



The Next Step...



In 2008 we had inaugurated our new Soft Drinks Packaging Hall and Logistics Centre which comprised an investment of Euro24,000,000. We now take our next step – an investment of a further Euro14,000,000 in a new state-of-the-art Brewhouse that will complete the total renewal of our Company's operations. This clearly demonstrates how Farsons remains on the move to face new challenges and address new opportunities with optimism.

Louis A. Farrugia – Group Chief Executive

The shape of things to come - what the new brewhouse will look like when the Euro 14 million investment project is complete.



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Directors, Board Committees, Group Executives & 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
 Marina Hogg
 Marquis Marcus John Scicluna Marshall
 Roderick Chalmers
 Arthur Muscat – Company Secretary

Group Executive Board

Louis A. Farrugia – Chairman & Group Chief Executive
 Norman Aquilina – Group Chief Executive Designate
 Charles Xuereb – Chief Financial Officer
 Paul Micallef – Chief Projects Officer
 Ray Sciberras – Chief Operations Officer
 Antoinette Caruana – Group HR Manager
 Arthur Muscat – Company Secretary

Corporate Governance Committee

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

Related Party Transactions Committee

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

New Ventures/Acquisitions/ Mergers Committee

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

Board Performance Evaluation Committee

Roderick Chalmers – Chairman
 Bryan A. Gera
 Marcantonio Stagno d'Alcontres
 Vincent Curmi

Remuneration Committee

Bryan A. Gera – Chairman
 Dr. Max Ganado
 Marina Hogg
 Roderick Chalmers
 Vincent Curmi

Audit Committee

Vincent Curmi – Chairman
 Dr. Max Ganado
 Marina Hogg
 Marquis Marcus John Scicluna Marshall

Senior Management

Adrian Tonna – Sales Manager Wines and Spirits
 Albert F. Calleja – Chief Development Officer
 Philip Farrugia – General Manager
 Quintano Foods Limited
 Pierre Stafrace – General Manager FBIC Limited
 Stefania Conte – Chief Sales Officer
 Stephen Sultana – Senior Manager International
 Business Development
 Susan Weenink – Senior Manager Marketing Operations

Farsons Foundation Board of Trustees

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



Farsons

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Chairman's Statement

It is my pleasure to present to you our results for the year ending 31st January 2010. Naturally I am more than delighted to present an encouraging set of results in what has been a difficult economic environment prevailing during the past year.

The Farsons Group has announced profits before tax of €3.2 million for the financial year ending 31 January 2010 – a marked improvement of €2.4 million over the results for the previous year. This increase in profits has been achieved despite a marginal decline in the group turnover from €66.4 million in 2009 to €65.1 million for the current year.

The improvement in group operating profit was the result of the group's determined efforts to attain targeted production and distribution efficiencies emanating from the major capital expenditure programme undertaken in 2006–2008, the continuing focus on the containment and reduction of operating and administrative costs, and the implementation of its declared strategy of divesting itself from loss making operations. A number of other factors contributed to these positive results, including a more effective sales and marketing strategy, decreases in the cost of raw materials and certain one-off charges on old plant and early retirement charges.

All business segments improved their profitability, with the brewing production and sale of branded beers and beverages' segment reporting a marked increase of €1.3 million in contribution to profits as compared with the result from the segment for the prior financial year.

All our business segments faced difficult challenges, and these are highlighted in the Group Chief Executive's Review. We are however satisfied that your group has maintained a good share of the beer and beverage market, and that it is growing its wide portfolio of imported wines and spirits while offering our customers a good service at competitive prices. Throughout this past year we continued to expand and invest in our food importation and franchised food businesses, with the relocation of Quintano Foods Limited to Marsa, the opening of Pizza Hut at the PAVI Shopping Complex and KFC at the Malta International Airport.

An important aspect of our results has been the significant improvement in our positive cash flow generation. Group indebtedness decreased considerably compared to the previous financial year figure to €38.5 million from €44.0 million.

EBITDA (Earnings before interest, tax, depreciation and amortisation) for financial year 2010 amounted to €10.2 million, an improvement of over €2 million for the year. The gearing ratio, that is, the ratio of debt on equity and debt at the year end stood at 31.4%, also an improvement over the previous year's 34.8%.

As a result of this improvement in our results your board is proposing to pay a record total dividend amounting to €1,800,000 (out of tax exempt profits), of which €300,000 has already been paid by way of an interim dividend in October 2009. This total dividend amounts to €0.06 per share.

Last year I reported that your board was studying and finalising plans for an investment in a new brewhouse facility. In February of this year we announced that the project had been approved by the board, and that the required planning permissions had been obtained. The total investment in this project is expected to amount to €14 million, including costs relating to a water treatment facility. Preparatory work on the project is at an advanced stage, and civil works are expected to commence in July 2010.

When completed, this project will totally free up the façade of the brewery for eventual further re-development in due course. The release of the old brewhouse will eventually make the whole façade available for other uses, and management is already working to see what will be the best use for this part of the building. Overall, an area of about 22,000 square metres along Mdina Road will be available for future development. Such development concepts could include a business park, complemented by a visitors' centre near the old brewhouse, food, beverage and leisure facilities, and some retail sales outlets. This evaluation is being handled via Trident Developments Limited, a wholly owned subsidiary of the Farsons Group, which has commissioned a preliminary study by international consultants.

The outlook for the new financial year is that the general economic uncertainty and further competitive activity present ongoing challenges for the group. Higher utility costs will continue to put pressure on the group's overheads, and cost containment right across the group still remains a priority for management, principally managed through reductions in head count and overheads.

The beverage importation arm has strengthened its portfolio through the representation of Red Bull, the world renowned energy drink.

The group has recently unveiled its new corporate identity. The new identity draws on elements which have long been associated with the group's solid reputation and reliable past, whilst at the same time bringing the group in line with contemporary business image standards.

The company has also submitted an application to the Listing Authority for the approval of a bond issue amounting to €15 million, which if forthcoming, shall be

issued in May 2010. The proceeds shall be used to finance a bond exchange programme for the 6.6% SFC Bonds 2010–2012 (due for redemption on 2 November 2010), and for general financing requirements of the Farsons Group, including the construction of the new brewhouse. The board of directors is recommending that in allocating the new bonds, preference will be given to applications received from existing bond holders, shareholders and employees of the Farsons Group, subject to certain conditions and parameters.

Last June the board of directors announced that Mr Norman Aquilina was appointed CEO designate of the group. Mr Aquilina joined the group in 2004 when we acquired the Quintano Foods business. He was managing director of that business, and had built it from a modest size in a relatively short time, principally through the introduction of Danone yoghurts in the Maltese market. In 2007 he was appointed chief commercial officer, while as of 1 July 2009 he took over the role of CEO designate of the entire Farsons Group. He has proved himself to be an able and effective manager and leader, and in this last year he has been responsible for the implementation of a large proportion of the cost containment and other change programmes across our commercial activities.

Mr Louis A. Farrugia will soon step down as group chief executive after 30 years in this position, but will retain his position of chairman of the group executive board and a director on the main board. He will continue to work in an oversight executive role and will be taking an active part in the determination of strategies for the group. Mr Norman Aquilina will report to him in his new role. I am confident that this decision is in your group's best interest, and is a good example of sensible corporate governance that secures a smooth and effective succession policy.

The board of directors remain confident that the group's business model is proving to be based on a resilient strategy for continued growth and development, ensuring a competitive response in the fast changing and dynamic economy we operate in.

There were no changes in the composition of the board of directors, and I must thank my colleagues for their continued support and contribution. The executive team led by Mr Louis A. Farrugia performed excellently in a difficult market environment, as is evident from the results which we are presenting today to you, the shareholders.

Our thanks go to all members of our staff who in the aggregate constitute our most precious asset.

We thank also our auditors PricewaterhouseCoopers, who as always have been very helpful and our external legal advisor Prof. Andrew Muscat of Mamo TCV.



Bryan A. Gera – Chairman



Group Chief Executive's Review

Encouraging results in a difficult economic environment

The year under review was characterised by the continuing effects of the global economic recession and the efforts of the group to maintain competitiveness through a stronger focus on managing costs. The market sectors we operate in were all subject to the negative impact of the economic downturn and as was to be expected, we had to ensure that our organisation would not only hold its own but also prepare itself for the time when the world would gradually come out of this recession.

The effects of recession experienced in the previous financial year continued during the current year and the same factors impacted negatively on our turnover. We have however taken a number of measures which, I am pleased to report, produced satisfactory results and helped our group improve its profitability.

I shall be highlighting some of the innovations we have introduced in the various areas of our organisation during the year. I must however first refer to the organizational changes at the helm of the group management, aimed at strengthening the group and ensuring continuity.

The appointment of Mr Norman Aquilina as Group Chief Executive – Designate announced in June 2009 was an important measure. Mr Aquilina has a successful background of managing Quintano Foods Limited. He built the company from a small food importer to a well sized player. He has particular experience in selling and logistical techniques and the Farsons Group will benefit significantly from these skills. I am pleased to report that this appointment has already resulted in increased focus on certain cost factors which has helped towards the achievements in profitability this year.

The increased production efficiencies of the PET packaging and production lines have also helped towards the improvement in the overall profit results and the foresight shown by the group

in having a centralised logistics centre has been vindicated as efficiencies, improved service and lower costs of distribution continue to reinforce the competitive element of the group. The plans for the execution of the last phase of the development plan for the whole brewery, involves the building of a new brewhouse. This last phase would complete the total renovation of the brewery facilities and during the year under review we have focused our attention to ensure that the project will start according to schedule in 2010.

New Corporate Identity for the Group

The Group Executive Board initiated a project to review the Farsons Group Corporate identity in October 2009. The aim was to bring the company look in line with contemporary business environment and provide a fresh and confident group identity. The Farsons Group comprises a dynamic, diversified and forward-looking group of companies, each with their own strengths and market positions contributing to, and benefitting from each other's synergy. The group activities changed over the years and so did the market environment we operate in. This is why we felt that this had to be reflected in the way we project ourselves to all our stakeholders. Apart from the visual design we have also changed the corporate name of certain companies within the group.

Delivering consistency across all group companies, our new identity communicates the strength, and size, of what our business has now developed into. It builds on our strong traditions whilst communicating dynamism as we look to the market opportunities of the future. Whilst being forward-looking and contemporary in style, the new identity draws on elements that are at the very heart of our solid foundations dating back to 1928. Without doubt, our new identity will continue to project Farsons as synonymous with high quality and excellent products.

Our group has always been associated with forward looking entrepreneurship and this process continues as we now look ahead confidently to our next steps.

Mr Louis Farrugia (left) will shortly be stepping down as Group Chief Executive though will continue to work in an oversight executive role and take an active part in determining group strategies. As previously announced, Mr Norman Aquilina (right) currently Chief Executive Designate, will shortly be appointed Group Chief Executive.



A well-established and diversified Group looks ahead...



“Farsons has always been associated with forward looking entrepreneurship and this process continues as we now look ahead confidently to our next steps”.

Louis A Farrugia - Group Chief Executive



BREWERS & BOTTLERS

PROPERTY MANAGEMENT

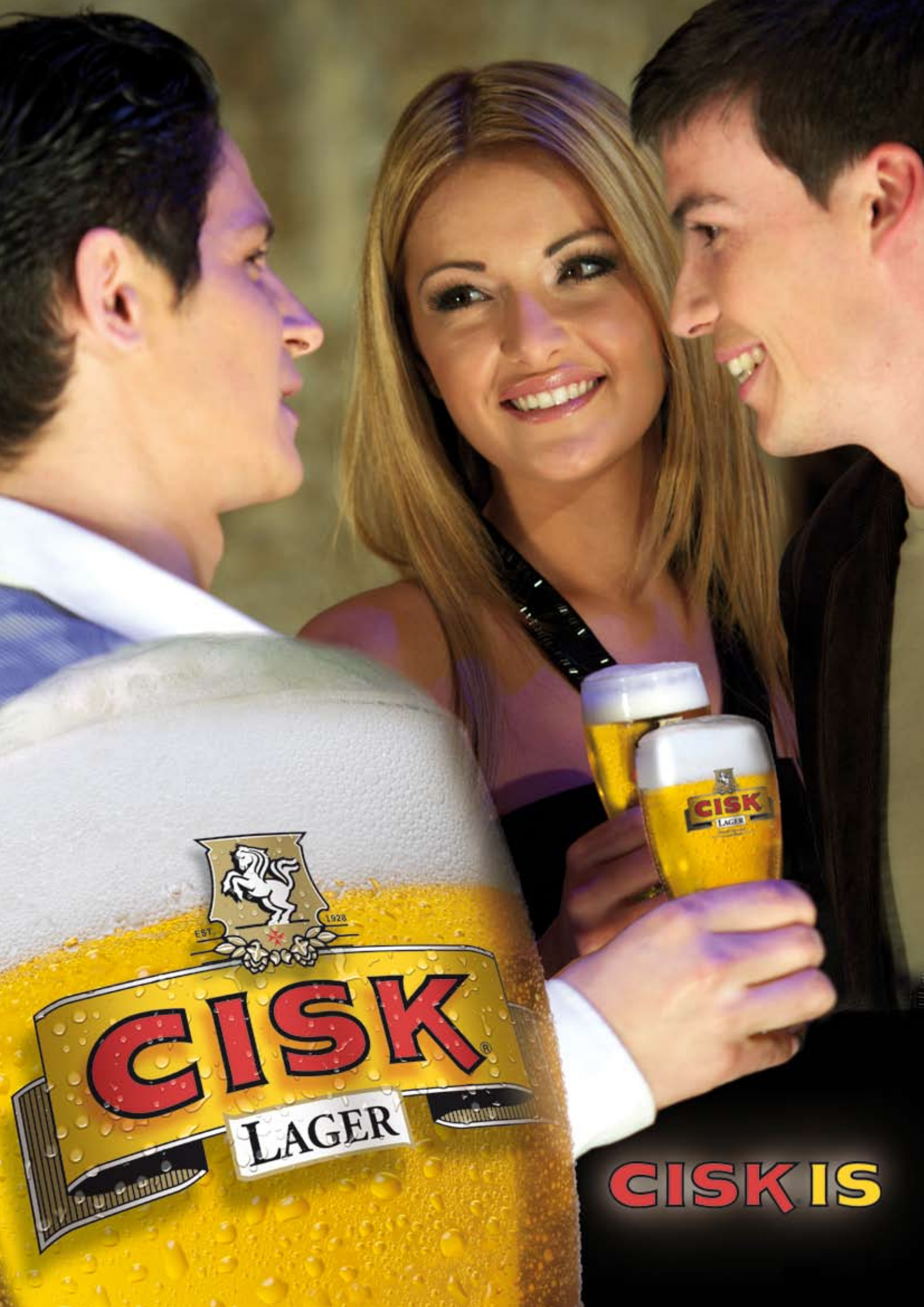
RESTAURANTS

BEVERAGE SERVICES

FOOD IMPORTERS

BEVERAGE IMPORTERS

BEVERAGES & MORE



CISK

LAGER

CISK IS

Group Chief Executive's Review continued

Overall Market Conditions As already mentioned earlier on in this review, during the past year the beverage market in Malta was largely affected by prevailing global and local recessionary conditions. On the local front, in particular, it was the sharp downturn in tourism, which started in the second half of 2008 and continued right through 2009, which impacted negatively on the overall beverage consumption and on-premise business in general. Additionally, lower disposable income affected consumers' spending patterns in the take-home market and the low-cost 'value' brands phenomenon, which started in 2008 and the introduction of the internationally established hard discount stores in Malta, gained significant momentum throughout the year.

Beers Following a highly buoyant beer market in 2008, which saw a significant increase in overall beer consumption in Malta, 2009 was less active. Major brands, both locally produced and also imported, concentrated on consolidating and maximising core business, whilst simultaneously striving to gain competitive edge in what was a very price-fickle market place. Despite a depressed on-premise market which negatively affected overall volumes, a very strong performance by the Cisk Lager portfolio, fuelled in particular by another year of double-digit growth of the low carbohydrate variant Cisk Excel, once again confirmed the brand's



Cisk XS Extra Strong Lager launched in the Maltese market.

strength and standing amongst beer consumers. This year also saw the addition of another variant to the Cisk portfolio, with the launch of Cisk XS, an extra strong premium lager, already well established on the Italian market. Our Ales, Hopleaf and Blue Label, were given a new look, using graphics which emphasized the brands' traditional origins whilst at the same time introduced a more modern feel to the overall imagery. Given the prevailing economic environment, it is not surprising that the low-cost segment of the market, serviced primarily by canned beers, presented opportunities for growth. Skol, a franchised brand in our portfolio, not only effectively competed, but did so with flying colours, making it one of the best performing brands in this segment, despite fierce and constant competition from a variety of imported brands.



Carlsberg, the Big Screen Beer, at home... or away.



Cisk Excel, once again confirmed the brand's strength and standing amongst beer consumers.



Group Chief Executive's Review continued



Pepsi Max re-launched in a highly-attractive full-sleeve and a revolutionary limited edition pack for the Zest generation.



Non-Alcoholic Beverages The full liberalisation of the carbonated soft drinks market in 2008 and ensuing developments in packaging and product offerings, brought with it an overall growth in the soft drinks market. Again, 2009 was less active, and the proliferation of imported brands, including the parallel importation of brands already represented locally, reduced significantly from the levels of the previous year. Given the somewhat limited opportunities for growth in the depressed on-premise segment, marketing programmes and campaigns for 2009 were targeted primarily at the take-home segment. The successful introduction and execution of on pack promotions across the company's soft drinks portfolio, served to offer consumers that much sought after added value aspect to their favourite products, without in any way detracting from the core image and positioning of the individual brands. This strategy, combined with consistent emphasis on quality and regular product availability, proved to be highly effective in the prevailing market conditions. Kinnie, Malta's own leading soft drink, further secured its high standing on the market place, and posted results which can only but challenge the perception that premium brands cannot thrive in recessionary conditions! Ironically, at the other end of the value scale, Like Cola, the company's franchised low-cost cola, more than effectively competed at this level.

Product Development Innovation in 2009 centred primarily on packaging. Pepsi Max and Kinnie Zest were re-launched with highly attractive

full-sleeved packaging, the first of its kind for locally-produced brands. These full graphic packages played a key role in the overall brand strategy and were primarily aimed at the younger target consumers. A special edition Christmas pack was also introduced for Cisk Lager in 33cl cans, which not only added a touch of seasonal humour, but also included an on-pack value offer for loyal Cisk consumers, in keeping with the Christmas spirit.

The San Michel portfolio was expanded through the launch of San Michel Nutri, a vitamin water range available in three flavours. San Michel Nutri complements the already established and successful San Michel Fruitwaves range and targets the more health conscious consumer, aiming to deliver refreshment and taste with more than 'just water'.

Expansion through Exports The group has long been aware of the importance of focusing on exports especially when the domestic market is fast reaching saturation point for some of our products. In spite of the unfavourable economic climate and the challenging business environment world wide, the year under review proved to be a particularly successful year for the company's export initiatives. Export sales almost doubled and reached record levels in terms of volume, sales turnover and profitability. This year also marked the fourth consecutive year in which export sales continued to show double digit growth. The company's soft drinks and beers are now being exported to more than twelve countries in Europe, North America,





Cisk Export, out to party at Pianeta Birra, Rimini, Italy.

North Africa and the Far East. Moreover, during the course of the year, successful trial productions of Kinnie also took place in Russia and Germany, while discussions are already underway with a number of other potential producers and franchisees for Kinnie in Eastern Europe, the Baltic States and Asia. This augurs well for the future and these positive results further validate the company's pursuit of growth through internationalisation.

Operations Whilst the marketing of our products and services continues to be the backbone of the group activities, success depends on the quality and efficiency of our operations. This year, was yet another year when our operations people had to face challenging times not only to meet production deadlines but to demonstrate their capabilities in developing new products and improving efficiency to help the group meet its competitiveness objectives. In terms of new products, operations were involved in the development of the three new flavours for the San Michel Nutri range. The three flavours, pomegranate, lemon and peach, were all developed in-house.

In terms of new packaging, a full body sleeve was introduced on the 50cl PET bottles for Kinnie Zest, Pepsi Max and Nutri. A new line was installed and commissioned last year enabling Cisk Export to be packaged in a 5L party keg.

Apart from producing existing products and developing new products, operations are charged with reducing costs of production and this year, a greater focus was made on reducing cost of energy. We have completed the investment in power factor correction equipment enabling the company to be

billed in the more favourable industrial KVAh rates. Specific initiatives were taken to lower the electricity and water consumption used within the premises.

An investment in a fire alarm system covering the two floors of the beer packaging hall, the energy centre and boiler house and the workshops has been completed during the year with centralized alarming at the security gate which is manned 7 days a week, 24 hrs a day. This increases security and minimises certain risks.

Significant improvements in productivity have been achieved on all packaging lines. The new PET line has achieved considerable productivity improvement after the supplier rectified all remaining technical problems which we had been facing following the commissioning of the line. On the older but equally important beer lines, significant improvements were brought about mainly arising from improved production planning and improved operating and maintenance systems.

On the projects side, the ex-Wands premises in Marsa were converted and refurbished to house the Quintano food operations. The conversion and refurbishment of the site were managed in-house and Quintano Foods Limited now have better office space and more efficient storage facilities. Their transfer to the new premises has vacated facilities, in a good industrial area, which the group can now sell.



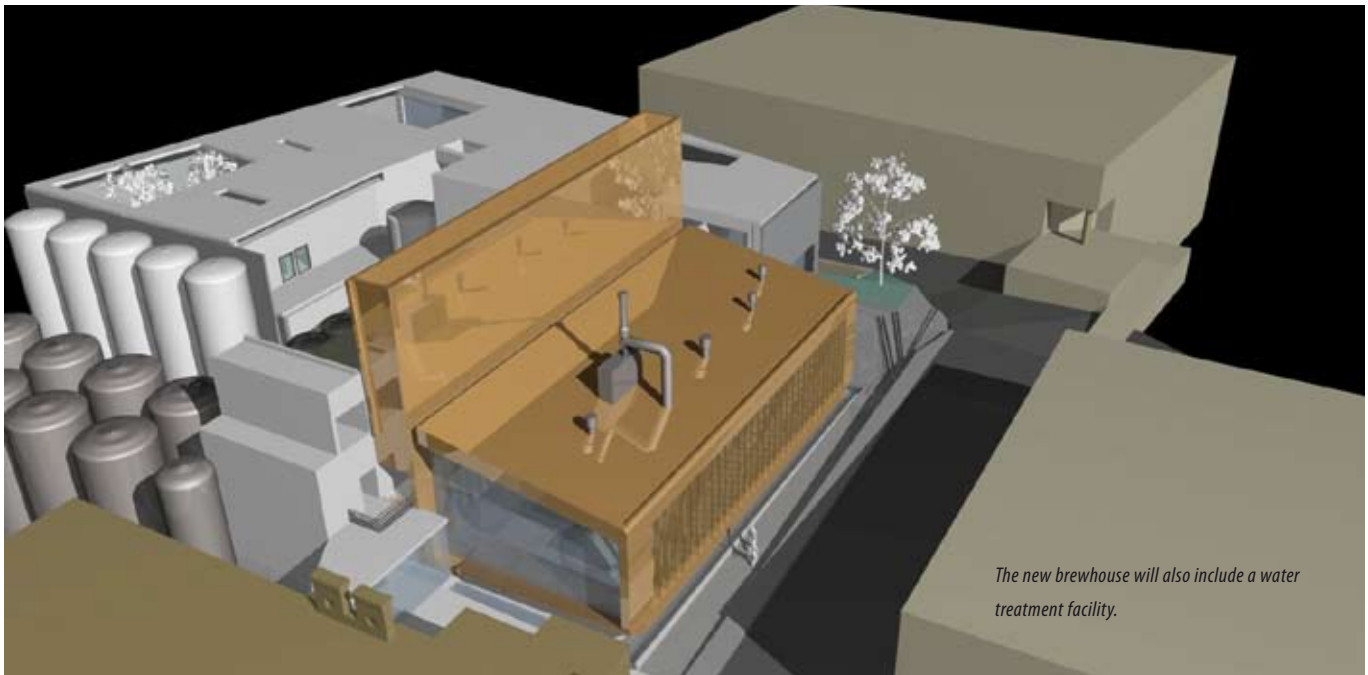
Not just water... a sip of goodness to your quest for well-being.



New take-home-to-party 5litre party keg.



Group Chief Executive's Review continued



The new brewhouse will also include a water treatment facility.



Foot of Africa leaves its mark in the Maltese wine market.



New €14 million Brewhouse and Water Treatment Facility

A lot of preparation work has been undertaken with regards to the design of the new brewhouse. Architectural drawings have been prepared, a building permit request submitted and we now have the MEPA approval for this building. In the meantime specifications for the new plant were drawn up and international tenders were issued for the supply of the plant. Tenders have been received and analysed and after various clarifications and negotiations the board has approved a leading German supplier for the brewhouse plant. Currently, the AP architects and our consultants, are working out the details and construction works are expected to commence in July.

The building is expected to take about 12 months to complete after which the plant will be installed for commissioning by May 2012. The building will be modern looking with a copper cladding and incorporating a natural ventilation system, rain water harvesting and temperature insulation. Apart from the brewing equipment, this building will house also a malt handling and storage system, a laboratory, offices and a water treatment plant.

All the plant will be automated and with energy savings very much in mind. The new brewhouse is designed to cope with our future brewing requirements with further improved quality and lower cost of production.

Imported Beverages

The merging of Anthony Caruana & Sons Limited and Guido Vella Limited into one company, Wands Limited, announced in June 2009 has already given the company clearer communication with its trade clients, resulting in a more efficient response time. The subsequent rename of Wands Limited to Farsons Beverage Imports Company Limited emphasises the importance of the company's beverage importation role within the Farsons Group and leverages more strongly the goodwill associated with the Farsons name.

The start of 2009 brought with it the introduction of lower excise duties on spirits to a level which is closer to that in neighbouring Italy. This Government measure has had the positive effect of reducing the spirits purchased in Italy and imported into Malta under the guise of 'personal use'. Cross-border parallel trading on the main brands is, however, still prevalent and it is now coming through major wholesalers.

Throughout the year, marketing programmes were held for key brands, particularly aimed at supporting sales to consumers directly in bars and other outlets. Hotels, bars and restaurants were hit by the lower tourism figures particularly in the summer months and our efforts were aimed at assisting our clients in maximising their potential during this period. Some major events involving foreign artists were also sponsored by our beer and spirit brands.

In the wine sector, we have focused attention on improving the availability of our wines in both retail outlets and on restaurant menus. Competition in this sector continues to be high, particularly at the lower price ends in supermarkets.

Our retail outlets performed differently in the different sectors. Due to the drop in tourist traffic, our section of the Travel Stores outlet in the Non-Schengen area of the Malta International Airport has had a difficult year. On the other hand, the first full year of the Farsonsdirect cash and carry outlet has shown significant improvements over the previous year. Set in a more prominent location the shop has widened its customer base. This was also achieved through the use of internet.

EcoPure The market for water coolers is still showing a growth potential although competition is becoming harsher each year. The focus of our strategy during the past year has been to make sure that our products and services meet customer needs and that we develop long-term and profitable relationships with our customers. We have managed to create a flexible strategy that can respond to changes in customer perceptions and demand. It is also helping us identify whole new markets that we can successfully target in the coming months and years, synergising with the resources of both the company and the group.

Food Imports Notwithstanding the ever growing competitive pressures paired with the general economic slowdown that characterised

the year under review, Quintano Foods Limited has yet again posted improved profitability over the previous financial year. The company also managed to marginally improve its turnover. The strategy of Quintano Foods Limited remains to build on its core brands also through the continuous launch of innovative and healthy products on the market in line with current consumer trends, whilst diversifying in other areas that complement our core business in order to further strengthen our position on the local market.

Amongst others, Quintano Foods handles all the PepsiCo food brand portfolio that comprises Tropicana chilled juices, Quaker oats and cereals and Walkers crisps and snacks that have all registered growth over the previous year. This strategy has proven to be successful achieving satisfactory results and the company is ever more committed in its implementation in order to achieve the established objectives. It is also in this sense that Quintano Foods Limited has, during October 2009, relocated to a new and modern office, warehousing and distribution complex in order to be better equipped to face new challenges that such a market offers, whilst improving efficiency and productivity levels. The company remains very well positioned to further exploit and develop further any new market opportunities and it is within this context that the group is surely committed in continuing to invest in this area.



Nutritious whole grains, wholesome goodness and great lasting variety, that's Quaker Oats.



Activia and Tropicana for a healthy lifestyle... available in a variety of packages.



Group Chief Executive's Review continued



WingStreet award-winning wings land at the new Delco restaurants in Qormi and KFC takes off at the Malta International Airport Food Court.

Franchised Restaurants Each quarter of the year under review showed a different performance pattern for the restaurants operated by Food Chain. Whilst the year started with a very positive performance the second quarter showed a decline in sales and profits. The situation improved during the third quarter with a positive trend indicating achievement of target figures. This performance was not sustained during the last quarter when the sales gap widened again except for an upswing during the Christmas period.

The company opened two new restaurants during the year. A brand new KFC outlet was inaugurated at the Malta International Airport Shopping Plaza in June 2009 whilst in October 2009, the first Pizza Hut Delco unit was opened at PAVI Supermarket in Qormi. The concept is new to Malta with the restaurant only offering home delivery and take out service. It is still early to assess this operation, however results to date show that take out is as strong as home delivery. The ample parking space available on week ends contributes a great deal towards the successful performance of this outlet.

A novel initiative was the launch of the WingStreet concept at our new Delco restaurants. This experiment, of introducing fried chicken pieces, was well received and initial numbers are very encouraging. The WingStreet concept gives our customers the opportunity to choose between "bone in" and "bone out" chicken pieces, mixed in a choice of different sauces.

The main innovation at Burger King this year was the introduction of the Chicken Tender Crisp sandwich in December. This included the new 4.5" bun which was developed locally with the professional guidance of Burger King technical team. The sandwich proved to be an immediate success from the day we launched the product on the market.

The Nove wine bar in St. Julians continues to attract new customers who value a quality wine bar environment. Located in a prime venue in one of Malta's busiest entertainment areas it never fails to draw its attention to the passing trade and during the past year a lot of effort was put in to increase consumer awareness.



During the year under review, Trident Developments Limited concluded the purchase of the premises from where KFC operates in Gzira. The company also managed to conclude the lease agreement for the Fortizza premises with a new operator following the closure of TGIF.

Sound basis for Future Successes This overview clearly demonstrates the width and depth of the group operations. It also shows the group focus on improving competitiveness and innovation and reducing costs. I am confident that this added focus will serve the group in good stead when the current economic recession eases as we would be better prepared to meet the new challenges and exploit increased opportunities in the best interests of our shareholders and employees.

Property Development The release of the old brewhouse will eventually make the whole façade available for other uses and management is working to see what will be the best use for this part of the building. Overall, an area of about 22,000 square metres along Mdina Road will be available for this future development. Such development could include a business park complemented by a visitors centre near the old brewhouse, food, beverage and leisure outlets and some retail sales outlets. This exercise is being handled via Trident Developments Limited, a wholly owned subsidiary of the Farsons Group who have commissioned a preliminary study by international consultants.



Luis Farrugia

Louis A. Farrugia - Group Chief Executive

Five Year Summarised Group Results

	2010	2009	2008	2007
	€'000	€'000	€'000	€'000
Turnover				
Operating costs	65,111	66,825	66,109	67,233
Operating profit/(loss)	(60,119)	(64,512)	(61,807)	(59,774)
Changes in fair value of investment property	4,992	2,313	4,302	2,800
Profit on disposal of land and buildings	-	-	208	800
Net finance costs	-	505	1,102	1,102
Share of results of associated undertakings	(1,788)	(2,013)	(1,610)	(1,610)



Directors' Report

The directors present their report and the audited consolidated financial statements for the year ended 31 January 2010.

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, the operation of franchised food retailing establishments and property management.

Review of the business

The group registered an operating profit for the year of €4.9 million, a notable improvement of €2.5 million over the results for the previous financial year. This increase in profits has been achieved despite a marginal decline in the group turnover from €66.4 million in 2009 to €65.1 million for the current year. As reported in the Interim Report and the subsequent Company Announcement, the decline in turnover was mainly a result of the reduction of excise duties on spirits which became effective as of 1 January 2009 and a weaker tourist industry, a result of the economic downturn within the EU and worldwide.

The group's profit after discontinued operations and before tax amounted to €3.2 million compared to €0.8 million of the previous financial year. The recovery of the performance of the manufacturing segment has been the main reason for the improvement in profitability, albeit after a disappointing financial year ending 31 January 2009. The main factors affecting these results are:

- the attainment of targeted production efficiencies on our production lines;
- a more effective sales and marketing strategy together with higher efficiency levels in the logistics centre;
- continuation of cost containment exercises principally through reductions in headcount and overheads;
- decreases in the cost of raw materials such as malt and hops, partly eroded by increases in the prices of sugar and increased utility costs;
- implementation of various measures to reduce and manage electricity and energy consumption, and as a result contain the increases in utility costs;
- certain one-off charges, in particular a further impairment on the old PET line to its current realisable value and employee early retirement charges;
- implementation of our declared strategy of divesting loss-making operations.

During the year the group concluded the disposal of its Italian operation which distributed bottled water in Italy.

The group has continued to expand and invest in its food importation and franchised food businesses. In November 2009, Quintano Foods Limited has relocated its operations to Marsa, thereby releasing property which has become available for eventual sale. Furthermore, a new Pizza Hut at the PAVI Shopping Complex and a KFC at the Malta International Airport have been opened during the year under review.

The group's balance sheet and shareholders' funds remain healthy, with a net asset base of €84 million (2009: €82 million). Shareholders' funds finance 57% (2009: 54%) of the group's total assets. The group's net asset value per share at the year end stood at €2.80 (2009: €2.74).

Group indebtedness at €38.5 million has decreased considerably compared to the previous financial year end figure of €44 million. Group earnings before interest, tax, depreciation and amortisation (EBITDA) for the year amounted to €10.2 million (2009: €8.2 million) while the gearing ratio, that is, the ratio of debt on equity and debt at the year end stood at 31% (2009: 35%).

Outlook for financial year ending 31 January 2011

The new financial year presents new challenges determined by the general economic uncertainty and further competitive activity.

Once again, the company has managed to contract some primary raw materials at lower prices, although these savings will be eroded by the substantially higher costs of utilities.

The food retailing businesses also face the challenge of higher utility costs which it may not be possible to pass on to consumers through price increases.

The beverage importation arm has strengthened its portfolio through the recently secured representation of Red Bull.

Cost containment right across the group still remains a priority for management, principally managed through increased productivity and reduced overhead costs.

The group has also unveiled its new corporate identity. The new identity draws on elements which have long been associated with the group's solid reputation and reliable past, but at the same time bring the group in line with contemporary business image standards.

The board of directors has approved an investment to build a new €14 million brewhouse and water treatment facility. Preparatory work is at an advanced stage and civil works are expected to commence

in July 2010. When completed, this project will totally free up the façade of the brewery for eventual further re-development in due course. The company has submitted an application to the Listing Authority for the approval of a bond issue amounting to €15 million, which if forthcoming, shall be issued in May 2010.

The board of directors remain confident that the group's business model is proving to be based on a resilient strategy for continued growth and development, ensuring a competitive response in the fast changing and dynamic economy the group operates in.

Results and dividends

The income statements are set out on page 21.

The directors declared a net interim dividend of €300,000 which was paid on 23 October 2009 to the ordinary shareholders, and will recommend the payment of a final dividend to the ordinary shareholders of €1,500,000 at the Annual General Meeting scheduled for 24 June 2010. The interim dividend was paid out of tax exempt profits. If approved at the Annual General Meeting, the final dividend will be paid on 25 June 2010 (out of tax exempt profits) to the shareholders who will be on the register of members of the company on 28 May 2010.

Net dividends to the ordinary shareholders paid during the year ended 31 January 2010 amounted to €1,100,000 (2009: €1,567,000).

Directors

The directors in office during the year ended 31 January 2010 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. Roderick Chalmers M.A. Div. (Edin.), F.C.A.,
 A.T.I.I., F.C.P.A., M.I.A.
 Ms. Marina Hogg

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.

Directors' statement of responsibilities in relation to the financial statements

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

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

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the 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 Maltese 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 financial statements of Simonds Farsons Cisk plc for the year ended 31 January 2010 are included in this annual report, which is published in hard-copy printed form and made available on the group's website. The directors are responsible for the maintenance and integrity of the annual report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the group's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

The directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the group and company as

at 31 January 2010, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and

- the annual report includes a fair review of the development and performance of the business and the position of the group and the company, together with a description of the principal risks and uncertainties that the group and company face.

Going concern basis

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.

Shareholder register information pursuant to Listing Rule 9.43

Share capital information of the company is disclosed in note 14 of the financial statements on page 42.

The issued share capital consists of one class of ordinary shares with equal voting rights attached and freely transferable.

The list of shareholders holding 5% or more of the equity share capital is disclosed in this annual report.

Every shareholder owning twelve and a half per cent (12.5%) of the ordinary issued share capital of the company or more shall be entitled to appoint one director for each and every twelve and a half per cent (12.5%) of the ordinary share capital owned by such shareholder. Any remaining fractions will be disregarded in the appointment of the said directors but may be used in the election of further directors. The chairman is appointed by the directors from amongst the directors appointed or elected to the board.

The rules governing the appointment or election of directors are contained in the company's Articles of Association, Articles 19 to 22. An extraordinary resolution approved by the shareholders in the general meeting is required to amend the Articles of Association.

The powers of directors are outlined in Articles 44 and 45 of the company's Articles of Association. In terms of Article 3a of the said Articles of Association, the company may, subject to the provisions of the Maltese Companies Act, 1995 acquire or hold any of its shares.

The Collective Agreement regulates redundancies, early retirement, resignation or termination of employment of employees. No employment contracts are in place between the company and its directors, except as disclosed in the Remuneration report.

It is hereby declared that, as at 31 January 2010, the company is not party to any significant agreement contained in Listing Rules 9.43.10.

Shareholder register information

The following information is disclosed in this annual report:

- directors' interests in the share capital of the company;
- shareholders holding 5% or more of the equity share capital as at 12 April 2010;
- shareholding details;
- number of shareholders as at 12 April 2010.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution for their re-appointment will be proposed at the Annual General Meeting.

By order of the board



Bryan A. Gera – *Chairman*



Vincent Curmi – *Vice-Chairman*



Louis A. Farrugia – *Group Chief Executive*

Registered address: The Brewery, Mdina Road, Mriehel BKR 3000, Malta. Telephone (+356) 2381 4172
Arthur Muscat – *Company Secretary* – 14 April 2010



Corporate Governance Statement

This statement is being made by Simonds Farsons Cisk plc (SFC) pursuant to Listing Rules 8.36 and 8.37 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-adoption.

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 and replace a director for each and every twelve and a half percent (12.5%) of such shares, and the remaining ordinary shares not so utilised are entitled to fill the remaining unfilled posts of directors. Thus, each of the three major shareholders who are named and whose holdings are listed in 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. All directors, other than the managing director, are considered independent

as no shareholder has a controlling interest and all directors, other than the managing director, have no relationship with management. 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 s/he has a personal material interest.

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 seven 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 operational issues on a monthly basis, a group receivables review board which monitors the collection of receivables, a sales and marketing board and a quality board. These 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. Control mechanisms relevant to the reporting of related party transactions are in place to ensure 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.

The *Audit Committee's* primary objective is to assist the board in fulfilling its oversight responsibilities and to give advice on the effectiveness of the internal control systems and procedures, accounting policies, management of financial risks, financial reporting processes, as well as compliance with regulatory and legal requirements.

The Audit Committee also approves and reviews the internal audit plan prior to the commencement of every financial year. The Audit Committee oversees the conduct of the internal and external audits and acts to facilitate communication between the board, management, the external auditors and the group internal auditor.

The Audit Committee is chaired by the non-executive vice-chairman and comprises three other members all of whom are independent non-executive directors of the company. Mr Vincent Curmi, the chairman of the Audit Committee, was appointed by the board in terms of Listing Rule 8.56a in view that he is a Certified Public Accountant and holder of a practising certificate in auditing.

Approved by the board of directors on 14 April 2010 and signed on its behalf by:



Bryan A. Gera – Chairman



Vincent Curmi – Vice-Chairman



Louis A. Farrugia – Group Chief Executive

Throughout the year ended 31 January 2010, the Audit Committee held six meetings. Audit Committee meetings are held mainly to discuss formal reports remitted by the group internal auditor but also to consider the external auditors' audit plan, the six-monthly financial results and the annual financial statements.

The external auditors are invited to attend specific meetings of the Audit Committee, and are also entitled to convene a meeting of the committee if they consider that it is necessary. The chief executive officer and the chief financial officer are also invited to attend Audit Committee meetings. Members of management may be asked to attend specific meetings at the discretion of the Audit Committee.

Apart from these formal meetings, the Audit Committee chairman and the group internal auditor meet informally on a regular basis to discuss ongoing issues.

A group internal audit department was established in September 1993 and has an independent status within the group. In fact, the group internal auditor reports directly to the Audit Committee and has right of direct access to the chairman of the Committee at all times.

The internal auditor works on the basis of an audit plan which focuses on areas of greatest risk as determined by a risk management approach. The audit plan is approved by the Audit Committee at the beginning of the financial year, and subsequent revisions to this plan in view of any ad hoc assignments arising throughout the year, would have to be approved by the Audit Committee chairman.

In 2009, a *Board Evaluation Committee* chaired by a non-executive director, was set up. Its role is to deal with the board's performance evaluation and identify ways how to improve the board effectiveness.

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. General meetings and other communications with shareholders

The manner in which the general meeting is conducted is outlined in Articles 48 to 52 of the company's Articles of Association, subject to the provisions of the Maltese Companies Act, 1995.

Within six months of the end of the financial year, an Annual General Meeting of shareholders is convened to consider the annual consolidated 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) 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. On 1 July 2009, the group announced the appointment of Mr Norman Aquilina as designate chief executive officer.

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 inventory brokers are invited to attend. Press releases are also issued regularly on the business activities of the group.



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 subsidiaries and associated companies and work done in connection with the various sub-committees of which they are members.

The CEO has a service contract which is periodically reviewed by 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 achievement of the budgeted results for that year.

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	€96,000
Directors' other emoluments	€194,000

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

To the shareholders of Simonds Farsons Cisk plc

We have audited the financial statements of Simonds Farsons Cisk plc on pages 20 to 53 which comprise the group's and the company's statements of financial position as at 31 January 2010 and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows 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 the requirements of the Maltese Companies Act, 1995 and International Financial Reporting Standards (IFRSs) as adopted by the EU as applied in accordance with the provisions of the said Act. As described in the directors' report on page 14, 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 position of the group and company as at 31 January 2010, and of the financial performance and the cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

Report on Other Legal and Regulatory Requirements

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their annual report a Corporate Governance Statement providing an explanation of 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 throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the Corporate Governance Statement prepared by the directors.

We read the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the annual report. 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 Corporate Governance Statement cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

In our opinion, the Corporate Governance Statement set out on pages 16 to 17 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

We also read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement and Group Chief Executive's Review. Our responsibilities do not extend to any other information.

We also have responsibilities:

- Under the Maltese Companies Act, 1995 to report to you if, in our opinion:
 - The information given in the directors' report is not consistent with the financial statements.
 - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
 - The financial statements are not in agreement with the accounting records and returns.
 - We have not received all the information and explanations we require for our audit.
 - Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.
- Under the Listing Rules to review the statement made by the directors, set out on page 15, that the business is a going concern together with supporting assumptions or qualifications as necessary.

We have nothing to report to you in respect of these responsibilities.

PRICEWATERHOUSECOOPERS 

167 Merchants Street, Valletta, Malta.

David Valenzia – Partner
14 April 2010



Statements of Financial Position

	Notes	As at 31 January			
		Group		Company	
		2010 €'000	2009 €'000	2010 €'000	2009 €'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	67,219	71,810	51,496	53,487
Investment property	6	44,880	41,184	31,843	31,843
Intangible assets	7	1,583	1,784	473	713
Investments in subsidiaries	8	-	-	16,506	17,211
Investments in associates	9	12	12	2	2
Loans and receivables	10	825	2,175	-	-
Trade and other receivables	12	1,643	1,705	4,425	5,503
Total non-current assets		116,162	118,670	104,745	108,759
Current assets					
Inventories	11	13,180	14,996	9,874	11,107
Loans and receivables	10	490	865	-	-
Trade and other receivables	12	15,092	15,412	15,133	10,759
Current tax assets		198	191	7	7
Cash and cash equivalents	13	789	742	464	476
		29,749	32,206	25,478	22,349
Non-current assets classified as held for sale	22	77	263	-	-
Total current assets		29,826	32,469	25,478	22,349
Total assets		145,988	151,139	130,223	131,108
EQUITY AND LIABILITIES					
Capital and reserves attributable to owners of the company					
Share capital	14	9,000	7,486	9,000	7,486
Revaluation and other reserves	16, 17	59,058	60,572	52,951	54,465
Retained earnings		15,858	14,208	18,044	17,103
Total equity		83,916	82,266	79,995	79,054
Non-current liabilities					
Borrowings	18	16,799	30,742	14,198	27,776
Provisions for other liabilities and charges	19, 20	11,307	11,368	6,046	6,175
Total non-current liabilities		28,106	42,110	20,244	33,951
Current liabilities					
Trade and other payables	21	11,890	13,122	13,668	8,973
Current tax liabilities		391	303	-	-
Borrowings	18	21,685	13,220	16,316	9,130
		33,966	26,645	29,984	18,103
Liabilities directly attributable to non-current assets held for sale	22	-	118	-	-
Total current liabilities		33,966	26,763	29,984	18,103
Total liabilities		62,072	68,873	50,228	52,054
Total equity and liabilities		145,988	151,139	130,223	131,108

The notes on pages 24 to 53 are an integral part of these financial statements.

The financial statements on pages 20 to 53 were authorised for issue by the board of directors on 14 April 2010 and were signed on its behalf by:

Bryan A. Gera – *Chairman*

Vincent Curmi – *Vice-Chairman*

Louis A. Farrugia – *Group Chief Executive*

Income Statements

	Notes	Year ended 31 January			
		Group		Company	
		2010 €'000	2009 €'000	2010 €'000	2009 €'000
Continuing operations:					
Revenue	4	65,111	66,441	38,760	39,148
Cost of sales	23	(40,520)	(43,469)	(22,425)	(23,676)
Gross profit		24,591	22,972	16,335	15,472
Selling and distribution costs	23	(9,177)	(9,904)	(7,180)	(7,637)
Administrative expenses	23	(10,500)	(10,679)	(5,659)	(5,911)
Operating profit		4,914	2,389	3,496	1,924
Profit on disposal of non-current assets		-	505	-	-
Impairment of amounts owed by subsidiary		-	-	425	-
Release of impairment provision on amounts owed by subsidiary		-	-	(425)	-
Investment income	26	63	112	155	235
Finance costs	27	(1,851)	(2,111)	(1,610)	(1,896)
Profit before tax		3,126	895	2,041	263
Tax expense	28	(454)	(354)	-	-
Profit for the year from continuing operations		2,672	541	2,041	263
Discontinued operations:					
Profit/(loss) for the year from discontinued operations	22	78	(90)	-	-
Profit for the year		2,750	451	2,041	263
Earnings per share for profit/(loss) during the year					
from continuing operations	30	€0.089	€0.018		
from discontinued operations		€0.003	(€0.003)		

The notes on pages 24 to 53 are an integral part of these financial statements.

Statements of Comprehensive Income

	Note	Year ended 31 January			
		Group		Company	
		2010 €'000	2009 €'000	2010 €'000	2009 €'000
Profit for the year		2,750	451	2,041	263
Other comprehensive income:					
Revaluation of property, plant and equipment, net of deferred tax	16	-	-	-	42,409
Other comprehensive income for the year, net of tax		-	-	-	42,409
Total comprehensive income for the year		2,750	451	2,041	42,672

The notes on pages 24 to 53 are an integral part of these financial statements.



Statements of Changes in Equity

	Notes	Share capital €'000	Revaluation and other reserves €'000	Retained earnings €'000	Total equity €'000
Group					
Balance at 1 February 2008		7,486	61,084	14,812	83,382
Comprehensive income					
Profit for the year		-	-	451	451
Other comprehensive income:					
Net transfers of fair value gains on investment property, net of deferred tax	17	-	(512)	512	-
Total comprehensive income		-	(512)	963	451
Transactions with owners					
Dividends relating to 2008 and 2009	15	-	-	(1,567)	(1,567)
Balance at 31 January 2009		7,486	60,572	14,208	82,266
Balance at 1 February 2009		7,486	60,572	14,208	82,266
Comprehensive income					
Profit for the year		-	-	2,750	2,750
Other comprehensive income:					
Capitalisation of reserves upon bonus issue of shares	14	1,514	(1,514)	-	-
Total comprehensive income		1,514	(1,514)	2,750	2,750
Transactions with owners					
Dividends relating to 2009 and 2010	15	-	-	(1,100)	(1,100)
Balance at 31 January 2010		9,000	59,058	15,858	83,916
Company					
Balance at 1 February 2008		7,486	12,056	18,407	37,949
Comprehensive income					
Profit for the year		-	-	263	263
Other comprehensive income:					
Revaluation of property, plant and equipment, net of deferred tax	16	-	42,409	-	42,409
Total comprehensive income		-	42,409	263	42,672
Transactions with owners					
Dividends relating to 2008 and 2009	15	-	-	(1,567)	(1,567)
Balance at 31 January 2009		7,486	54,465	17,103	79,054
Balance at 1 February 2009		7,486	54,465	17,103	79,054
Comprehensive income					
Profit for the year		-	-	2,041	2,041
Other comprehensive income:					
Capitalisation of reserves upon bonus issue of shares	14	1,514	(1,514)	-	-
Total comprehensive income		1,514	(1,514)	2,041	2,041
Transactions with owners					
Dividends relating to 2009 and 2010	15	-	-	(1,100)	(1,100)
Balance at 31 January 2010		9,000	52,951	18,044	79,995

The notes on pages 24 to 53 are an integral part of these financial statements.

Statements of Cash Flows

	Notes	Year ended 31 January			
		Group		Company	
		2010 €'000	2009 €'000	2010 €'000	2009 €'000
Cash flows from operating activities					
Cash generated from operations	31	12,853	5,769	9,913	4,673
Interest received		63	112	155	235
Interest paid		(1,851)	(2,111)	(1,610)	(1,896)
Income tax paid		(304)	(337)	-	-
Net cash from operating activities		10,761	3,433	8,458	3,012
Cash flows from investing activities					
Acquisition of intangible assets		(129)	(39)	-	-
Purchase of property, plant and equipment		(3,958)	(3,557)	(1,979)	(2,728)
Additions to investment property		(59)	(75)	-	-
Proceeds from disposal of investment property		-	1,002	-	-
Proceeds from disposal of property, plant and equipment and assets held for sale		28	1,277	2	21
Movements in loans to subsidiaries		-	-	1,016	2,210
Net cash used in investing activities		(4,118)	(1,392)	(961)	(497)
Cash flows from financing activities					
Proceeds from short and long-term borrowings		-	2,354	-	2,354
Payments of short and long-term borrowings		(3,399)	(3,651)	(3,040)	(3,437)
Dividends paid		(1,100)	(1,567)	(1,100)	(1,567)
Net cash used in financing activities		(4,499)	(2,864)	(4,140)	(2,650)
Net movement in cash and cash equivalents		2,144	(823)	3,357	(135)
Cash and cash equivalents at beginning of year		(9,084)	(8,261)	(5,614)	(5,479)
Cash and cash equivalents at end of year	13	(6,940)	(9,084)	(2,257)	(5,614)

The notes on pages 24 to 53 are an integral part of these financial statements.



Notes to the Consolidated Financial Statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

These consolidated financial statements include the financial statements of Simonds Farsons Cisk plc and its subsidiaries. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995. They have been prepared under the historical cost convention, as modified by the fair valuation of the non-current asset categories of property, plant and equipment and investment property except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the group's accounting policies (see Note 3 - Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2010

In 2010, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 February 2009. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the group's accounting policies.

IAS 1 (revised), Presentation of financial statements, and IFRS 8, Operating Segments are both effective for periods beginning on or after 1 February 2009, but do not have any impact on the classification and measurement of the group's elements of the financial statements. IAS 1 (revised) requires 'non-owner changes in equity' to be presented separately from 'owner changes in equity' in a statement of comprehensive income, while IFRS 8 requires the disclosure of segments as reported for internal purposes. In accordance with the respective transition provisions of these standards, comparative information has been re-presented in respect of the disclosures required by IAS 1 (revised).

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the group's accounting periods beginning after 1 February 2009. The group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's directors are of the opinion that there are no requirements that will have a possible significant impact on the group's financial statements in the period of initial application.

1.2 Consolidation

(a) Subsidiaries

Subsidiaries 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. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries 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 subsidiary acquired, the difference is recognised directly in the income statement (see note 1.8).

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

A listing of the subsidiaries is set out in note 38 to the financial statements.

(b) Associates

Associates 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 associates are accounted for by the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition net of any accumulated impairment loss. See note 1.8 for the impairment of non-financial assets including goodwill.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, 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 associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

A listing of the group's associates is set out in note 38 to the financial statements.

1.3 Foreign currency translation

(a) 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 euro which is the company's functional currency and the group's presentation policy.

(b) 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 income statement.

The group enters into foreign exchange forward contracts in order to manage its exposure to fluctuations in foreign currency rates on specific transactions.

(c) Subsidiaries

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 income statement 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.

1.4 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 non-current assets. Surplus properties previously employed in the group's operations, are classified as non-current assets held for sale (see note 1.15);

(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 non-current assets.

1.5 Property, plant and equipment

Property, plant and equipment are initially recorded at cost and are subsequently stated at market value, based on valuations by external independent valuers, less depreciation. Valuations are carried out at regular intervals, unless the directors consider it appropriate to have an earlier revaluation, such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Plant, machinery and equipment are stated at historical cost less depreciation. Assets in course of construction are not depreciated.

Cost includes expenditure that is directly attributable to the acquisition of the 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 income statement during the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the income statement) and depreciation based on the asset's original cost, net of any related deferred income taxes, is transferred from the revaluation reserve to retained earnings.

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. On disposal of a revalued asset, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

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 the end of each reporting period.



Notes to the Consolidated Financial Statements continued

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.

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 note 1.8).

1.6 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. As from 1 February 2009, investment property also includes property that is being constructed or developed for future use as investment property.

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 income statement during the financial period in which they are incurred. Changes in fair values are recorded in the income statement.

Property that is under construction or development for future use as investment property is brought within the scope of IAS 40. Such property is measured at fair value. However, where fair value of investment property under construction is not reliably determinable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. There were no effects, on the group's investment property, of the adoption of this amendment.

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.

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 income statement.

1.7 Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate or business concern at the date of acquisition. Goodwill on acquisitions of subsidiaries/business concerns is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. 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 note 1.8.

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 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 note 1.8).

1.8 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 the end of each reporting period 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 have 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 flows 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 income statement 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 the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

1.9 Investments in subsidiaries and associates

In the company's financial statements, investments in subsidiaries and associates are accounted for by the cost method of accounting. The dividend income from such investments is included in the income statement 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 note 1.8. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

1.10 Financial assets

1.10.1 Classification

The group classifies its financial assets in the loans and receivables category. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. 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 group provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the reporting period. These are classified as non-current assets. The group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (see notes 1.12 and 1.14).

1.10.2 Recognition and measurement

The group recognises a financial instrument in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Loans and receivables are initially recognised at fair value plus transaction costs. All regular way transactions in assets classified in the loans and receivables category are accounted for using settlement date accounting, that is on the date an asset is delivered to or by the entity. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership or has not retained control of the financial asset.

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Impairment testing of trade receivables is described in note 1.12.

1.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories 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.

1.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables 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 and other receivables 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 the receivables. Significant financial difficulties of the debtor or, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. 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 original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'selling and distribution costs'.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and distribution costs' in the income statement.

1.13 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income. In this case the tax is also recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.



Notes to the Consolidated Financial Statements continued

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 end of the reporting period 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 a provision for deferred income taxes on the revaluation and fair valuation of certain non-current assets. Such deferred tax is charged or credited directly to the revaluation reserve and/or the unrealized fair value gains reserve. Deferred income tax on the difference between the actual depreciation on the property and the equivalent depreciation based on the historical cost of the property is realised through the income statement.

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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.14 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts. In the statement of financial position, bank overdrafts are included as borrowings under current liabilities.

1.15 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 a geographical area of operation or is a subsidiary acquired or created exclusively with a view to resell.

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 continuing use.

1.16 Share capital

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

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

1.17 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 income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.18 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.

1.19 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 end of the reporting period are discounted to present value.

1.20 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.21 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 subsidiary has delivered products to the customer, the customer has accepted the products and collectibility of the related trade and other receivables 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 subsidiary 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 and short-term lets receivable on immovable property are recognised in the period when the property is occupied.

(e) Finance income

Finance income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the company 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 finance income.

(f) Dividend income

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

1.22 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 income statement 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 statement of financial position. These assets are fair valued annually on a basis consistent with similarly owned investment property.

1.23 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 income statement.

1.24 Earnings per share

The group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding at the end of the period.

1.25 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that is responsible for making strategic decisions.



Notes to the Consolidated Financial Statements continued

2. Financial risk management

2.1 Financial risk factors

The group's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. From time to time, the group enters into foreign exchange contracts to hedge certain risk exposures during the current and preceding financial years. Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective group entity's functional currency. The group is exposed to foreign exchange risk arising primarily from the group's purchases, a part of which are denominated in the US dollar and the GB pound. Management does not consider foreign exchange risk attributable to recognised liabilities arising from purchase transactions to be significant since balances are settled within very short periods in accordance with the negotiated credit terms.

All the group's and company's loans and receivables, cash and cash equivalents and borrowings are denominated in euro.

On specific transactions the group uses forward contracts to manage its exposure to fluctuations in foreign currency exchange rates. For financial reporting purposes, the group designates contracts as fair value hedges or cash flow hedges, as appropriate.

The group hedges 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.

At 31 January 2010 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 as at year end were €75,000 (2009: €145,000).

(ii) Cash flow and fair value interest rate risk

The group's income and operating cash flows are substantially independent of changes in market interest rates. The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates, comprising bank borrowings (refer to note 18), expose the group to cash flow interest rate risk. The group's borrowings are subject to an interest rate that varies according to revisions made to the Bank's Base Rate. Management monitors the level of floating rate borrowings as a measure of cash flow risk taken on. Interest rates on these financial instruments are linked with the Central Intervention Rate issued by the European Central Bank. Borrowings issued at fixed rates, consist primarily of unsecured bonds which are carried at amortised cost (refer to note 18), and therefore do not expose the group to cash flow and fair value interest rate risk.

Based on the above, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial. Up to the end of the reporting period the group did not have any hedging arrangements with respect to the exposure of floating interest rate risk.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, investments, as well as credit exposures to customers, including outstanding receivables and committed transactions. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was:

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Carrying amounts				
Loans and receivables	1,315	3,040	-	-
Trade and other receivables	16,735	17,117	19,558	16,262
Cash and cash equivalents	789	742	464	476
	18,839	20,899	20,022	16,738

Group companies bank only with local financial institutions with high quality standing or rating. The group's operations are principally carried out in Malta and most of the group's revenues originate from clients based in Malta. 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.

The group assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of products and services are effected to customers with an appropriate credit history in the case of credit sales. Sales to retail customers are made in cash or via major credit cards. The group monitors the performance of these financial assets on a regular basis to identify incurred collection losses which are inherent in the group's receivables taking into account historical experience in collection of accounts receivable.

Standard credit terms are in place for individual clients, however, wherever possible, new corporate customers are analysed individually for creditworthiness before the group's standard payment and service delivery terms and conditions are offered. The group's review includes external credit worthiness databases when available. The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance represents specific provisions against individual exposures.

The group's receivables, which are not impaired financial assets, are principally in respect of transactions with customers for whom there is no recent history of default. Management does not expect any material losses from non-performance by these customers.

Impairment losses

Trade and other receivables

Impairment provisions of €1,711,000 (2009: €1,525,000) for the group were present at year end in respect of trade receivables that were overdue and that were not expected to be recovered. Other overdue trade receivables that were not impaired amounted to €1,660,000 (2009: €1,681,000) for the group. The group holds security of €Nil (2009: €11,000) against these receivables. The unsecured overdue amounts consisted of €1,096,000 (2009: €1,413,000) that were less than three months overdue and €564,000 (2009: €257,000) that were greater than three months.

Impairment provisions of €809,000 (2009: €527,000) for the company were present at year end in respect of trade receivables that were overdue and that were not expected to be recovered. Other overdue trade receivables that were not impaired amounted to €357,000 (2009: €761,000) for the company. The company holds security of €Nil (2009: €11,000) against these receivables. The unsecured overdue amounts consisted of €247,000 (2009: €643,000) that were less than three months overdue and €110,000 (2009: €107,000) that were greater than three months overdue.

Other receivables

As at year end, impairment provisions of €436,000 (2009: €804,000) for the group and the company were in existence at year end in respect of trade loans (disclosed under other receivables) that were overdue and that were not expected to be recovered. Other overdue trade loans that were not impaired amounted to €1,377,000 (2009: €711,000) for the group and the company. The group and company hold security of €998,000 (2009: €739,000) against these receivables.

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Balance as at 1 February	2,329	2,384	1,331	1,452
Impairment loss released	(182)	(55)	(86)	(121)
Balance as at 31 January	2,147	2,329	1,245	1,331

The group's policy is to recognise impairment losses on all trade receivables exceeding one year, while it recognizes impairment losses on other receivables which exceed the contract credit period and that are not expected to be recovered. The allowance accounts in respect of trade receivables are used to record impairment losses unless the group is satisfied that no recovery of the amount owing is possible; at this point the amounts considered irrecoverable are written off against trade receivables directly.

The group holds collateral as security for the majority of its assets classified as loans and receivables. The group and company's receivables also include advances to subsidiaries within the group and associates on which no credit risk is considered to arise.

(c) Liquidity risk

The group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables and borrowings (refer to notes 21 and 18). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the group's obligations.

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period and ensures that adequate financing facilities are in place for the coming year. The carrying amounts of the group's assets and liabilities are analysed into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date in the respective notes to the financial statements.



Notes to the Consolidated Financial Statements continued

2. Financial risk management (continued)

2.1 Financial risk factors (continued)

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying amounts, as the impact of discounting is not significant.

	Carrying amount €'000	Contractual cash flows €'000	Within one year €'000	One to five years €'000	Over five years €'000
Group					
31 January 2010					
Borrowings	38,484	42,047	22,900	15,652	3,495
Trade and other payables	11,890	11,890	11,890	-	-
	50,374	53,937	34,790	15,652	3,495
31 January 2009					
Borrowings	43,962	48,125	14,275	27,648	6,202
Trade and other payables	13,122	13,122	13,122	-	-
	57,084	61,247	27,397	27,648	6,202
Company					
31 January 2010					
Borrowings	30,514	33,551	17,477	13,763	2,311
Trade and other payables	13,668	13,668	13,668	-	-
	44,182	47,219	31,145	13,763	2,311
31 January 2009					
Borrowings	36,906	40,435	10,053	25,789	4,593
Trade and other payables	8,973	8,973	8,973	-	-
	45,879	49,408	19,026	25,789	4,593

2.2 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital.

Total capital is measured by reference to the amounts reflected in the financial statements where the group's property, plant and equipment and investment property are stated at revalued amounts and fair value amounts respectively.

Total borrowings include unsecured bonds issued by the company. The gearing ratios at 31 January 2010 and 2009 were as follows:

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Total borrowings (note 18)	38,484	43,962	30,514	36,906
Total equity	83,916	82,266	79,995	79,054
Total capital	122,400	126,228	110,509	115,960
Gearing	31.44%	34.83%	27.61%	31.83%

2.3 Fair values of financial instruments

The carrying amounts of trade receivables (net of impairment provisions) and payables 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. As at the end of the reporting period, the fair values of financial assets and liabilities, approximate the carrying amounts shown in the statement of financial position.

3. Critical accounting estimates and judgements

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

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

4. Segment information

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions.

The board of directors considers the group's business mainly from a productive and commercial perspective as geographically operations are carried out, primarily, on the local market.

The group's productive and commercial operations are segregated primarily into 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.

The board of directors assesses the performance of the operating segments based on operating results adjusted for centralised costs. This measurement basis includes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and impairments and non-recurring events. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group. Since the board of directors reviews adjusted operating results, the results of discontinued operations are not included in the measure of adjusted operating results.

Sales between segments are carried out at arm's length. The revenue from external parties reported to the board of directors is measured in a manner consistent with that in the income statement.

The amounts provided to the board of directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset. Segment assets consist primarily of land and buildings, investment property, plant, machinery and equipment, intangible assets, inventories, trade and other receivables and cash and cash equivalents. Taxation is not considered to be a segment asset but rather is managed by the treasury function.

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



Notes to the Consolidated Financial Statements continued

4. Segment information (continued)

	Brewing, production & sale of branded beers & beverages €'000	Importation, wholesale & retail of food & beverages, including wines & spirits €'000	Operation of franchised food retailing establishments €'000	Property management €'000	Group €'000
2010					
Revenue	39,898	19,333	8,834	1,243	69,308
Less: inter-segmental sales	(1,153)	(2,484)	-	(560)	(4,197)
	38,745	16,849	8,834	683	65,111
Segment results	3,715	1,720	587	285	6,307
Unallocated costs					(1,393)
Operating profit					4,914
Net finance costs					(1,788)
Profit before tax					3,126
Tax expense					(454)
Profit from continuing operations					2,672
Profit from discontinuing operations	78	-	-	-	78
Profit for the financial year					2,750
Segment assets	80,515	9,573	10,376	45,237	145,701
Assets held for sale	77	-	-	-	77
Associates	-	-	-	12	12
Unallocated assets					198
Total assets					145,988
Segment liabilities	8,136	1,824	1,660	533	12,153
Unallocated liabilities					49,919
Total liabilities					62,072
Additions to non-current assets	2,057	376	842	873	4,148
Depreciation	3,702	88	412	129	4,331
Impairment of property, plant and equipment	350	116	100	-	566
Amortisation	258	68	22	-	348
Impairment provision for trade receivables	(165)	(21)	-	4	(182)
Restructuring costs	132	-	-	-	132

4. Segment information (continued)

	Brewing, production & sale of branded beers & beverages €'000	Importation, wholesale & retail of food & beverages, including wines & spirits €'000	Operation of franchised food retailing establishments €'000	Property management €'000	Group €'000
2009					
Revenue	40,250	20,963	8,982	1,156	71,351
Less: inter-segmental sales	(1,074)	(3,059)	-	(777)	(4,910)
	39,176	17,904	8,982	379	66,441
Segment results	2,347	1,180	502	96	4,125
Unallocated costs					(1,736)
Operating profit					2,389
Profit on disposal of non-current assets	-	-	-	505	505
Net finance costs					(1,999)
Profit before tax					895
Tax expense					(354)
Profit from continuing operations					541
Loss from discontinuing operations	(90)	-	-	-	(90)
Profit for the financial year					451
Segment assets	84,108	12,122	10,245	44,198	150,673
Assets held for sale	263	-	-	-	263
Associates	-	-	-	12	12
Unallocated assets					191
Total assets					151,139
Segment liabilities	8,808	1,938	1,970	681	13,397
Liabilities held for sale	118	-	-	-	118
Unallocated liabilities					55,358
Total liabilities					68,873
Additions to non-current assets	3,030	211	500	93	3,834
Depreciation	3,780	156	464	85	4,485
Impairment of property, plant and equipment	350	-	-	-	350
Amortisation	257	274	5	-	536
Impairment provision for trade receivables	(113)	54	-	4	(55)
Restructuring costs	182	-	-	-	182



Notes to the Consolidated Financial Statements continued

5. Property, plant and equipment

Group	Land & buildings €'000	Assets in course of construction €'000	Plant, machinery & equipment €'000	Total €'000
At 1 February 2008				
Cost or valuation	81,430	-	91,731	173,161
Accumulated depreciation and impairment	-	-	(68,145)	(68,145)
Net book amount	81,430	-	23,586	105,016
Year ended 31 January 2009				
Opening net book amount	81,430	-	23,586	105,016
Additions	328	78	3,151	3,557
Disposals	(56)	-	(221)	(277)
Depreciation	(720)	-	(3,765)	(4,485)
Impairment charge	-	-	(350)	(350)
Depreciation released on disposals	54	-	207	261
Transfer to non-current assets held for sale	(69)	-	-	(69)
Transfer to investment property (note 6)	(31,843)	-	-	(31,843)
Closing net book amount	49,124	78	22,608	71,810
At 31 January 2009				
Cost or valuation	49,790	78	94,661	144,529
Accumulated depreciation and impairment	(666)	-	(72,053)	(72,719)
Net book amount	49,124	78	22,608	71,810
Year ended 31 January 2010				
Opening net book amount	49,124	78	22,608	71,810
Additions	848	152	2,958	3,958
Disposals	-	-	(95)	(95)
Depreciation	(646)	-	(3,685)	(4,331)
Impairment charge	(116)	-	(450)	(566)
Depreciation released on disposals	-	-	80	80
Transfer to investment property (note 6)	(3,637)	-	-	(3,637)
Closing net book amount	45,573	230	21,416	67,219
At 31 January 2010				
Cost or valuation	47,001	230	97,524	144,755
Accumulated depreciation and impairment	(1,428)	-	(76,108)	(77,536)
Net book amount	45,573	230	21,416	67,219

5. Property, plant and equipment (continued)

Company	Land & buildings €'000	Assets in course of construction €'000	Plant, machinery & equipment €'000	Total €'000
At 1 February 2008				
Cost	19,875	-	73,834	93,709
Accumulated depreciation	(3,654)	-	(51,650)	(55,304)
Net book amount	16,221	-	22,184	38,405
Year ended 31 January 2009				
Opening net book amount	16,221	-	22,184	38,405
Additions	288	78	2,364	2,730
Disposals	-	-	(132)	(132)
Depreciation	(503)	-	(3,143)	(3,646)
Impairment of assets	-	-	(350)	(350)
Depreciation released on disposals	-	-	132	132
Revaluation surplus (note 16)	48,191	-	-	48,191
Transfer to investment property (note 6)	(31,843)	-	-	(31,843)
Closing net book amount	32,354	78	21,055	53,487
At 31 January 2009				
Cost or valuation	32,354	78	76,066	108,498
Accumulated depreciation and impairment	-	-	(55,011)	(55,011)
Net book amount	32,354	78	21,055	53,487
Year ended 31 January 2010				
Opening net book amount	32,354	78	21,055	53,487
Additions	8	152	1,819	1,979
Disposals	-	-	(78)	(78)
Depreciation	(439)	-	(3,180)	(3,619)
Impairment of assets	-	-	(350)	(350)
Depreciation released on disposals	-	-	77	77
Closing net book amount	31,923	230	19,343	51,496
At 31 January 2010				
Cost or valuation	32,362	230	77,807	110,399
Accumulated depreciation and impairment	(439)	-	(58,464)	(58,903)
Net book amount	31,923	230	19,343	51,496

Bank borrowings are secured by the group's and company's property, plant and equipment (note 18).

On 31 January 2008, the directors approved revaluations of the owned property by the group and classified under property, plant and equipment, after assessing the valuations made by duly appointed independent chartered architectural firms. These valuations were determined on the basis of open market values after considering the intrinsic value of the property and net potential returns. The directors have confirmed these values as at 31 January 2010.

During the year ended 31 January 2010, the group continued restructuring its property portfolio. Property with a value of €3.6 million (2009: €31.8 million) has been released from operational use and transferred to investment property (note 6).

The group's and company's impairment charge for 2010 and 2009 is mainly attributable to operational manufacturing assets within the bottling segment related to the old soft drinks factory. The related 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.



Notes to the Consolidated Financial Statements continued

5. Property, plant and equipment (continued)

As at 31 January 2010, the carrying amount of land and buildings would have been €18,398,000 (2009: €21,833,000) had these assets been included in the financial statements at historical cost less depreciation.

The charge for depreciation included in the income statement is as follows:

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Cost of sales	2,670	2,809	2,123	2,255
Distribution costs	1,106	989	1,052	934
Administration expenses	555	687	444	457
	4,331	4,485	3,619	3,646

6. Investment property

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Year ended 31 January				
Opening net book amount	41,184	10,268	31,843	-
Additions	59	75	-	-
Disposals	-	(1,002)	-	-
Transfer from property, plant and equipment	3,637	31,843	-	31,843
Closing net book amount	44,880	41,184	31,843	31,843
At 31 January				
Cost	39,378	36,298	31,843	31,843
Fair value gains	5,502	4,886	-	-
Net book amount	44,880	41,184	31,843	31,843

As at 1 February 2008, the cost and fair value gains attributable to the group's investment property amounted to €4,798,000 and €5,470,000 respectively.

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

Transfers from property, plant and equipment related to properties released from operational use during the financial year ended 31 January 2010 and 2009 (note 5).

Investment property included above, comprising property leased out under operating leases, has a carrying amount of €1,902,000 (2009: €1,721,000). Bank borrowings are secured by the group's and company's investment property (note 18). Investment property comprises a number of commercial properties that are leased to third parties and land held for capital appreciation. The following amounts have been recognised in the income statement:

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Rental income	753	287	-	-
Direct operating expenses arising from investment property that generate rental income	(359)	(213)	-	-

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

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
At 31 January				
Cost	11,071	7,991	3,611	3,611
Accumulated depreciation	(228)	(198)	-	-
Net book amount	10,843	7,793	3,611	3,611

7. Intangible assets

Group	Goodwill €'000	Franchise & agency rights €'000	Total €'000
At 1 February 2008			
Cost	1,058	4,466	5,524
Accumulated amortisation and impairment	(128)	(3,132)	(3,260)
Net book amount	930	1,334	2,264
Year ended 31 January 2009			
Opening net book amount	930	1,334	2,264
Additions	-	39	39
Amortisation	-	(519)	(519)
Closing net book amount	930	854	1,784
At 31 January 2009			
Cost	1,058	4,505	5,563
Accumulated amortisation and impairment	(128)	(3,651)	(3,779)
Net book amount	930	854	1,784
Year ended 31 January 2010			
Opening net book amount	930	854	1,784
Additions	-	129	129
Amortisation	-	(330)	(330)
Closing net book amount	930	653	1,583
At 31 January 2010			
Cost	1,058	4,634	5,692
Accumulated amortisation and impairment	(128)	(3,981)	(4,109)
Net book amount	930	653	1,583

Amortisation of €261,000 (2009: €246,000) is included in cost of sales, and €69,000 (2009: €273,000) in administrative expenses within the income statement.

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:

	2010 €'000	2009 €'000
Brewing, production and sale of branded beers & beverages	192	192
Importation, wholesale and retail of food & beverages, including wines & spirits	738	738
Net book amount	930	930

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.

Company	2010 €'000	2009 €'000
Franchise rights		
Year ended 31 January		
Opening net book amount	713	953
Amortisation	(240)	(240)
Closing net book amount	473	713
At 31 January		
Cost	2,402	2,402
Accumulated amortisation	(1,929)	(1,689)
Net book amount	473	713

As at 1 February 2008, the cost and accumulated amortisation of the company's franchise rights amounted to €2,402,000 and €1,449,000 respectively. Amortisation charge for the year is included in cost of sales.



Notes to the Consolidated Financial Statements continued

8. Investments in subsidiaries

	Company	
	2010 €'000	2009 €'000
Year ended 31 January		
Opening net book amount	17,211	17,211
Transfer of investment to subsidiary	(705)	-
Closing net book amount	16,506	17,211
At 31 January		
Cost	17,787	18,492
Impairment provision for investments	(1,281)	(1,281)
Net book amount	16,506	17,211

During the year ended 31 January 2010, the company transferred its investment in a subsidiary to a fellow subsidiary as part of a merger process related to Farsons Beverage Imports Company Limited which was concluded by the end of the financial year.

The principal subsidiaries at 31 January 2010 all of which are unlisted, are disclosed in note 38 to these financial statements.

9. Investments in associates

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Year ended 31 January				
Opening and closing net book amount	12	12	2	2
At 31 January				
Cost	102	102	102	102
Share of associates' results and reserves	(90)	(90)	-	-
Impairment provision for investments	-	-	(100)	(100)
Net book amount	12	12	2	2

The principal associates at 31 January 2010 all of which are unlisted, are disclosed in note 38 to these financial statements.

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

	Assets €'000	Liabilities €'000	Losses €'000
At 31 January 2009	912	920	(245)
Movements	4	6	(2)
At 31 January 2010	916	926	(247)

10. Loans and receivables

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Year ended 31 January				
Opening net book amount	3,040	3,497	-	-
Receivable upon disposal of non-current assets held for sale and additions during the year	519	268	-	-
Repayments	(2,244)	(725)	-	-
Closing net book amount	1,315	3,040	-	-
At 31 January				
Cost and net book amount	1,315	3,040	-	-

Loans and receivables relate to dues from third parties on the disposal of the non-current assets held for sale and on the disposal of land and buildings utilised by the group prior to the commissioning of the new logistics centre. Additionally, in 2010 loans and receivables included amounts due from third parties on termination of long-term rental agreements concluded by the end of the financial year.

As at 31 January 2010, the weighted average effective interest rate for the group at the end of the reporting period was 3.5% (2009: 3.2%).

Maturity of loans and receivables as at the end of the reporting period was:

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Non-current				
Between 1 and 2 years	438	1,643	-	-
Between 2 and 5 years	387	532	-	-
	825	2,175	-	-
Current				
	490	865	-	-
	1,315	3,040	-	-

Loans and receivables are secured with hypothecs in favour of the group over the property sold on which these receivables have originated. The group's exposure to credit and liquidity rate risks related to these loans and receivables is disclosed in note 2. As of 31 January 2010, these financial assets were fully performing and hence do not contain impaired assets.

11. Inventories

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Raw materials and consumables	3,769	4,224	3,481	3,686
Finished goods and goods for resale	5,227	6,138	2,396	3,060
Containers and other stocks	4,184	4,634	3,997	4,361
	13,180	14,996	9,874	11,107

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

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Cost of sales	372	779	230	276
Selling, distribution and administrative expenses	231	268	231	268
	603	1,047	461	544



Notes to the Consolidated Financial Statements continued

12. Trade and other receivables

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Non-current				
Amounts due from subsidiaries	-	-	2,782	3,798
Other receivables	1,643	1,705	1,643	1,705
	1,643	1,705	4,425	5,503
Current				
Trade receivables	9,621	9,174	6,431	5,873
Amounts due from subsidiaries	-	-	4,973	953
Amounts due from associates	462	455	462	455
Indirect taxation	169	286	-	-
Other receivables	2,460	3,315	2,036	2,563
Prepayments and accrued income	2,380	2,182	1,231	915
	15,092	15,412	15,133	10,759
Total trade and other receivables	16,735	17,117	19,558	16,262

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

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Trade and other receivables	2,147	2,329	1,245	1,331
Amounts due from subsidiaries	-	-	-	426

The impairment provision for trade and other receivables is disclosed in note 23 and is included under distribution costs in the income statement.

Amounts due to the company by subsidiaries and associates are unsecured and are repayable on demand. Included in these balances are amounts of €4,809,000 (2009: €4,354,000) which are subject to an average interest rate of 4.40% (2009: 4.82%). Other balances within amounts due from subsidiaries and associates are interest free.

The group's and company's exposure to credit and currency risks and impairment losses relating to trade and other receivables are disclosed in note 2. The other classes within receivables do not contain impaired assets.

13. Cash and cash equivalents

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

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Cash at bank and in hand	789	742	464	476
Bank overdrafts	(7,729)	(9,826)	(2,721)	(6,090)
	(6,940)	(9,084)	(2,257)	(5,614)

14. Share capital

	Company	
	2010 €'000	2009 €'000
Authorised:		
30,000,000 ordinary shares of €0.30 each	9,000	-
21,000,000 preference shares of €1.00 each	21,000	-
26,000,000 ordinary shares of €0.291171 each	-	7,570
2,000,000 preference shares of €2.329373 each	-	4,659
500,000 preference shares of €23.293733 each	-	11,647
20,000 preference shares of €232.937339 each	-	4,659
	30,000	28,535
Issued and fully paid:		
30,000,000 ordinary shares of €0.30 each	9,000	-
25,714,286 ordinary shares of €0.291171 each	-	7,486
	9,000	7,486

On 25 June 2009, the shareholders approved the restructuring of the authorised share capital, resulting in an increase of €1,465,000 authorised share capital. Furthermore, at the same date, issued share capital was increased by €1,514,000 through the allotment of a bonus issue carried out through the capitalisation of revaluation reserves (note 16).

15. Dividends paid

	Company	
	2010 €'000	2009 €'000
Interim dividend	300	200
Final dividend	800	1,367
Total net dividend	1,100	1,567
Euro per share (net)	€0.037	€0.061

The final dividend of €800,000 in respect of the year ended 31 January 2009 was announced to the ordinary shareholders on 25 June 2009. These final dividends were paid out of tax exempt profits.

A net interim dividend of €300,000 in respect of the year ended 31 January 2010 was announced on 30 September 2009, and paid to the ordinary shareholders on 23 October 2009. At the forthcoming Annual General Meeting, a final net dividend of €1,500,000 in respect of the financial year ended 31 January 2010 is to be proposed.

These financial statements do not reflect the final dividend for 2010 of €1,500,000 which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 January 2011.

16. Revaluation reserve

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Property, plant and equipment				
At beginning of year, before deferred tax	55,523	55,523	48,191	-
Revaluation surplus for the year	-	-	-	48,191
Transferred to share capital (note 14)	(1,514)	-	(1,514)	-
	54,009	55,523	46,677	48,191
Deferred taxation (note 19)	(11,151)	(11,151)	(5,782)	(5,782)
At 31 January	42,858	44,372	40,895	42,409

The revaluation reserve was created upon the revaluation of the group's and company's property, plant and equipment. Related deferred tax is debited to this reserve. The revaluation reserve is a non-distributable reserve.

17. Other reserves

	Share premium €'000	Unrealised fair value gains reserve €'000	Incentives and benefits reserve €'000	Capital redemption reserve €'000	Total €'000
Group					
At 1 February 2008	2,078	4,656	2,515	7,463	16,712
Release on disposal of investment property	-	(582)	-	-	(582)
Deferred tax released on disposal	-	70	-	-	70
At 31 January 2009 and 2010	2,078	4,144	2,515	7,463	16,200
Company					
At 31 January 2009 and 2010	2,078	-	2,515	7,463	12,056

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



Notes to the Consolidated Financial Statements continued

18. Borrowings

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Non-current				
6.6% Bonds 2010-2012	-	9,284	-	9,284
Bank loans	16,799	21,458	14,198	18,492
	16,799	30,742	14,198	27,776
Current				
6.6% Bonds 2010-2012	9,302	-	9,302	-
Bank overdrafts	7,729	9,826	2,721	6,090
Bank loans	4,654	3,394	4,293	3,040
	21,685	13,220	16,316	9,130
Total borrowings	38,484	43,962	30,514	36,906

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

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Face value of bonds				
6.6% Bonds 2010-2012	9,317	9,317	9,317	9,317
Issue costs	(149)	(149)	(149)	(149)
Accumulated amortisation	134	116	134	116
Net book amount	(15)	(33)	(15)	(33)
Amortised cost	9,302	9,284	9,302	9,284

The quoted market price as at 31 January 2010 for the 6.6% Bonds 2010-2012 was 101.51 (2009: 101.31).

Following the board decision taken on 1 April 2010, an application to the Listing Authority was submitted for the approval of a new bond issue amounting to €15 million, which if forthcoming, shall be issued in May 2010.

For 2010, the 6.6% Bonds 2010-2012 have been classified as current as the board envisages that the proceeds of the aforesaid bond issue will be partly used to finance a Bond Exchange programme for the 6.6% SFC Bonds 2010-2012 which are due for redemption on 2 November 2010 (thus exercising the early redemption option).

The group's and company's banking facilities as at 31 January 2010 and 2009 amounted to €40,918,605 and €41,843,000 for the group, and €29,401,243 and €30,748,000 for the company respectively.

The bank overdrafts and loans are secured by special and general hypothecs over the group's assets and pledges over the group's merchandise.

Interest rate exposure:

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
At floating rates	29,182	34,678	21,212	27,622
At fixed rates	9,302	9,284	9,302	9,284
Total borrowings	38,484	43,962	30,514	36,906

Weighted average effective interest rates at the end of the reporting period:

	Group		Company	
	2010 %	2009 %	2010 %	2009 %
Bank overdrafts	4.35	3.50	4.75	3.50
Bank loans	4.75	3.50	4.78	3.54
Bonds 2010-2012	6.60	6.60	6.60	6.60

This note provides information about the contractual terms of the group's and the company's loans and borrowings. For more information about the group's and the company's exposure to interest rate and liquidity risk, see note 2.

19. Deferred taxation

The movement in the deferred tax account is as follows:

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
At beginning of year	10,975	11,067	5,782	-
Charged/(credited) to income statement (note 28)	68	(92)	-	-
Charged to equity (note 16)	-	-	-	5,782
At end of year	11,043	10,975	5,782	5,782

Deferred taxation is calculated on all temporary differences under the liability method, using the principal tax rate of 35% (2009: 35%), except for temporary differences on certain immovable property that are calculated under the liability method using a principal tax rate of 12% (2009: 12%) on the carrying amounts.

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

Liabilities/(assets)	Fixed assets €'000	Investment tax credits €'000	Fair value gains €'000	Net tax losses €'000	Revaluation surplus €'000	Provisions on assets €'000	Total €'000
Group							
At 1 February 2008	2,154	(2,152)	811	(121)	11,151	(776)	11,067
Income statement	185	(208)	(70)	29	-	(28)	(92)
At 31 January 2009	2,339	(2,360)	741	(92)	11,151	(804)	10,975
At 1 February 2009	2,339	(2,360)	741	(92)	11,151	(804)	10,975
Income statement	612	(800)	(295)	63	-	488	68
At 31 January 2010	2,951	(3,160)	446	(29)	11,151	(316)	11,043
Company							
At 1 February 2008	2,762	(2,155)	-	93	-	(700)	-
Income statement	213	(208)	-	-	-	(5)	-
Equity	-	-	-	-	5,782	-	5,782
At 31 January 2009	2,975	(2,363)	-	93	5,782	(705)	5,782
At 1 February 2009	2,975	(2,363)	-	93	5,782	(705)	5,782
Income statement	619	(800)	-	-	-	181	-
At 31 January 2010	3,594	(3,163)	-	93	5,782	(524)	5,782

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 2010, the group and the company had unrecognised deferred tax assets consisting of unutilised tax credits arising from:

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Unutilised investment tax credits	26,277	24,687	26,277	24,687
Unabsorbed tax losses	25	5	-	-
Unabsorbed capital allowances	624	665	-	-
	26,926	25,357	26,277	24,687

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



20. Other provisions

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Termination benefit provisions				
At 1 February	393	424	393	411
Charged to the income statement	132	182	132	182
Utilised during the year	(261)	(213)	(261)	(200)
At 31 January	264	393	264	393

The company has offered early retirement in exchange for a termination benefit to selected employees. This has been communicated to the selected employees, together with the amounts payable. The staff restructuring costs charged for 2010 total €132,000 while for 2009 total €182,000 (note 24). It is anticipated that €172,000 (2009: €259,000) of the provision will be paid during the financial year ending 31 January 2011.

21. Trade and other payables

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Current				
Trade payables	4,259	4,159	2,107	1,985
Amounts owed to subsidiaries	-	-	6,458	-
Capital and other payables	1,918	1,552	1,353	867
Indirect taxes and social security	609	1,424	315	1,091
Accruals and deferred income	5,104	5,987	3,435	5,030
	11,890	13,122	13,668	8,973

Amounts due to subsidiaries are unsecured, repayable on demand and are subject to an average interest rate of 4.2%.

The group's and company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 2.

22. Discontinued operations and non-current assets (and related liabilities) held for sale

Following the 2009 company's board decision to divest from its water distribution bottling business in Italy, the group disposed of these operations by November 2009.

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	
	2010 €'000	2009 €'000
Discontinued operations		
Revenue	-	384
Other operating costs	(16)	(460)
Operating loss	(16)	(76)
Gain on disposal of subsidiary	94	-
Finance costs (note 27)	-	(14)
Profit/(loss) for the year from discontinued operations	78	(90)
Operating cash flows	68	(36)
Investing cash flows	-	988
	68	952
Non-current assets held for sale		
Property, plant and equipment	-	69
Inventories	-	42
Trade and other receivables	77	163
Cash and cash equivalents	-	(11)
Net book amount	77	263
Liabilities directly attributable to non-current assets held for sale		
Trade and other payables	-	118

23. Expenses by nature

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Depreciation of property, plant and equipment (note 5)	4,331	4,485	3,619	3,646
Employee benefit expense (note 24)	14,037	14,655	8,509	9,072
Termination benefits (note 24)	132	182	132	182
Raw materials, imported goods and consumables	31,271	32,495	11,289	11,697
Changes in inventories of finished goods and work in progress (note 11)	(911)	283	(664)	741
Impairment charges (note 5)	566	350	350	350
Impairment provisions for trade and other receivables (note 12)	(182)	(55)	(86)	(121)
Write-off of trade receivables	74	-	-	-
Amortisation of intangible assets (note 7)	330	519	240	240
Operating motor vehicles lease rentals payable	252	252	252	252
Other expenses	10,297	10,886	11,623	11,165
Total cost of sales, selling and distribution costs and administrative expenses	60,197	64,052	35,264	37,224

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 January 2010 and 2009 relate to the following:

	Group	
	2010 €'000	2009 €'000
Annual statutory audit	93	93
Other assurance services	14	15
Tax advisory services	6	5
Other non-audit services	-	5
	113	118

24. Employee benefit expense

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Wages and salaries	13,040	13,656	8,697	9,303
Social security costs	954	956	645	663
Other pension costs	43	43	43	43
	14,037	14,655	9,385	10,009
Recharged to subsidiaries	-	-	(876)	(937)
	14,037	14,655	8,509	9,072
Termination benefits	132	182	132	182
	14,169	14,837	8,641	9,254

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

	Group		Company	
	2010	2009	2010	2009
Brewing, production and sale of branded beers and beverages	456	486	436	466
Importation, wholesale and retail of food and beverages, including wines and spirits	90	96	-	-
Operation of franchised food retailing establishments	190	177	-	-
	736	759	436	466

The above employee benefit expense excludes capitalised payroll expenses in relation to the new brewhouse project amounting to €80,000 (2009: €78,000), included in property, plant and equipment.



Notes to the Consolidated Financial Statements continued

25. Net foreign exchange gains

The net exchange differences credited to the income statement include:

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Foreign exchange differences	26	98	18	74
Fair value gains on derivative instruments:				
- Foreign exchange forward contracts	65	-	65	-
	91	98	83	74

26. Investment income

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Interest on loans and receivables	63	112	1	14
Interest on amounts owed by subsidiaries	-	-	154	221
	63	112	155	235

27. Finance costs

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Bank loans and overdrafts	1,135	1,386	872	1,246
Bonds	615	617	615	617
Other finance costs	101	108	-	33
Interest on amounts owed to subsidiaries	-	-	123	-
	1,851	2,111	1,610	1,896

During the year ended 31 January 2010, the company received interest subsidy amounting to €232,000 (2009: €245,000) from Malta Enterprise related to approved investment loans of €11.4 million (2009: €11.8 million). A net effective interest rate of 2.70% (2009: 2.73%) [after taking into account an interest rate subsidy provided by Malta Enterprise of 2.50%] was applied, representing the borrowing cost of the loans utilised to finance the new soft drinks factory and distribution centre project.

Finance cost is allocated to continuing operations as disclosed in the income statement (page 21) and to discontinued operations as disclosed in note 22.

28. Tax expense

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Current tax expense	386	446	-	-
Deferred tax expense/(income)(note 19)	68	(92)	-	-
Tax expense	454	354	-	-

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

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Profit from continuing operations	3,126	895	2,041	263
Profit/(loss) from discontinued operations (note 22)	78	(90)	-	-
Profit before tax	3,204	805	2,041	263
Tax on profit at 35%	1,122	282	714	92
Tax effect of:				
Benefits available under the Business Promotion Act, including reduced rates of tax, investment tax credits and allowances	(2,597)	(2,781)	(2,597)	(2,781)
Differences attributable to tax rules applicable to immovable property and related profits	-	23	-	-
Unrecognised deferred tax assets	1,569	2,568	1,590	2,572
Non allowable expenses	185	188	53	47
Differences related to termination benefits	91	70	91	70
Impairment of amount due from subsidiary	-	-	149	-
Other differences	84	4	-	-
Tax expense	454	354	-	-

29. Directors' emoluments

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Directors' fees	96	92	96	92
Directors' other emoluments	194	198	194	198
	290	290	290	290

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

The above information for the company for 2010 includes emoluments amounting to €82,000 (2009: €84,000) which were recharged to subsidiaries.



Notes to the Consolidated Financial Statements continued

30. Earnings per share

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

	Group	
	2010	2009 (restated)
Profit attributable to shareholders on continuing operations (€'000)	2,672	541
Profit/(loss) attributable to shareholders on discontinued operations (€'000)	78	(90)
Total profit attributable to shareholders (€'000)	2,750	451
Weighted average number of ordinary shares in issue (thousands)	30,000	30,000
Earnings per share on profit from continuing operations	€0.089	€0.018
Earnings per share on profit/(loss) from discontinued operations	€0.003	(€0.003)

Earnings per share for 2009 has been restated to reflect the increase in the number of shares brought about through a bonus issue made in 2010. The weighted average number of ordinary shares in issue during 2009 has been adjusted as the re-designation did not result in a corresponding change in equity. In accordance with the provisions of IAS 33, the number of post re-designation shares has been treated as having been in issue as from the beginning of the earliest period reported in these financial statements.

31. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Operating profit from continuing operations	4,914	2,389	3,496	1,924
Operating profit/(loss) from discontinuing operations (note 22)	78	(90)	-	-
Operating profit	4,992	2,299	3,496	1,924
Adjustments for:				
Depreciation of property, plant and equipment (note 5)	4,331	4,485	3,619	3,646
Impairment of property, plant and equipment (note 5)	566	350	350	350
Profit on disposal of property, plant and equipment	(15)	(17)	(1)	(21)
Amortisation of intangible assets (note 7)	330	519	240	240
Amortisation of bond issue costs (note 18)	18	17	18	17
Provision for termination benefits (note 20)	132	182	132	182
	10,354	7,835	7,854	6,338
Changes in working capital:				
Inventories	1,816	(1,205)	1,233	(2,597)
Trade and other receivables	2,293	708	(3,608)	1,593
Trade and other payables	(1,610)	(1,569)	4,434	(661)
Cash generated from operations	12,853	5,769	9,913	4,673

32. Commitments

Capital commitments

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

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Contracted but not provided for	-	354	-	354
Authorised but not contracted	4,454	4,439	3,604	3,415
	4,454	4,793	3,604	3,769

On 24 February 2010, the board of directors approved an investment of €14 million in a new brewhouse and water treatment facility which will be completed by 2013.

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	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Not later than 1 year	597	630	213	252
Later than 1 year and not later than 5 years	1,155	1,445	107	252
Later than 5 years and not later than 30 years	5,952	5,974	-	-
Later than 30 years	16,682	16,904	-	-
	24,386	24,953	320	504

Non-cancellable operating lease payments disclosed above as 'Later than 30 years' expire within 75 years. This commitment relates to a non-cancellable property operating lease that expires in 2085.

Operating lease commitments - where a group company is a lessor

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Not later than 1 year	349	278	-	-
Later than 1 year and not later than 5 years	1,548	1,121	-	-
Later than 5 years	3,709	2,474	-	-
	5,606	3,873	-	-

33. Contingent liabilities

At 31 January 2010, the group and the company had contingent liabilities amounting to €1,772,000 (2009: €1,423,000) and €562,000 (2009: €133,000) respectively, with regards to guarantees mainly in favour of the Comptroller of Customs issued by the bank on behalf of the group and company in the ordinary course of business and capital expenditure.

At 31 January 2010, guarantees amounting to €6,497,000 (2009: €8,020,000) were given by the company with regards to bank facilities of subsidiaries.



Notes to the Consolidated Financial Statements continued

34. Related party transactions

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

	Percentage of shares held	
	2010	2009
Farrugia Investments Limited	26.50	26.50
M.S.M. Investments Limited	26.50	26.50
Sciclunas Estates Limited	26.32	26.32

The remaining 20.68% (2009: 20.68%) of the shares are widely held. The following transactions were carried out with related parties:

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Income from goods and services				
- Sales of goods to subsidiaries	-	-	1,134	902
- Recharge of costs to subsidiaries	-	-	1,316	1,271
- Recharge of payroll costs to subsidiaries	-	-	876	938
- Finance income on loans to subsidiaries	-	-	154	252
	-	-	3,480	3,363

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Expenditure for goods and services				
- Purchases of goods from subsidiaries	-	-	1,657	1,441
- Services payable to subsidiaries	-	-	427	468
- Rents charged from subsidiaries	-	-	-	143
- Purchases of goods and services from related parties	1,080	1,237	828	956
	1,080	1,237	2,912	3,008

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in note 29 to the financial statements.

Amounts due from/to group and associates, in connection with sales and purchases transactions, are disclosed in notes 12 and 21 to these financial statements. For 2010, these include the transfer from the company, of investments in a subsidiary to another subsidiary, as part of the merger process of Farsons Beverage Imports Company Limited (note 8).

In the company's books, long and short-term amounts due from/to subsidiaries and associates, in connection with group financing activities are disclosed within notes 12 and 21 to these financial statements.

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.

37. Subsequent events

On 24 February 2010, the board of directors approved an investment of €14 million in a new brewhouse and water treatment facility which will be completed by 2013.

On 1 April 2010, the board of directors approved an application to the Listing Authority of the Malta Financial Services Authority requesting the approval of a prospectus for the issue of unsecured bonds of an aggregate principal amount of €15,000,000 redeemable between 15 June 2017 and 15 June 2020 (the "2017-2020 Bonds"). It is envisaged that the proceeds of the aforesaid bond issue will be used to finance a Bond Exchange programme for the 6.6% SFC Bonds 2010-2012 which are due for redemption on 2 November 2010 and for general financing requirements of the Farsons Group, including the construction of the new brewhouse.

38. Subsidiaries and associates

The principal subsidiaries at 31 January 2010 are shown below:

	Registered office	Principal activities	Percentage of shares held	
			2010	2009
Anthony Caruana & Sons Limited (merged into Farsons Beverage Imports Company Limited)	The Brewery, Mdina Road, Mriehel	Importation and wholesale of beverages, wines and spirits	-	100
Burger Operations Limited	The Brewery, Mdina Road, Mriehel	Operation of franchised food retailing establishments	100	100
EcoPure Premium Water Company Limited	Centrija, Triq San Gwakkin, Mriehel	Sale and distribution of bottled water	100	100
Farsons Italia S.r.l. (in liquidation)	Via del Concilio 17, 20045 Lissone, Milan - Italy	Non-operating	100	100
Farsons (Sales & Marketing) Limited	The Brewery, Mdina Road, Mriehel	Group selling and distribution function	100	100
Food Chain (Holdings) Limited	The Brewery, Mdina Road, Mriehel	Intermediate investment management and property holding	100	100
Galleria Management Limited	The Brewery, Mdina Road, Mriehel	Non-operating	100	100
Guido Vella Limited (merged into Farsons Beverage Imports Company Limited)	The Brewery, Mdina Road, Mriehel	Importation, wholesale and retail of food, beverages, wines and spirits	-	100
Kentucky Operations Limited	The Brewery, Mdina Road, Mriehel	Operation of franchised food retailing establishments	100	100
Mensija Catering Company Limited	The Brewery, Mdina Road, Mriehel	Property leasing	100	100
Pizza Operations Limited	The Brewery, Mdina Road, Mriehel	Operation of franchised food retailing establishments	100	100
Portanier Warehouses Limited	The Brewery, Mdina Road, Mriehel	Property leasing	100	100
Quintano Foods Limited	303, Qormi Road, Marsa	Importation and wholesale of food products	100	100
Sliema Fort Company Limited	The Brewery, Mdina Road, Mriehel	Property leasing	100	100
Trident Developments Limited	The Brewery, Mdina Road, Mriehel	Intermediate investment management and property holding	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	-	100
Farsons Beverage Imports Company Limited (formerly Wands Limited)	The Brewery, Mdina Road, Mriehel	Importation and wholesale of beverages, wines and spirits	100	100

The principal associates at 31 January 2010 are shown below:

	Registered office	Principal activities	Percentage of shares held	
			2010	2009
FSG Company Limited	The Brewery, Mdina Road, Mriehel	Investment holding	50	50
Malta Deposit and Return System Limited (in liquidation)	Mizzi House, National Road, Blata I-Bajda	Waste management activities	56	56
Travel Stores Company Limited	Miller House, Airport Way, Tarxien Road, Luqa	Retailing	25	25
Food-Serv Limited (in liquidation)	The Brewery, Mdina Road, Mriehel	Non-operating	22.5	22.5



Shareholder Information

Directors' interests in the share capital of the company

	Ordinary shares held as at 31 January 2010	Ordinary shares held as at 12 April 2010
Bryan A. Gera	93,840	93,840
Vincent Curmi	6,067	6,067
Louis A. Farrugia	22,764	22,764
Marquis Marcus John Scicluna Marshall	5,857	5,857
Marina Hogg	12,698	12,698

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 M.S.M. Investments Limited.

Besides having a beneficial interest in Farrugia Investments Limited, Mr. Louis A. Farrugia has a beneficial interest in a further 42,916 Ordinary shares registered in the name of Farrugia Holdings Limited. Marquis Marcus John Scicluna Marshall has a beneficial interest in Sciclunas Estates Limited. Mr. Vincent Curmi holds a further 5,250 Ordinary shares designated in the name of the Estate of the late Marquis John Scicluna. There has been no movement in the above stated shareholdings during the period from 31 January 2010 to 12 April 2010.

Shareholders holding 5% or more of the equity share capital as at 12 April 2010

Ordinary shares

	Number	Percentage holding
M.S.M. Investments Limited	7,948,862	26.50
Farrugia Investments Limited	7,948,836	26.50
Sciclunas Estates Limited	7,896,164	26.32

Shareholding details

As at 12 April 2010, the company's issued share capital was held by the following shareholders:

	Number of shareholders
Ordinary shares of €0.30 each	1,756

The holders of the Ordinary shares have equal voting rights.

Number of shareholders as at 12 April 2010

	Number of shareholders	Number of shares	Percentage holding
Ordinary shares of €0.30 each			
Up to 500 shares	515	124,490	0.41
501 - 1,000 shares	317	224,727	0.75
1,001 - 5,000 shares	696	1,608,825	5.36
More than 5,000 shares	228	28,041,958	93.48
	1,756	30,000,000	100.00

Arthur Muscat

Company Secretary

The Brewery, Mdina Road, Mriehel BKR 3000.

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Five Year Summarised Group Results

	2010 €'000	2009 €'000	2008 €'000	2007 €'000	2006 €'000
Turnover	65,111	66,825	66,109	62,355	61,316
Operating costs	(60,119)	(64,512)	(61,807)	(59,464)	(61,640)
Operating profit/(loss)	4,992	2,313	4,302	2,891	(324)
Changes in fair value of investment property	-	-	208	862	885
Profit on disposal of land and buildings	-	505	1,102	-	1,223
Net finance costs	(1,788)	(2,013)	(1,610)	(1,529)	(1,903)
Share of results of associated undertakings	-	-	-	(100)	(9)
Profit/(loss) before taxation	3,204	805	4,002	2,124	(128)
Tax	(454)	(354)	(948)	(102)	617
Profit before minority interest	2,750	451	3,054	2,022	489
Minority interest	-	-	-	-	361
Profit attributable to Ordinary shareholders	2,750	451	3,054	2,022	850
Dividends paid on:					
Ordinary shares	1,100	1,567	1,398	699	1,407
Total dividends (net)	1,100	1,567	1,398	699	1,407
Shareholders' funds	83,916	82,266	83,382	37,338	36,182
Borrowings	38,484	43,962	44,523	38,259	33,878
Deferred tax	-	-	-	-	-
Total capital employed	122,400	126,228	127,905	75,597	70,060
Fixed assets	113,682	114,790	117,560	57,186	42,951
Non-current assets	2,480	3,880	4,282	2,357	2,611
Current assets	29,749	32,206	31,492	29,458	32,371
Assets held for sale	77	263	739	3,883	3,869
Liabilities (excluding borrowings)	(23,588)	(24,911)	(26,168)	(17,287)	(11,742)
Total assets less current liabilities	122,400	126,228	127,905	75,597	70,060
Shares in issue during the financial year:					
- Ordinary shares	'000	30,000	25,714	25,714	25,714
Number of Ordinary shareholders		1,756	1,676	1,676	1,729
Earnings per Ordinary share (reference note 30) - restated		€0.092	€0.015	€0.102	€0.067
Return on average capital employed	percentage	4.0	2.2	5.5	5.0
Dividend cover	times	2.50	0.29	2.18	2.89
Dividends per Ordinary share (net of tax) - restated		€0.037	€0.052	€0.047	€0.023
Net asset value per Ordinary share - restated		€2.80	2.74	€2.78	€1.24
Gearing	percentage	31.4	34.8	34.8	50.6

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

Ordinary 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 by total capital employed.

Earnings per Ordinary share, dividends per Ordinary share and **net asset value per Ordinary share** have been restated to reflect the increase in the number of shares brought about through a bonus issue made in 2010.

