year from discontinued operations	10	(57)	(542)	-	-
<b>Profit for the financial year</b>		<b>868</b>	<b>210</b>	<b>854</b>	<b>210</b>
<b>Attributable to:</b>					
Equity holders		868	365	854	210
Minority interest	26	-	(155)	-	-
		868	210	854	210
<b>Earnings per share on profit from continuing operations attributable to the Equity holders during the year</b>					
	11	3c6	2c9		
<b>Earnings per share on loss from discontinued operations attributable to the Equity holders during the year</b>					
	11	(0c2)	(1c5)		


Balance Sheets

	Notes	As at 31 January			
		Group		Company	
		2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
<b>- ASSETS -</b>					
<b>Fixed assets</b>					
Intangible assets	13	1,194	1,481	512	615
<b>Tangible assets</b>					
Property, plant and equipment	14	19,080	14,365	13,008	8,189
Investment property	15	4,270	3,035	-	-
<b>Financial assets</b>					
Investments in group undertakings	16	-	-	7,579	7,578
Investments in associated undertakings	17	5	5	1	1
Investments - Loans and receivables	18	-	-	-	31
Investments - Available-for-sale	19	-	3	-	-
<b>Total fixed assets</b>		<b>24,549</b>	<b>18,889</b>	<b>21,100</b>	<b>16,414</b>
<b>Other non-current assets</b>					
Deferred taxation	20	185	107	-	-
Debtors	22	827	1,014	3,345	2,979
		1,012	1,121	3,345	2,979
<b>Total non-current assets</b>		<b>25,561</b>	<b>20,010</b>	<b>24,445</b>	<b>19,393</b>
<b>Current assets</b>					
Stocks	21	5,786	6,140	3,050	3,324
Debtors	22	6,475	6,971	6,517	6,856
Tax recoverable		195	110	-	-
Cash at bank and in hand		191	226	42	54
		12,647	13,447	9,609	10,234
<b>Non-current assets held for sale</b>	10	1,667	1,661	-	-
<b>Total current assets</b>		<b>14,314</b>	<b>15,108</b>	<b>9,609</b>	<b>10,234</b>
<b>Total assets</b>		<b>39,875</b>	<b>35,118</b>	<b>34,054</b>	<b>29,627</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	6,204	5,878	4,284	4,284
Profit and loss account		5,727	5,485	7,439	6,885
		16,037	15,469	15,829	15,275
Minority interest	26	(7)	64	-	-
<b>Total equity</b>		<b>16,030</b>	<b>15,533</b>	<b>15,829</b>	<b>15,275</b>
<b>Provision for liabilities and charges</b>					
Provision for liabilities and charges	27	138	197	138	197
<b>Creditors: falling due after more than one year</b>					
Interest-bearing borrowings	25	13,416	8,479	11,849	7,585
<b>Total non-current liabilities</b>		<b>13,554</b>	<b>8,676</b>	<b>11,987</b>	<b>7,782</b>
<b>Creditors: falling due within one year</b>					
Interest-bearing borrowings	25	3,008	6,065	1,635	3,705
Trade and other creditors	28	7,139	4,790	4,603	2,859
Current taxation		79	54	-	6
		10,226	10,909	6,238	6,570
<b>Liabilities directly associated with non-current assets classified as held for sale</b>	10	65	-	-	-
<b>Total current liabilities</b>		<b>10,291</b>	<b>10,909</b>	<b>6,238</b>	<b>6,570</b>
<b>Total liabilities</b>		<b>23,845</b>	<b>19,585</b>	<b>18,225</b>	<b>14,352</b>
<b>Total equity and liabilities</b>		<b>39,875</b>	<b>35,118</b>	<b>34,054</b>	<b>29,627</b>

The financial statements on pages 22 to 51 were authorised for issue by the board of directors on 25 April 2007 and were signed on its behalf by:

  
Bryan A. Gera  
Chairman

  
Vincent Curmi  
Vice-Chairman

  
Louis A. Farrugia  
Group Chief Executive

Statements of Changes in Equity

Cash Flow Statements

	Attributable to Equity shareholders						Total Lm'000
	Share capital Lm'000	Share premium Lm'000	Other reserves Lm'000	Profit and loss account Lm'000	Minority interest Lm'000		
	Notes						
<b>- GROUP -</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>
Balance at 1 February 2006		3,214	892	5,878	5,485	64	15,533
Net transfers of fair value gains on investment property, net of deferred tax	24	-	-	326	(326)	-	-
Other movements	26	-	-	-	-	(71)	(71)
Net expenses recognised directly in equity		-	-	326	(326)	(71)	(71)
Profit for the financial year		-	-	-	868	-	868
Total recognised income for 2007		-	-	326	542	(71)	797
Dividends relating to 2006	12	-	-	-	(300)	-	(300)
<b>Balance at 31 January 2007</b>		<b>3,214</b>	<b>892</b>	<b>6,204</b>	<b>5,727</b>	<b>(7)</b>	<b>16,030</b>
		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 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>
Balance at 1 February 2006		3,214	892	4,284	6,885		15,275
Profit for the financial year		-	-	-	854		854
Dividends relating to 2006	12	-	-	-	(300)		(300)
<b>Balance at 31 January 2007</b>		<b>3,214</b>	<b>892</b>	<b>4,284</b>	<b>7,439</b>		<b>15,829</b>

	Notes	Year ended 31 January			
		Group		Company	
		2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
<b>Operating activities</b>					
Cash generated from operations	29	4,727	3,037	2,581	2,146
Interest received		-	-	156	168
Interest paid		(656)	(817)	(550)	(656)
Tax paid		(179)	(237)	(6)	-
Net cash from operating activities		3,892	1,983	2,181	1,658
<b>Investing activities</b>					
Acquisition of intangible assets		(5)	-	-	-
Purchase of property, plant and equipment		(4,579)	(1,929)	(4,104)	(1,590)
Purchase of investment property		(865)	-	-	-
Proceeds from disposal of property, plant and equipment		62	16	40	4
Proceeds from disposal of investment property		-	879	-	-
Movements in investments in group undertakings		-	-	(1)	-
Net cash outflows on acquisition of minority interest		(71)	-	-	-
Increase in investments in associated undertakings		(43)	-	(43)	-
Decrease in loans to group undertakings		-	-	31	859
Proceeds from disposal of available-for-sale investments		3	-	-	-
Net cash used in investing activities		(5,498)	(1,034)	(4,077)	(727)
<b>Financing activities</b>					
Proceeds from short and long-term borrowings		6,054	5,816	5,308	4,856
Redemption of bonds		(2,000)	-	(2,000)	-
Payments of short and long-term borrowings		(492)	(5,824)	(303)	(4,790)
Dividends paid		(300)	(604)	(300)	(604)
Net cash from/(used in) financing activities		3,262	(612)	2,705	(538)
<b>Movement in cash and cash equivalents</b>		<b>1,656</b>	<b>337</b>	<b>809</b>	<b>393</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>(3,428)</b>	<b>(3,765)</b>	<b>(1,357)</b>	<b>(1,750)</b>
<b>Cash and cash equivalents at end of year</b>	30	<b>(1,772)</b>	<b>(3,428)</b>	<b>(548)</b>	<b>(1,357)</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 2007*

In 2007, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 February 2006. The adoption of these revisions to the requirements of IFRSs did not result in substantial changes to the group's accounting policies.

#### *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 after 1 February 2006. 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 significant material impact on the group's financial statements in the period of initial application.

The group has considered the requirements of IFRS 8, Operating Segments (effective from 1 January 2009) and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007). IFRS 8 requires the disclosure of segments as reported for internal purposes. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The group assessed the impact of IFRS 8 and the amendment to IAS 1 and concluded that certain additional disclosures would be necessary upon application of these requirements.

### 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.

#### (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 or is a subsidiary acquired or created exclusively with a view to resale.

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.

### 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 to allocate the cost of

## Accounting Policies (continued)

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 two 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.

**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 twelve 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 twelve 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.

**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.

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.

## Accounting Policies (continued)

**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 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 twelve 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 twelve 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.

## Notes to the Financial Statements

**1. SEGMENT INFORMATION**

	Brewing, production & sale of branded beers & beverages Lm'000	Importation, wholesale & retail of food & beverages, including wines & spirits Lm'000	Operation of franchised food retailing establishments Lm'000	Property management Lm'000	Group Lm'000
<b>2007</b>					
Turnover	16,189	8,910	3,048	536	28,683
Less: inter-segmental sales	(339)	(1,200)	-	(423)	(1,962)
	15,850	7,710	3,048	113	26,721
Segment results	1,645	398	(119)	26	1,950
Unallocated costs					(666)
Operating profit					1,284
Fair value gains on investment property	-	-	-	370	370
Interest payable					(642)
Share of losses of associated undertakings					(43)
Profit before tax					969
Tax expense					(44)
Profit for the year from continuing operations					925
Loss for the year from discontinued operations	-	-	-	(57)	(57)
Profit for the financial year					868
Segment assets	23,173	6,342	3,324	5,179	38,018
Assets held for sale	-	-	-	1,667	1,667
Associated undertakings	-	-	-	5	5
Unallocated assets					185
Total assets					39,875
Segment liabilities	5,281	693	723	580	7,277
Liabilities held for sale	-	-	-	65	65
Unallocated liabilities					16,503
Total liabilities					23,845
Capital expenditure	6,127	14	236	1,276	7,653
Depreciation	1,353	69	204	32	1,658
Impairment of intangible assets	-	-	55	-	55
Impairment of property, plant and equipment	-	-	-	56	56
Amortisation	112	118	16	-	246
Impairment provision for debtors	(20)	9	-	-	(11)
Restructuring costs	12	-	-	-	12

## Notes to the Financial Statements (continued)

## 1. SEGMENT INFORMATION (continued) –

	Brewing, production & sale of branded beers & beverages Lm'000	Importation, wholesale & retail of food & beverages, including wines & spirits Lm'000	Operation of franchised food retailing establishments Lm'000	Property management Lm'000	Group 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	801	226	(88)	31	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
<b>Loss for the year from discontinued operations</b>	-	-	-	(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

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	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
Depreciation of property, plant and equipment (note 14)	1,658	1,703	1,084	1,087
Staff costs (note 4)	5,908	6,213	2,980	3,154
Termination benefits (note 4)	12	224	12	197
Raw materials, imported goods and consumables	11,944	11,847	3,479	3,132
Changes in stocks of finished goods and work in progress (note 21)	(310)	(116)	(122)	(127)
Impairment charges (notes 13 and 14)	55	108	-	-
Impairment provisions for debtors (note 22)	(11)	195	27	156
Amortisation of intangible assets (note 13)	237	236	103	103
Operating motor vehicles lease rentals payable	113	129	90	103
Other expenses	5,831	5,331	6,740	6,578
<b>Total cost of sales, selling and distribution costs and administrative expenses</b>	<b>25,437</b>	<b>25,870</b>	<b>14,393</b>	<b>14,383</b>

Auditors' remuneration amounted to Lm34,000 (2006: Lm33,000) for the group and Lm11,000 (2006: Lm11,000) for the company respectively.

## 4. STAFF COSTS –

	Group		Company	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
Wages and salaries	5,484	5,761	3,488	3,737
Social security costs	405	434	271	289
Other pension costs	19	18	19	18
	5,908	6,213	3,778	4,044
Recharged to group undertakings	-	-	(798)	(890)
	5,908	6,213	2,980	3,154
Termination benefits	12	224	12	197
	5,920	6,437	2,992	3,351

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

	Group		Company	
	2007	2006	2007	2006
Brewing, production and sale of branded beers and beverages	518	538	462	493
Importation, wholesale and retail of food and beverages, including wines and spirits	111	117	-	-
Operation of franchised food retailing establishments	200	203	-	-
Property management	1	3	-	-
	830	861	462	493

## Notes to the Financial Statements (continued)

## 5. DIRECTORS' EMOLUMENTS

	Group		Company	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
Directors' fees	37	40	37	40
Directors' other emoluments	80	81	80	81
	117	121	117	121

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 2007 includes emoluments amounting to Lm33,000 (2006: Lm39,000) which were recharged to group undertakings.

## 6. INVESTMENT INCOME

	Group		Company	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
Profit on disposal of investment property	-	525	-	-
Dividends receivable from group undertakings	-	-	125	175
Interest on amounts owed by group undertakings	-	-	156	168
	-	525	281	343

## 7. INTEREST PAYABLE

	Group		Company	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
Bank loans and overdrafts	287	417	184	259
Bonds	358	389	358	389
Other finance costs	11	11	8	8
	656	817	550	656

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 2007, borrowing costs amounting to Lm27,000 (2006: Lm10,000) 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 2.5% (2006: 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 loans 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	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
Foreign exchange differences	111	3	60	(52)
Fair value (losses)/gains on derivative instruments:				
- Foreign exchange forward contracts	(13)	11	(13)	11
	98	14	47	(41)

## 9. TAX EXPENSE/(INCOME)

	Group		Company	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
Disclosed as:				
Continuing operations	44	(265)	15	61
Current tax expense	122	109	15	61
Deferred tax income (note 20)	(78)	(374)	-	-
<b>Tax expense/(income)</b>	<b>44</b>	<b>(265)</b>	<b>15</b>	<b>61</b>

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	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
Profit from continuing operations	969	487	869	271
Loss from discontinued operations (note 10)	(57)	(542)	-	-
Results before tax	912	(55)	869	271
Tax on results at 35%	319	(19)	304	95
Tax effect of:				
Benefits available under the Business Promotion Act, including reduced rates of tax, investment tax credits and allowances	(3,862)	(396)	(3,862)	(396)
Differences attributable to tax rules applicable to immovable property and related profits	(85)	(531)	(29)	-
Unrecognised deferred tax assets	3,544	372	3,553	300
Non allowable expenses	128	122	51	54
Impairment charges on fixed assets	19	179	-	-
Other differences	(19)	8	(2)	8
<b>Tax expense/(income)</b>	<b>44</b>	<b>(265)</b>	<b>15</b>	<b>61</b>

## 10. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS (AND RELATED LIABILITIES) HELD FOR SALE

The assets and liabilities 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 and liabilities. The completion date for the transaction was 13 March 2007. An analysis of the results of the related discontinued operations, and the results recognised on the re-measurement of assets, including the related non-current assets and liabilities held for sale is as follows:

	Group	
	2007 Lm'000	2006 Lm'000
<b>Discontinued operations</b>		
Turnover	48	134
Depreciation	-	(134)
Other operating costs	(35)	(54)
Operating profit/(loss)	13	(54)
Interest payable (note 7)	(14)	(84)
Loss before tax from discontinued operations	(1)	(138)
Loss recognised on the re-measurement of assets	(56)	(404)
<b>Loss for the year from discontinued operations</b>	<b>(57)</b>	<b>(542)</b>
Operating cash flows	(146)	(18)
Investing cash flows	-	(6)
Financing cash flows	150	(872)
<b>Total cash flows</b>	<b>4</b>	<b>(896)</b>

## Notes to the Financial Statements (continued)

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

	Group	
	2007	2006
	Lm'000	Lm'000
<b>Non-current assets held for sale</b>		
Property, plant and equipment	1,605	1,661
Trade and other debtors	62	-
Net book amount	1,667	1,661

	Group	
	2007	2006
	Lm'000	Lm'000
<b>Liabilities directly attributable to non-current assets held for sale</b>		
Trade creditors and accruals	65	-

**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	
	2007	2006
Profit attributable to equity holders on continuing operations (Lm'000)	925	752
Loss attributable to equity holders on discontinued operations (Lm'000)	(57)	(387)
Total profit attributable to equity holders (Lm'000)	868	365
Weighted average number of ordinary shares in issue (thousands)	25,714	25,714
Earnings per share on profit from continuing operations	3c6	2c9
Earnings per share on loss from discontinued operations	(0c2)	(1c5)

**12. DIVIDENDS**

	Company	
	2007	2006
	Lm'000	Lm'000
<b>Ordinary shares</b>		
Interim dividend	50	90
Final dividend	250	514
Total net dividend	300	604
Cents per share (net)	1c2	2c3

The interim dividend of Lm50,000 and the final dividend of Lm250,000 in respect of the year ended 31 January 2006, were announced to the ordinary shareholders on 26 April 2006 and 28 June 2006 respectively. The interim dividends were paid out of taxed profits and the final dividends were paid out of tax exempt profits.

A net interim dividend of Lm75,000 was announced on 18 April 2007 and is payable to the ordinary shareholders on 16 May 2007. At the forthcoming Annual General Meeting, a final net dividend of Lm425,000 in respect of the financial year ended 31 January 2007 is to be proposed.

The interim and final dividends are being paid out of tax exempt profits resulting in a net dividend to the ordinary shareholders of Lm500,000. 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 2008.

**13. INTANGIBLE ASSETS**

Group	Goodwill	Franchise & agency rights	Total
<b>At 1 February 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
<b>Year ended 31 January 2007</b>			
Opening net book amount	399	1,082	1,481
Additions	-	5	5
Amortisation	-	(237)	(237)
Impairment charge	-	(55)	(55)
Closing net book amount	399	795	1,194
<b>At 31 January 2007</b>			
Cost	454	1,917	2,371
Accumulated amortisation and impairment	(55)	(1,122)	(1,177)
Net book amount	399	795	1,194

Amortisation of Lm120,000 (2006: Lm119,000) is included in cost of sales, and Lm117,000 (2006: Lm117,000) in administrative expenses within the profit and loss account.

The impairment charge of Lm55,000 for 2007 is included in administrative costs while the impairment charge of Lm55,000 for 2006 is included in cost of sales.

The impairment charge for 2007 is attributable to franchise rights related to a franchised outlet. The related intangible 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.

**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:

	2007	2006
	Lm'000	Lm'000
Brewing, production and sale of branded beers & beverages	82	82
Importation, wholesale and retail of food & beverages, including wines & spirits	317	317
Net book amount	399	399

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.

In 2006, 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	
	2007 Lm'000	2006 Lm'000
<b>Franchise rights</b>		
<b>Year ended 31 January</b>		
Opening net book amount	615	718
Amortisation	(103)	(103)
Closing net book amount	512	615
<b>At 31 January</b>		
Cost	1,031	1,031
Accumulated amortisation	(519)	(416)
Net book amount	512	615

As at 1 February 2005, the cost and accumulated amortisation of the company's franchise rights amounted to Lm1,031,000 and Lm313,000 respectively. Amortisation charge for the year is included in cost of sales.

14. PROPERTY, PLANT AND EQUIPMENT –

Group	Land & buildings Lm'000	Assets in course of construction Lm'000	Plant, machinery & equipment Lm'000	Total Lm'000
<b>At 1 February 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	(1,504)	-	(561)	(2,065)
Depreciation released on disposals	-	-	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
<b>Year ended 31 January 2007</b>				
Opening net book amount	7,878	1,131	5,356	14,365
Additions	73	5,570	770	6,413
Disposals	(84)	-	(193)	(277)
Depreciation	(171)	-	(1,487)	(1,658)
Depreciation released on disposals	84	-	153	237
Closing net book amount	7,780	6,701	4,599	19,080
<b>At 31 January 2007</b>				
Cost	10,153	6,701	32,360	49,214
Accumulated depreciation and impairment	(2,373)	-	(27,761)	(30,134)
Net book amount	7,780	6,701	4,599	19,080

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

14. PROPERTY, PLANT AND EQUIPMENT (continued) –

Company	Land & buildings Lm'000	Assets in course of construction Lm'000	Plant, machinery & equipment Lm'000	Total Lm'000
<b>At 1 February 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 disposals	-	-	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
<b>Year ended 31 January 2007</b>				
Opening net book amount	2,808	1,131	4,250	8,189
Additions	10	5,570	358	5,938
Disposals	-	-	(154)	(154)
Depreciation	(72)	-	(1,012)	(1,084)
Depreciation released on disposals	-	-	119	119
Closing net book amount	2,746	6,701	3,561	13,008
<b>At 31 January 2007</b>				
Cost	4,244	6,701	24,583	35,528
Accumulated depreciation	(1,498)	-	(21,022)	(22,520)
Net book amount	2,746	6,701	3,561	13,008

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 commenced in 2006 and progressed during the financial year ended 31 January 2007.

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 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	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
<b>Continuing operations:</b>				
Depreciation charge (note 3)	1,658	1,703	1,084	1,087
Impairment charge (note 3)	-	53	-	-
	1,658	1,756	1,084	1,087
<b>Discontinued operations:</b>				
Depreciation charge (note 10)	-	134	-	-
	1,658	1,890	1,084	1,087

## Notes to the Financial Statements (continued)

## 15. INVESTMENT PROPERTY

	Group		Company	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
<b>Year ended 31 January</b>				
Opening net book amount	3,035	3,009	-	-
Additions	865	-	-	-
Disposals	-	(354)	-	-
Fair value gains for the year	370	380	-	-
Closing net book amount	4,270	3,035	-	-
<b>At 31 January</b>				
Cost	2,011	1,146	-	-
Fair value gains	2,259	1,889	-	-
Net book amount	4,270	3,035	-	-

As at 1 February 2005, the cost and fair value gain attributable to the group's investment property amounted to Lm1,258,000 and Lm1,751,000 respectively.

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 (2006: Lm726,000).

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

	Group		Company	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
Rental income	113	117	-	-
Direct operating expenses arising from investment property that generate rental income	(87)	(84)	-	-

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

	Group		Company	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
<b>At 31 January</b>				
Cost	2,011	1,146	-	-
Accumulated depreciation	(68)	(62)	-	-
Net book amount	1,943	1,084	-	-

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

## 16. INVESTMENTS IN GROUP UNDERTAKINGS

	Company	
	2007 Lm'000	2006 Lm'000
<b>Year ended 31 January</b>		
Opening net book amount	7,578	7,578
Additions	1	-
Closing net book amount	7,579	7,578
<b>At 31 January</b>		
Cost	8,129	8,128
Impairment provision for investments	(550)	(550)
Net book amount	7,579	7,578

The principal group undertakings all of which are unlisted at 31 January 2007 are shown below:

	Registered office	Principal activities	Percentage of shares held	
			2007	2006
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 S.r.l.	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	The Brewery, Notabile Road, Mriehel	Leisure and shopping mall	100	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	The Brewery, Notabile Road, Mriehel	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 S.r.l.	Via Fratelli Rosselli 17/13 31020 Villorba (TV) 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	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
<b>Year ended 31 January</b>				
Opening net book amount	5	9	1	1
Additions	43	-	43	-
Impairment provision for investments	-	-	(43)	-
Share of results of associated undertaking	(43)	(4)	-	-
Closing net book amount	5	5	1	1
<b>At 31 January</b>				
Cost	44	1	44	1
Share of undertakings' results and reserves	(39)	4	-	-
Impairment provision for investments	-	-	(43)	-
Net book amount	5	5	1	1

The principal associated undertakings which are unlisted at 31 January 2007 are shown below:

	Registered office	Principal activities	Percentage of shares held	
			2007	2006
FSG Company Limited	The Brewery, Notabile Road, Mriehel	Investment holding	50	50
Malta Deposits and Return Systems Limited	Mizzi House, National Road, Blata I-Bajda	Waste management activities	56	-

Summarised financial information of the principal associated undertakings as at 31 January is as follows:

	Assets Lm'000	Liabilities Lm'000	Profit/(Loss) Lm'000
At 31 January 2006	384	381	3
Movements	22	49	(103)
At 31 January 2007	406	430	(100)

## 18. INVESTMENTS - LOANS AND RECEIVABLES

	Group		Company	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
<b>Loans to group undertakings</b>				
<b>Year ended 31 January</b>				
Opening net book amount	-	-	31	890
Repayments	-	-	(31)	(859)
Closing net book amount	-	-	-	31
<b>At 31 January</b>				
Cost and net book amount	-	-	-	31

In 2006, loans to group undertakings were unsecured, with an interest rate of 6.6% and were repayable by 2013.

## 19. INVESTMENTS - AVAILABLE-FOR-SALE

	Group		Company	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
<b>Unquoted equity instruments</b>				
<b>Year ended 31 January</b>				
Opening net book amount	3	3	-	-
Disposals	(3)	-	-	-
Closing net book amount	-	3	-	-
<b>At 31 January</b>				
Cost and net book amount	-	3	-	-

## 20. DEFERRED TAXATION

Deferred taxation is calculated on all temporary differences under the liability method, using the principal tax rate of 5% (2006: 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% (2006: 35%), except for temporary differences on immovable property that are calculated under the liability method using a principal tax rate of 12% (2006: 12%) on the carrying amounts.

The movement in the deferred tax account is as follows:

	Group		Company	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
At beginning of year	107	(267)	-	-
Credited to profit and loss account (note 9)	78	374	-	-
<b>At end of year</b>	<b>185</b>	<b>107</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 investment 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 2005	86	20	(613)	(15)	255	(267)
Profit and loss - (charge)/credit	(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>
At 1 February 2006	29	104	(293)	(15)	282	107
Profit and loss - credit/(charge)	19	8	(44)	67	28	78
<b>At 31 January 2007</b>	<b>48</b>	<b>112</b>	<b>(337)</b>	<b>52</b>	<b>310</b>	<b>185</b>

## Company

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>
At 1 February 2006	(296)	104	-	(40)	232	-
Profit and loss - (charge)/credit	(26)	8	-	-	18	-
<b>At 31 January 2007</b>	<b>(322)</b>	<b>112</b>	<b>-</b>	<b>(40)</b>	<b>250</b>	<b>-</b>

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

At 31 January 2007, the group and the company had unrecognised deferred tax assets consisting of unutilised tax credits arising from:

	Group		Company	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
Unutilised investment tax credits	5,303	1,750	5,303	1,750
Unabsorbed tax losses	133	129	-	-
Unabsorbed capital allowances	244	257	-	-
	<b>5,680</b>	<b>2,136</b>	<b>5,303</b>	<b>1,750</b>

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

In 2006, Government 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.

## Notes to the Financial Statements (continued)

## 21. STOCKS –

	Group		Company	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
Raw materials and consumables	1,501	1,505	1,146	1,245
Finished goods and goods for resale	2,753	2,924	881	900
General stores	814	953	357	460
Bottles, cases and kegs	718	758	666	719
	<b>5,786</b>	<b>6,140</b>	<b>3,050</b>	<b>3,324</b>

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

	Group		Company	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
Cost of sales	271	262	124	126
Selling and distribution costs	15	17	-	-
	<b>286</b>	<b>279</b>	<b>124</b>	<b>126</b>

## 22. DEBTORS –

	Group		Company	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
<b>Non-current</b>				
Amounts due from group undertakings	-	-	2,538	1,965
Other debtors	827	1,014	807	1,014
	<b>827</b>	<b>1,014</b>	<b>3,345</b>	<b>2,979</b>
<b>Current</b>				
Trade debtors	3,954	4,496	2,360	2,549
Amounts due from group undertakings	-	-	2,622	2,924
Amounts due from associated undertakings	183	191	183	191
Indirect taxation	125	121	-	-
Other debtors	1,345	1,551	1,041	1,130
Prepayments and accrued income	868	612	311	62
	<b>6,475</b>	<b>6,971</b>	<b>6,517</b>	<b>6,856</b>
<b>Total debtors</b>	<b>7,302</b>	<b>7,985</b>	<b>9,862</b>	<b>9,835</b>

Debtors are stated net of impairment provision as follows:

Trade and other debtors	956	967	610	633
Amounts due from group undertakings	-	-	183	133

The impairment provision for debtors is disclosed in note 3 and is 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 Lm3,891,000 (2006: Lm2,496,000) which is subject to an average interest rate of 4.8% (2006: 5.2%).

## 23. SHARE CAPITAL –

	Company	
	2007 Lm'000	2006 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 Lm'000	Incentives & benefits reserve Lm'000	Capital redemption reserve Lm'000	Total Lm'000
	<b>Group</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>
At 1 February 2006	1,594	1,080	3,204	5,878
Fair value gains on investment property	370	-	-	370
Deferred tax on fair value gains for the year	(44)	-	-	(44)
<b>At 31 January 2007</b>	<b>1,920</b>	<b>1,080</b>	<b>3,204</b>	<b>6,204</b>
<b>Company</b>				
<b>At 31 January 2006 and 31 January 2007</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	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
<b>Non-current</b>				
6.6% Bonds 2010-2012	3,972	3,966	3,972	3,966
Bank loans	9,444	4,493	7,877	3,599
Business Promotion Act – soft loan	-	20	-	20
	<b>13,416</b>	<b>8,479</b>	<b>11,849</b>	<b>7,585</b>
<b>Current</b>				
Bank overdrafts	1,963	3,654	590	1,411
6.25% Bonds 2006-2008	-	1,997	-	1,997
Bank loans	1,025	324	1,025	257
Business Promotion Act – soft loan	20	40	20	40
Other loans	-	50	-	-
	<b>3,008</b>	<b>6,065</b>	<b>1,635</b>	<b>3,705</b>
<b>Total borrowings</b>	<b>16,424</b>	<b>14,544</b>	<b>13,484</b>	<b>11,290</b>

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

	Group		Company	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
<b>Face value of bonds</b>				
6.25% Bonds 2006-2008	-	2,000	-	2,000
6.6% Bonds 2010-2012	4,000	4,000	4,000	4,000
	<b>4,000</b>	<b>6,000</b>	<b>4,000</b>	<b>6,000</b>
Issue costs	(64)	(64)	(64)	(64)
Accumulated amortisation	36	27	36	27
Net book amount	<b>(28)</b>	<b>(37)</b>	<b>(28)</b>	<b>(37)</b>
<b>Amortised cost</b>	<b>3,972</b>	<b>5,963</b>	<b>3,972</b>	<b>5,963</b>

The quoted market price as at 31 January 2007 for the 6.6% Bonds 2010-2012 was Lm104 (2006: Lm105). The quoted market price for the 6.25% Bonds 2006-2008 redeemed during the year was Lm102 as at 31 January 2006.

The group's and company's banking facilities as at 31 January 2007 and 2006 amounted to Lm16,659,650 and Lm16,984,400 for the group, and Lm12,503,000 and Lm11,505,000 for the company respectively.

The carrying amount of borrowings are denominated in the following currencies:

	Group		Company	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
Euro	3,824	4,961	3,008	4,001
Maltese liri	12,600	9,583	10,476	7,289
<b>Total borrowings</b>	<b>16,424</b>	<b>14,544</b>	<b>13,484</b>	<b>11,290</b>

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. In 2006, other loans related to loans by third parties.

Interest rate exposure:

	Group		Company	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
At floating rates	12,432	7,274	9,492	4,020
At fixed rates	3,992	7,270	3,992	7,270
<b>Total borrowings</b>	<b>16,424</b>	<b>14,544</b>	<b>13,484</b>	<b>11,290</b>

## 25. INTEREST-BEARING BORROWINGS (continued)

Weighted average effective interest rates at balance sheet date:

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
Bank overdrafts	4.94	3.91	4.68	3.52
Bank loans	4.92	3.85	4.95	3.74
Bonds 2006-2008	-	6.25	-	6.25
Bonds 2010-2012	6.60	6.60	6.60	6.60
Business Promotion Act – soft loan	3.25	2.75	3.25	2.75
Other loans	-	4.50	-	-

Maturity of borrowings falling due after more than one year:

	Group		Company	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
Between 1 and 2 years	1,253	678	1,120	545
Between 2 and 5 years	7,780	6,414	6,829	6,214
Over 5 years	4,383	1,387	3,900	826
	<b>13,416</b>	<b>8,479</b>	<b>11,849</b>	<b>7,585</b>

## 26. MINORITY INTEREST

	Group	
	2007 Lm'000	2006 Lm'000
At beginning of year	64	219
Acquisition of share in minority interest	(71)	-
Share of net results of group undertakings	-	(155)
<b>At end of year</b>	<b>(7)</b>	<b>64</b>

## 27. PROVISION FOR LIABILITIES AND CHARGES

	Group		Company	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
<b>Restructuring provision</b>				
At 1 February	197	-	197	-
Charged to the profit and loss account	12	197	12	197
Utilised during the year	(71)	-	(71)	-
<b>At 31 January</b>	<b>138</b>	<b>197</b>	<b>138</b>	<b>197</b>

In 2006, the company offered early retirement in exchange for a termination benefit to selected employees. It is anticipated that Lm63,000 (2007: Lm59,000) of the provision will be utilised during the following financial year end.

## 28. TRADE AND OTHER CREDITORS

	Group		Company	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
<b>Current</b>				
Trade creditors	2,007	1,651	1,056	769
Capital and other creditors	2,824	952	2,298	544
Indirect taxes and social security	526	535	337	300
Accruals and deferred income	1,782	1,652	912	1,246
	<b>7,139</b>	<b>4,790</b>	<b>4,603</b>	<b>2,859</b>

Notes to the Financial Statements (continued)

29. CASH GENERATED FROM OPERATIONS

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

	Group		Company	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
Operating profit from continuing operations	1,284	319	1,231	636
Operating loss from discontinued operations (note 10)	(43)	(458)	-	-
Operating profit/(loss)	1,241	(139)	1,231	636
Adjustments for:				
Depreciation of property, plant and equipment (note 14)	1,658	1,837	1,084	1,087
Impairment of property, plant and equipment (notes 10 and 14)	56	457	-	-
(Profit)/loss on disposal of property, plant and equipment	(22)	31	(5)	41
Impairment of intangible assets (note 13)	55	55	-	-
Amortisation of intangible assets (note 13)	237	236	103	103
Amortisation of bond issue costs (note 25)	9	9	9	9
Provision for termination benefits (note 27)	12	197	12	197
	3,246	2,683	2,434	2,073
Changes in working capital:				
Stocks	354	516	274	500
Trade and other debtors	620	49	33	(420)
Trade and other creditors	507	(211)	(160)	(7)
Cash generated from operations	4,727	3,037	2,581	2,146

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	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
Cash at bank and in hand	191	226	42	54
Bank overdrafts	(1,963)	(3,654)	(590)	(1,411)
	(1,772)	(3,428)	(548)	(1,357)

31. CONTINGENT LIABILITIES

At 31 January 2007, the group and the company had contingent liabilities amounting to Lm1,963,000 (2006: Lm450,000) and Lm1,652,000 (2006: Lm139,000) respectively, with regards to guarantees issued by the bank on their behalf in favour of third parties related to the ordinary course of business and capital expenditure.

At 31 January 2007, guarantees amounting to Lm2,884,000 (2006: Lm2,984,000) were given by the company with regards to bank facilities of group undertakings.

32. 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	
	2007	2006
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% (2006: 20.68%) of the shares are widely held. The following transactions were carried out with related parties:

	Group		Company	
	2007 Lm'000	2006 Lm'000	2007 Lm'000	2006 Lm'000
<b>Income from goods and services</b>				
- Sales of goods to group undertakings	-	-	971	1,182
- Recharge of costs to group undertakings	-	-	365	339
- Recharge of payroll costs to group undertakings	-	-	798	890
- Interest receivable on loans to group undertakings	-	-	156	168
	-	-	2,290	2,579
<b>Expenditure for goods and services</b>				
- Purchases of goods from group undertakings	-	-	348	316
- Services payable to group undertakings	-	-	3,682	3,487
- Rents charged from group undertakings	-	-	106	87
- Purchases of goods and services from related parties	342	279	251	249
	342	279	4,387	4,139

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 Lm50,000 (2006: Lm52,000) have been recognised in 2007 in respect of amounts due from group undertakings in connection with group financing activities.

## Notes to the Financial Statements (continued)

**33. 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 certain 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 2007 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	
	2007	2006
	Lm'000	Lm'000
US Dollar (at rates averaging Lm1 = USD3.018 [2006: USD2.7719])	398	253

The fair values of open contracts at 31 January 2007 and 2006 which hedge anticipated future foreign currency purchases were 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 provision for debtors. 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. Note 25 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 2007 and 2006 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.

**34. COMMITMENTS –****Capital commitments**

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

	Group		Company	
	2007	2006	2007	2006
	Lm'000	Lm'000	Lm'000	Lm'000
Contracted but not provided for	367	403	367	391
Authorised but not contracted	5,244	11,922	4,741	11,435
	5,611	12,325	5,108	11,826

Lm3.5million (2006: Lm10.6million) 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 and a distribution centre, whose development substantially progressed in 2007.

**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	
	2007	2006	2007	2006
	Lm'000	Lm'000	Lm'000	Lm'000
Not later than 1 year	234	243	30	28
Later than 1 year and not later than 5 years	851	938	-	-
Later than 5 years and not later than 30 years	2,573	2,633	-	-
Later than 30 years	7,446	7,534	-	-
	11,104	11,348	30	28

Non-cancellable operating lease payments disclosed above as 'Later than 30 years' expire within 78 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	
	2007	2006	2007	2006
	Lm'000	Lm'000	Lm'000	Lm'000
Not later than 1 year	100	187	-	7
Later than 1 year and not later than 5 years	426	416	-	-
Later than 5 years	1,286	1,396	-	-
	1,812	1,999	-	7

**35. STATUTORY INFORMATION –**

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

**36. 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

## Five Year Summarised Group Results

## Directors' interests in the Company

	Ordinary shares held as at 31 January 2007	Ordinary shares held as at 20 April 2007
Bryan A. Gera	75,077	75,077
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	9,530	9,530

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 2007 to 20 April 2007.

## Shareholders holding 5% or more of the equity share capital at 20 April 2007

	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 20 April 2007, the Company's issued share capital was held by the following shareholders:

	Number of shareholders
Ordinary shares of 12c5 each	1,729

The holders of the Ordinary shares have equal voting rights.

## Number of shareholders as at 20 April 2007

	Number of shareholders	Number of shares	Percentage holding
Ordinary shares of 12c5 each			
Up to 500 shares	534	132,247	0.51
501 - 1,000	326	237,996	0.93
1,001 - 5,000	677	1,572,060	6.11
More than 5,000	192	23,771,983	92.45
	1,729	25,714,286	100.00

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Company Secretary

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	2007 Lm'000	2006 Lm'000	2005 Lm'000	2004 Lm'000	2003 Lm'000
<b>Turnover</b>	<b>26,769</b>	26,323	26,781	24,725	23,592
Operating costs	(25,528)	(26,462)	(25,447)	(22,933)	(21,802)
<b>Operating profit/(loss)</b>	<b>1,241</b>	(139)	1,334	1,792	1,790
Changes in fair value of investment property	370	380	269	125	272
Investment income	-	525	20	28	226
Finance costs	(656)	(817)	(805)	(808)	(797)
Share of results of associated undertakings	(43)	(4)	8	-	(123)
<b>Profit/(loss) before tax</b>	<b>912</b>	(55)	826	1,137	1,368
Taxation	(44)	265	(217)	1,441	(148)
<b>Profit before minority interest</b>	<b>868</b>	210	609	2,578	1,220
Minority interest	-	155	15	112	(4)
<b>Profit attributable to Ordinary shareholders</b>	<b>868</b>	365	624	2,690	1,216
Dividends declared on:					
Ordinary shares	300	604	604	460	400
Preference shares	-	-	-	-	156
<b>Total dividends (net)</b>	<b>300</b>	604	604	460	556
Shareholders' funds	16,030	15,533	15,927	15,922	13,800
Borrowings	16,424	14,544	14,998	12,642	13,652
Deferred tax	-	-	267	167	1,603
<b>Total capital employed</b>	<b>32,454</b>	30,077	31,192	28,731	29,055
Fixed assets	24,549	18,439	21,231	19,715	20,104
Non-current assets	1,012	1,121	1,075	1,189	1,316
Current assets	12,647	13,897	13,994	12,627	12,071
Assets held for sale	1,667	1,661	-	-	-
Liabilities (excluding borrowings)	(7,421)	(5,041)	(5,108)	(4,800)	(4,436)
<b>Total assets less current liabilities</b>	<b>32,454</b>	30,077	31,192	28,731	29,055
Shares in issue during the financial year:					
- Ordinary shares	'000 25,714	25,714	25,714	25,714	24,413
- 6% Preference shares of Lm10 each	'000 -	-	-	-	216
Number of Ordinary and Preference shareholders	1,729	1,752	1,699	1,708	1,699
Earnings per Ordinary share	3c4	1c4	2c4	10c5	4c3
Return on average capital employed	percentage 5.0	3.0	5.5	7.1	7.5
Dividend cover	times 2.89	0.60	1.03	5.85	2.19
Dividends per Ordinary share (net of tax)	1c2	2c3	2c3	1c8	1c6
Net asset value per Ordinary share	62c	60c	62c	62c	57c
Gearing	percentage 50.6	48.4	48.1	44.0	47.0

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.