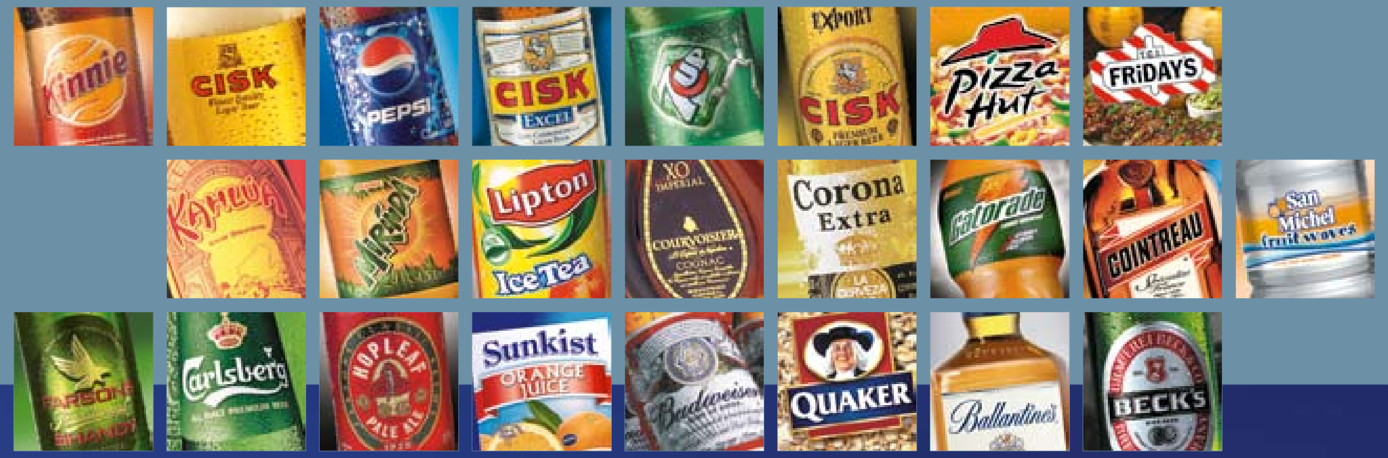
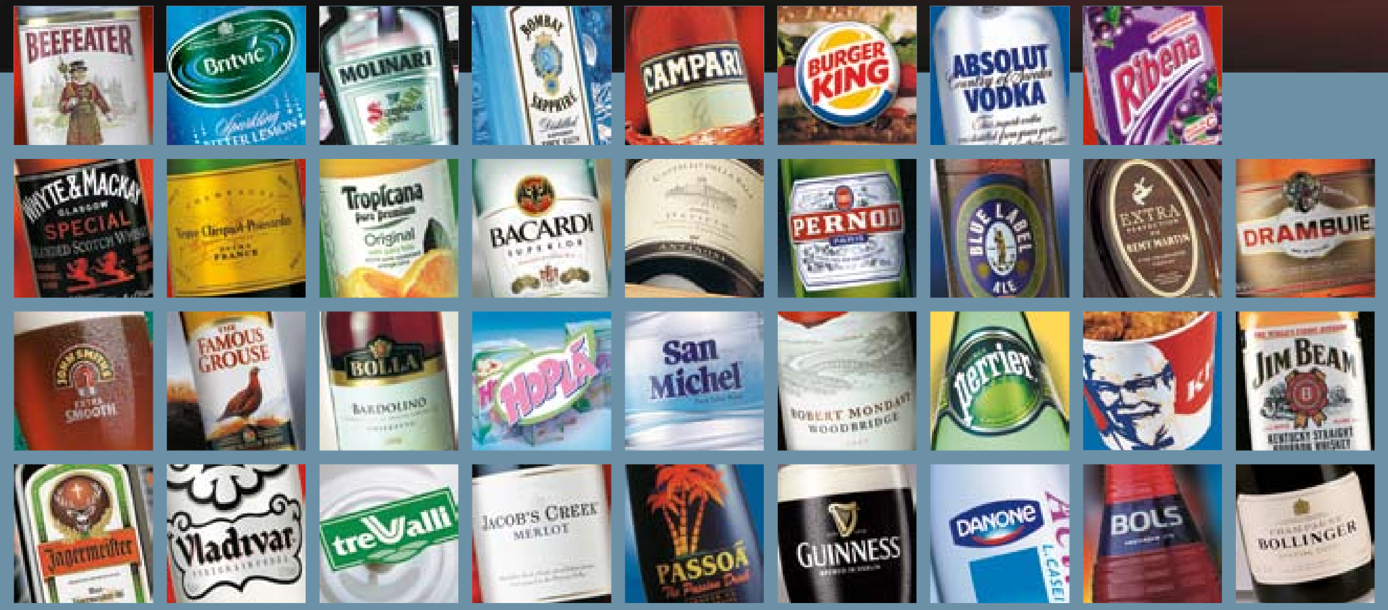


FARSONS



SIMONDS FARSONS CISK plc ANNUAL REPORT 2008

on the move

This is a Group very much on the move – and in a number of ways. We have radically modernised, and physically re-located, our operations and administration functions. Our production lines now run extremely efficiently and smooth, seamless, logistics ensure that finished products move in and out in the most efficient manner.

Significantly, we are also on the move in internationalising our brands beyond our core market. These projects will enable us to keep on moving ahead and to meet the challenges of a completely liberalised market whilst guaranteeing the quality of the branded products the Farsons Group produces or is privileged to be associated with".

Louis A. Farrugia - *Group Chief Executive*

The Farsons Group

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

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

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

▶ SIMONDS FARSONS CISK PLC ▶ ANTHONY CARUANA & SONS LIMITED ▶ BURGER OPERATIONS LIMITED ▶ ECO PURE PREMIUM WATER CO. LIMITED ▶ FARSONS ITALIA SRL (MILAN, ITALY) ▶ FARSONS (SALES & MARKETING) LIMITED ▶ FOOD CHAIN (HOLDINGS) LIMITED ▶ FOOD OPERATIONS LIMITED ▶ GALLERIA MANAGEMENT LIMITED ▶ GUIDO VELLA LIMITED ▶ KENTUCKY OPERATIONS LIMITED ▶ MENSIJA CATERING CO. LIMITED ▶ PIZZA OPERATIONS LIMITED ▶ PORTANIER WAREHOUSES LIMITED ▶ QUINTANO FOODS LIMITED ▶ SLIEMA FORT COMPANY LIMITED ▶ TRIDENT DEVELOPMENTS LIMITED ▶ TRIDENT WINES LIMITED ▶ VITA SANA SRL (TREVISO, ITALY) ▶ WANDS LIMITED

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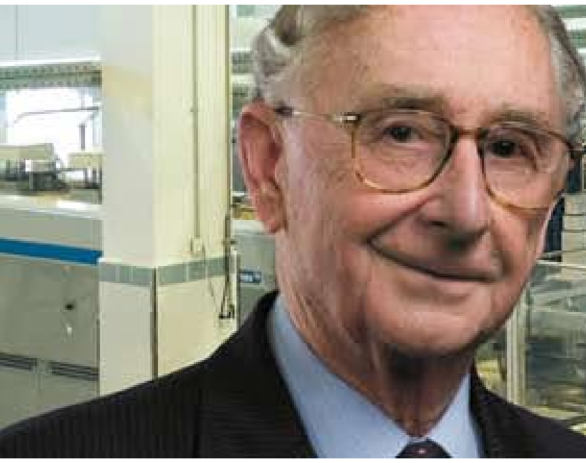
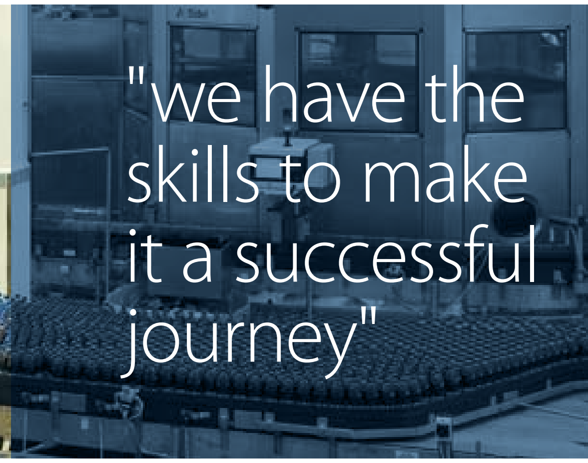
SIMONDS FARSONS CISK plc ANNUAL REPORT 2008

Contents

Chairman's Statement





I would like to start by stating that this has been a momentous year in the history of the Farsons group. The shareholders who attended the inauguration celebrations of the new logistics centre and soft drinks packaging hall on 21 February 2008 will have understood the significance of these two important projects to the future of the beverage businesses. These investments, which were completed on time and within the approved budgets, were designed to improve our competitiveness and ability to continue to grow our business in Malta and in export markets. Four months into their use we can already confirm these assets are going to be essential for us to serve our markets in the most efficient and qualitative way possible.

I am also very pleased to state that the financial results that we are reporting in this annual report are also extremely positive for your company and a substantial improvement on last year. Group turnover increased from €62,244,000 to €66,109,000, an increase of 6.2%, whilst group profit before tax increased from €2,124,000 to €4,002,000, an increase of 88.4 %. Group profit after tax amounted to €3,054,000. This constitutes a record turnover and profit for the group.

Improved results were reported across the group. Our food import company, Quintano Foods Limited, performed extremely well, whilst the results of our beverage import companies improved at a steady pace. We have also achieved a substantial turnaround of our franchised food retailing business. Our traditional business, that of brewing, production and sale of branded beers and beverages, improved its turnover and its operating profit, but was also affected by two heavy one off costs relating to early retirement payments and an accelerated depreciation charge on redundant machinery. The details of these results are published in the audited accounts presented in this year's Annual Report, with comments from the Group Chief Executive in his statement. Another aspect of these results is the profit on sale of two depots which have become surplus to our requirements now that the new logistics centre is in use.

A very important highlight of these results, following a decision of the board of directors to revalue the group properties, is the accounting treatment of this important decision. As promised in last year's report, your board commissioned two firms of architects to value all the group's properties. After considerable deliberation on these two sets of valuations, your board has approved new revised values, which are included in the consolidated balance sheets as at 31 January 2008. These new values represent an increase of €55.5 million in the land and buildings that the group holds at the balance sheet date. The increased value has been credited to a revaluation reserve, and as a result, shareholder equity has increased by a net €44.4 million after providing €11.1 million for deferred taxation. The revaluation is a very substantial figure, but not an unexpected amount given that the reported property values of the main brewery site have been reported at cost all these years. In our past statements and at Annual General Meetings, we have regularly emphasised that these values were considerably below market values. In a separate statement to my own, your board is laying out details of how we intend to ensure that we utilise the full value of the group properties by establishing a fully focused and separately managed property development company, which will eventually take custody and manage group properties that are surplus to the main beverage and food businesses.

To summarise, your board intends to propose to you that Trident Developments Limited is spun off as a separate plc entity. A board committee under the chairmanship of Mr. Roderick Chalmers has been appointed for this purpose, and will prepare a plan for eventual approval by shareholders at the appropriate time. This plan will include the development opportunities that exist for all the sites we hold, however the board of Trident Developments Limited will be concentrating on preparing plans for the development of the Wands site and the use of the brewery façade, which will be released by the beverage business in the near future. No doubt this development will arouse considerable interest from you, our shareholders, once plans are at a more advanced stage.

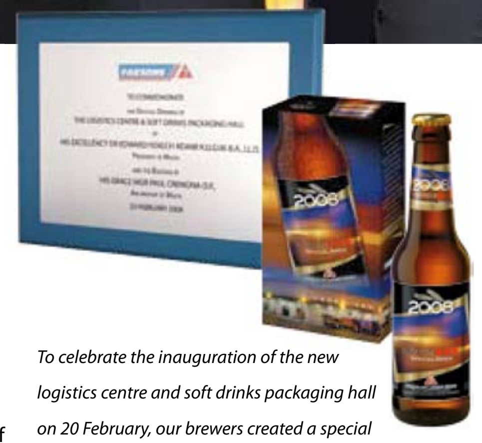
Your board is recommending an improved and record dividend for this successful year. As announced last year for the first time, an interim dividend was declared in September 2007 after the announcement of the six monthly results. This amounted to €233,000 (Lm100,000). Your board is now proposing that a final dividend of €1,367,000, to bring the total dividend to €1,600,000. This represents an increase of 37% over last year's dividend.

Over the next few years we shall be occupied with completing the plant investment programme, that is the construction of a state of the art brew house, which is due to commence within the next year and to be completed by early 2011. We shall also be working to extract the best value we can for shareholders through the property reorganisation I mentioned above. Certainly, these two projects will keep your board and group very busy. As I stated last year in my statement to you, the road ahead will continue to be challenging and highly competitive. I have no doubt that we have the skills to make it a successful journey.

As mentioned earlier, in February of this year, we inaugurated the logistics centre and soft drinks packaging hall. This project is part of a master plan, the brain child of the Group Chief Executive Mr. Louis A. Farrugia, under whose leadership and drive the group's management team have transformed the company into one of the most advanced in the Mediterranean area. On behalf of the board, I would like to thank them all for their commitment and hard work in seeing the project through so successfully.

Our thanks go also to the entire staff of Simonds Farsons Cisk and its subsidiaries. Without their support we would not have achieved these results.

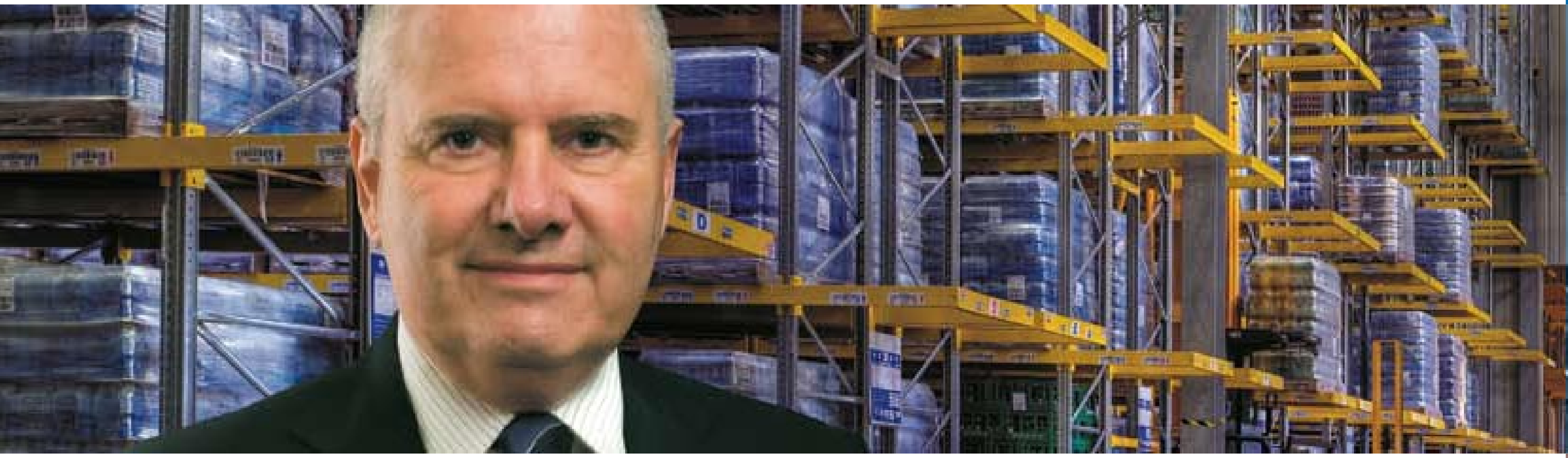
We thank also our auditors, PricewaterhouseCoopers and the external legal advisor, Prof. Andrew Muscat of Mamo TCV.



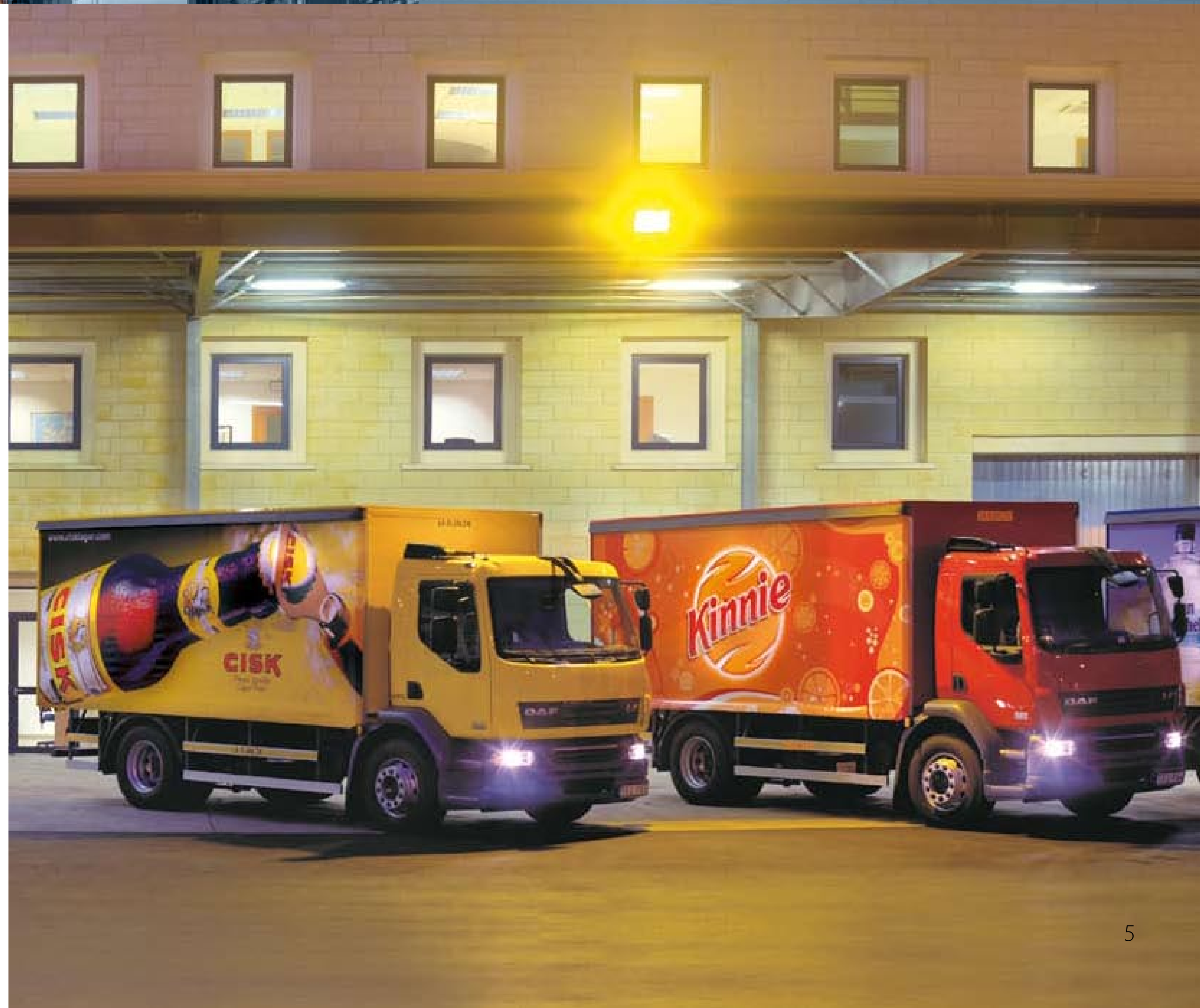
To celebrate the inauguration of the new logistics centre and soft drinks packaging hall on 20 February, our brewers created a special 2008 brew.

Bryan A. Gera - *Chairman*

Group Chief Executive's Review



"20 February 2008 will go down as another landmark day in the history of the Farsons Group"



The past year has been a momentous year for the Farsons Group. It was a year that has seen Farsons on the move in many aspects; new products, new packaging, a new production line, new warehousing facilities, new distribution channels and new export initiatives. It was a year that saw the culmination of the company's efforts to adjust its operations to meet the challenges arising from the full liberalisation of the soft drinks market. All this was done at the same time as pursuing forward actions started last year and aimed at controlling the company's cost base and at addressing the losses of certain subsidiary operations.

The 20 February 2008 will go down as another landmark day in the history of the Farsons Group. It is the day when HE The President of Malta officially inaugurated the new soft drinks packaging hall and logistics centre. This major investment of €24 million was completed on time and on budget and it has transformed our operations. It now means that we are able to offer our clients a product of a higher standard in a more efficient manner.

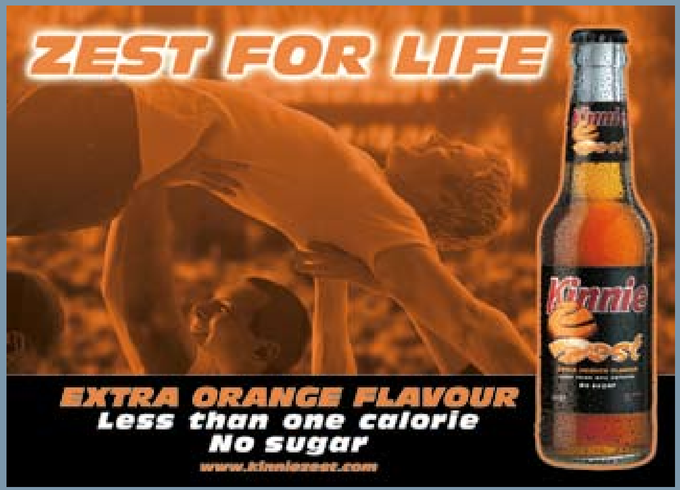
Following the liberalisation of the soft drinks market at the end of 2007, the traditional glass bottles in which we are all accustomed to seeing carbonated soft drinks in have been fast replaced by the more convenient PET bottles and cans. This major change of packaging has obviously brought about new challenges for the company. This new form of packaging has obviously resulted in increased importation of carbonated soft drinks and hence increased the pressure on our pricing levels.

Whilst the company has always believed in the considerable value and importance of competition for a healthy economy, we remain seriously concerned at the level of imports of such beverages which are sold on the market without there being sufficient enforcement in the payment of dues for Eco Contribution and other taxes. We are continuously in touch with the authorities to ensure a level playing field.

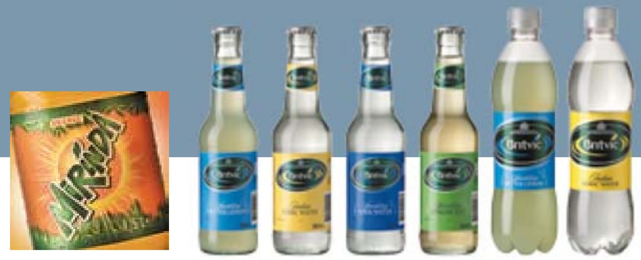
On the macro level the country has witnessed a strong growth in the economy. This growth, coupled with certain fiscal measures has helped consumer demand and dampened the negative impact of the increased utility bills that we have experienced over the past couple of years. This demand has also been supported by the very positive results registered in the tourism sector which saw arrivals to the island reaching a record level. The parent company's net sales during the financial year increased by 6%. ▶

Louis A. Farrugia - *Group Chief Executive*

Group Chief Executive's Review *continued*



added zest and less carbs gave our flagship products the impetus to excel



2007 saw the launch of Kinnie Zest and Cisk Excel which won the prestigious World Beer Award, whilst the introduction of Mirinda and Britvic consolidated the Farsons portfolio even further.

THE BEVERAGES PORTFOLIO

Following a year of consolidation, 2007 was characterised by a major drive with regards to innovation, particularly in the areas of product and package development. For the last two years our marketing team has focused its efforts on identifying areas for expansion of the company's own brands, Cisk and Kinnie. In doing this particular care had to be taken so as to ensure that any new products lived comfortably with the image of the respective brands and had a very high probability of being a success.

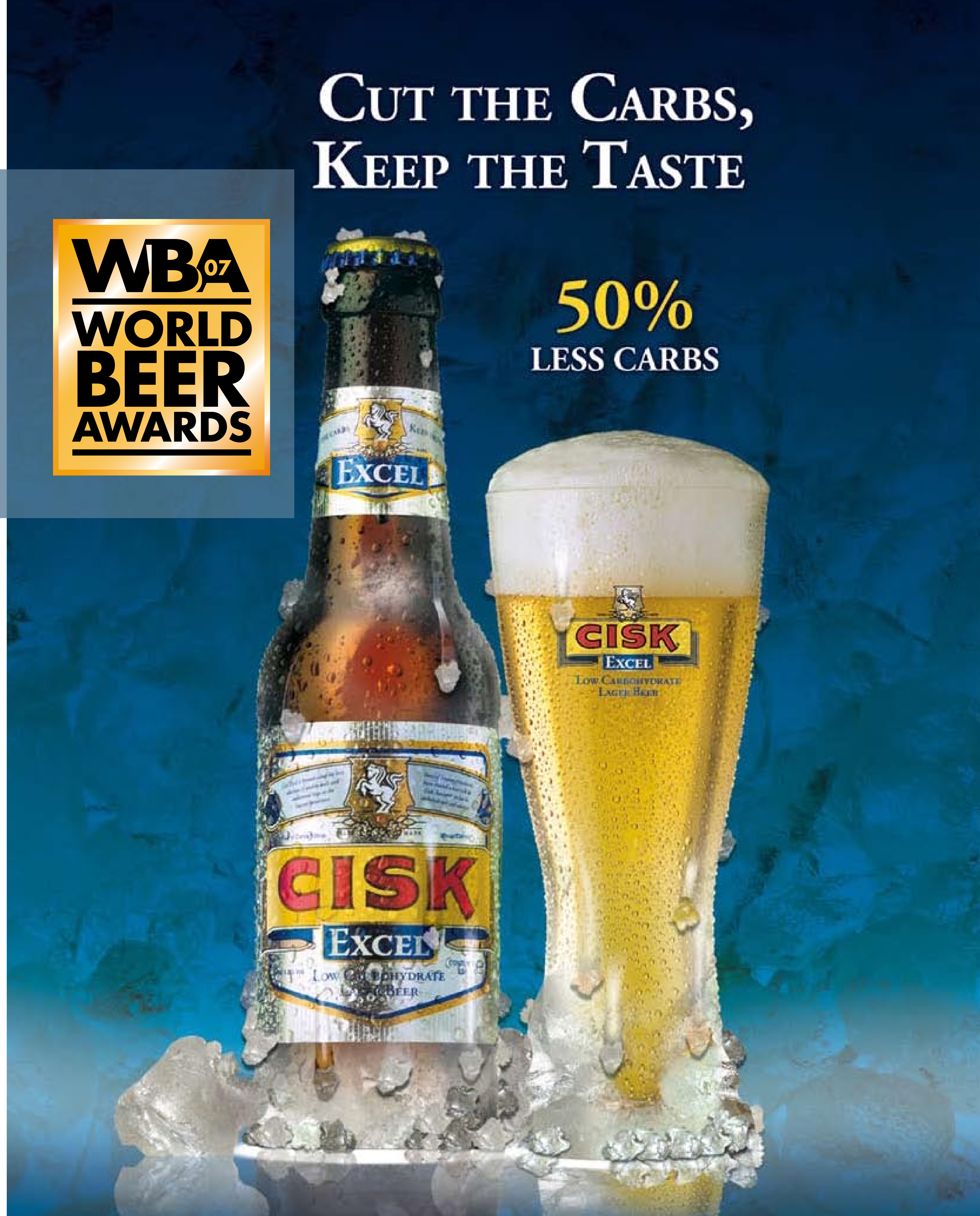
The creation of Cisk Excel targeted an audience looking for "lighter "beers with added benefits, in this case lower carbohydrate levels. The product has proved to be an instant success, surprisingly not just in the key target consumer segments but also in traditional channels of consumption like village social clubs. This sustained growth pattern has also proved that the initial success was not just the result of a short novelty value but shows that the product is poised to become a regular feature in the Cisk family, contributing to the brand's overall growth in 2007.

The launch of Kinnie Zest was a further step using the same strategy. It was designed to give a fresh young image to the Kinnie brand aimed at both the youth market as well as at consumers who may not consume normal diet drinks. Kinnie Zest hit the mark with its ability to deliver on the "no sugar, low calorie" promise and with its Extra Orange Flavour twist that gave it that unique distinctive mark, very different to anything else on the market. It has revived the Kinnie brand overall image creating a new dimension to the well loved Maltese favourite.

Whilst these innovations were taking place on the product side, a revolution was taking place in our packaging of beverages due to the imminent introduction of carbonated soft drinks in PET and cans. These finally hit the market in the middle of December and were accompanied by a strong and aggressive marketing programme. There was an overwhelming positive reaction from the public to their introduction and this set the scene for a revival of the soft drinks market following an onslaught from other beverages packaged in more convenient one way packages.

The introduction of the new packaging range also saw the launch of a new product from within the PepsiCo family, Mirinda. This has been very well received by the market and has filled a void within our portfolio of carbonated soft drinks.

A new mixer range named Britvic, the well known British branded soft drink company, was recently added to the soft drinks range the company produces. This brand incorporates various mixers including Tonic Water, Bitter Lemon, Soda Water and Ginger Ale. With 50 years of expertise and extensive research, the Britvic brand has produced the right range, taste and packaging that meet consumers' needs and its name internationally has become synonymous with quality. ▶



Group Chief Executive's Review *continued*

EXPORT INITIATIVES

The export market is seen as "a potential for growth" sector where the company can grow in the future. Management is becoming more focused on this objective. 2007 proved to be an exciting year for Farsons in this area too. During the course of the year the company managed to penetrate into a number of new markets with both its beers and with Kinnie.

The company continued to position its beer brands within the Italian market as speciality, niche beers, and the focus is exclusively on the Horeca sector. Export sales of beer to Italy, the company's main export market for beer, more than doubled in terms of both volume and value. A lot of groundwork has been done in furthering the current distribution network in Italy to cover the northern and central regions of the country more extensively.

There were also significant breakthroughs in North America with beer sales to leading players in the alcoholic drink importation business in both Canada and the United States. The year 2007 also marked the company's first ever export of beer to Australia, while there are also encouraging prospects for Cisk in other non-traditional, high income markets including Japan.

On the non-alcoholic side of the export business, there was also considerable growth for Kinnie. Sales of Kinnie in Australia, where Kinnie is produced under license, continued to increase, while new export business was secured in several European markets including Austria and Italy amongst others. Plans have also been laid for the development of a new and wider distribution network for Kinnie in Italy for 2008 and beyond.

During the year under review, the company's export strategy was further broadened to formally include the international franchising of Kinnie as an important component. A number of initiatives to secure franchise deals for Kinnie in Eastern Europe, Africa and the Middle East were launched in 2007. Although it is still early to evaluate the success of this strategy, there are some interesting prospects on the horizon which will hopefully come into fruition during the next couple of years.

BEVERAGE IMPORTATION

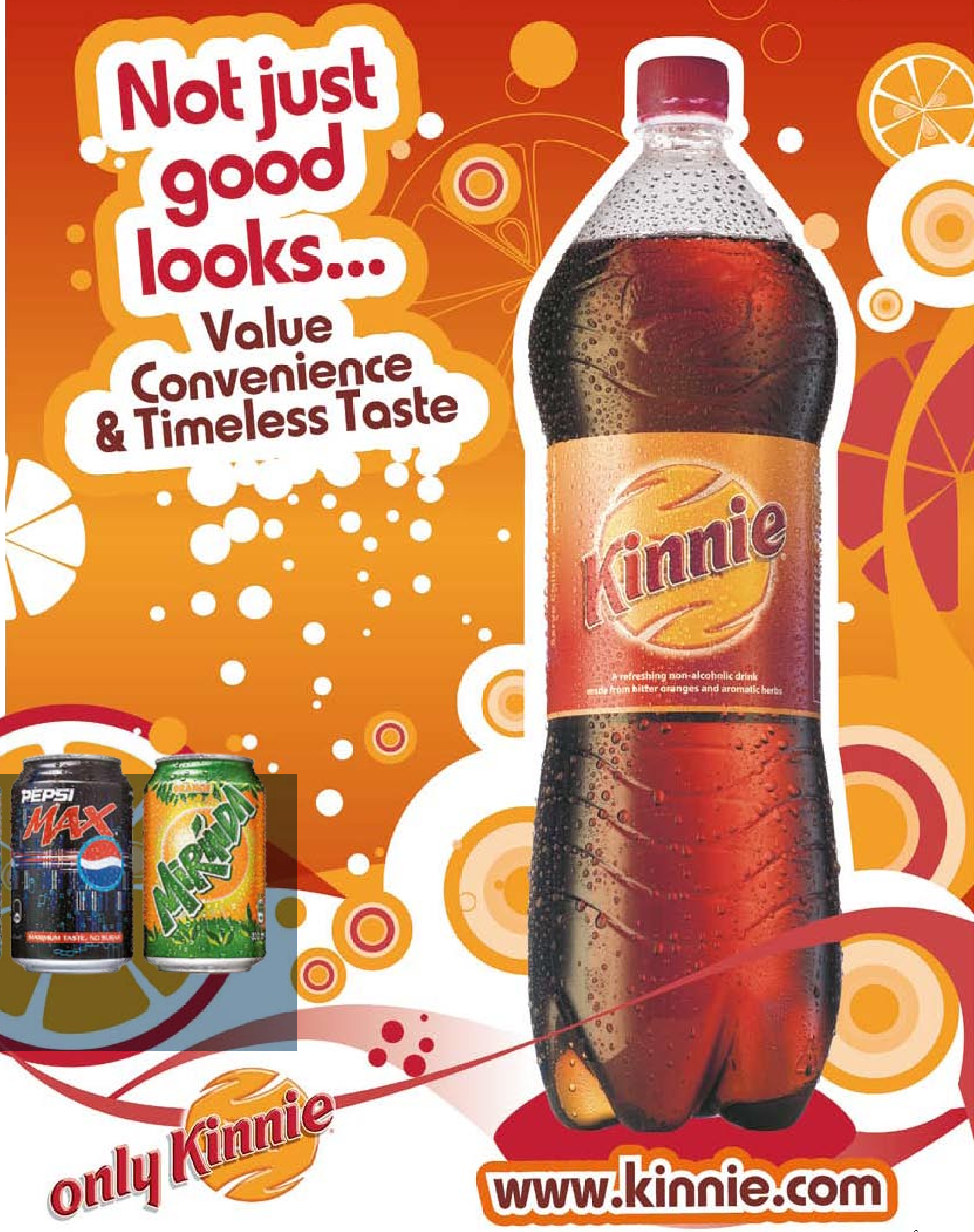
In the beverage importation sector, competition from cross-border trading remains strong and this has impacted heavily on the leading beer and spirits brands of both Wands Limited and Anthony Caruana & Sons Limited. In spite of this, our sales in this sector continue to grow as a result of aggressive efforts on the market. There have been intensive marketing programmes on key brands within both of the beverage importation companies.

In the wine sector, the proliferation of foreign wines at the lower end of the market has continued and become a permanent reality. To counter this, there have been focused efforts in this area which have given positive results with improved availability of our imported wine products in both the retail sector and in restaurant menus.

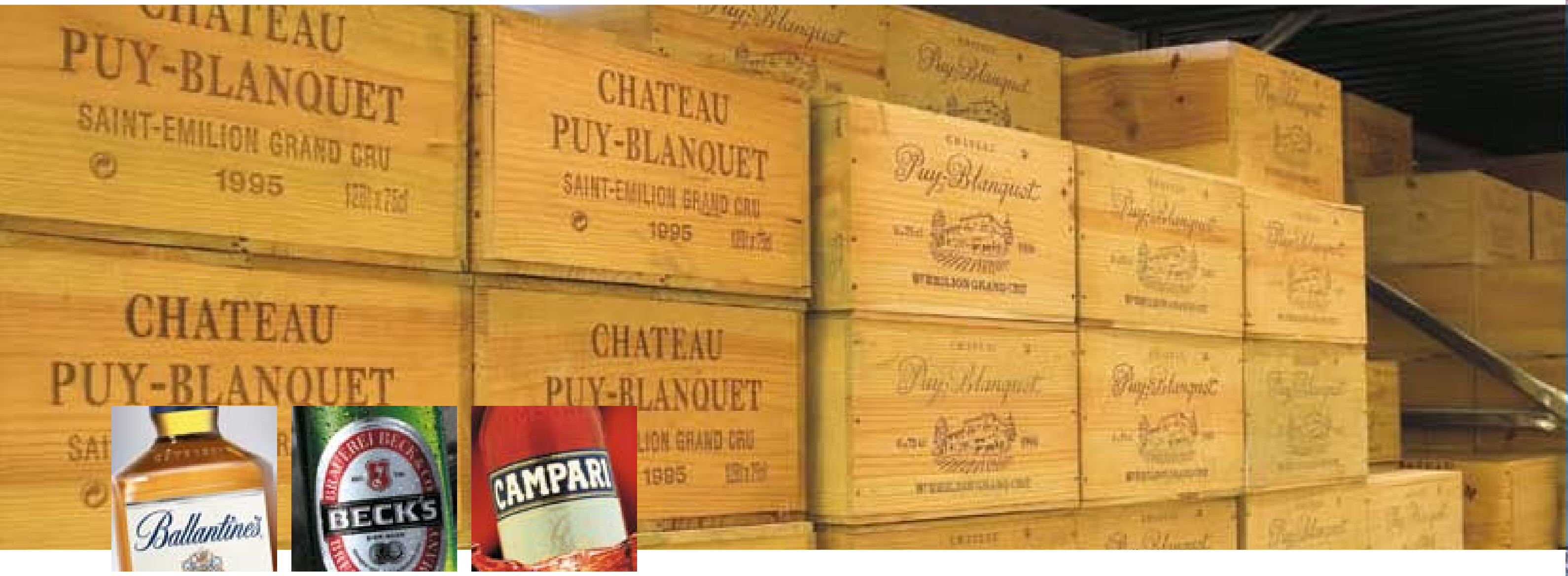
In the travel segment, sales volumes have been maintained. As has been the case in the past couple of years, these sales now come primarily from travel retail rather than duty free sales. ▶

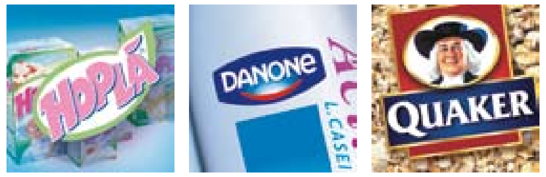
a "big" change in consumer choices

The convenient PET bottles and cans set the scene for a revival of the soft drink market.



Group Chief Executive's Review *continued*





There were positive results with improved availability of our imported wine products in both the retail sector and in restaurant menus, whilst the food importation portfolio has been further strenghtened with top notch products.

FOOD IMPORTATION

Ever since our acquisition of Quintano Foods, back in April 2004, this company has continued to expand both in terms of market share as well as in terms of product range. Its strategy has been to focus on the requirements of today's growing brand conscious and affluent consumers and to build on the high reputation of the brands it represents. The positive performance registered, which resulted in increased profitability, has been achieved within the highly competitive environment that prevails in this sector too.

During the year the company consolidated its market position as an established leader in the chilled, short shelf life, food category, with the Danone product range being the catalyst of this successful drive. It is also of satisfaction to note that the recently acquired representation of PepsiCo's Quaker brand, consisting of a range of cereals and snacks, has exceeded our sales projections. The Tropicana juice range too has delivered most satisfactory results and is rapidly growing. All these products are very well positioned to exploit the opportunities in the market place arising from the consumer's growing sensitivities against obesity, in favour of healthier eating habits and lifestyles.

Whilst the challenges ahead remain significant, the prospects for further developing this business are there, and it is for this reason that we remain committed towards further investing in this sector.

DISPENSE WATER BOTTLES

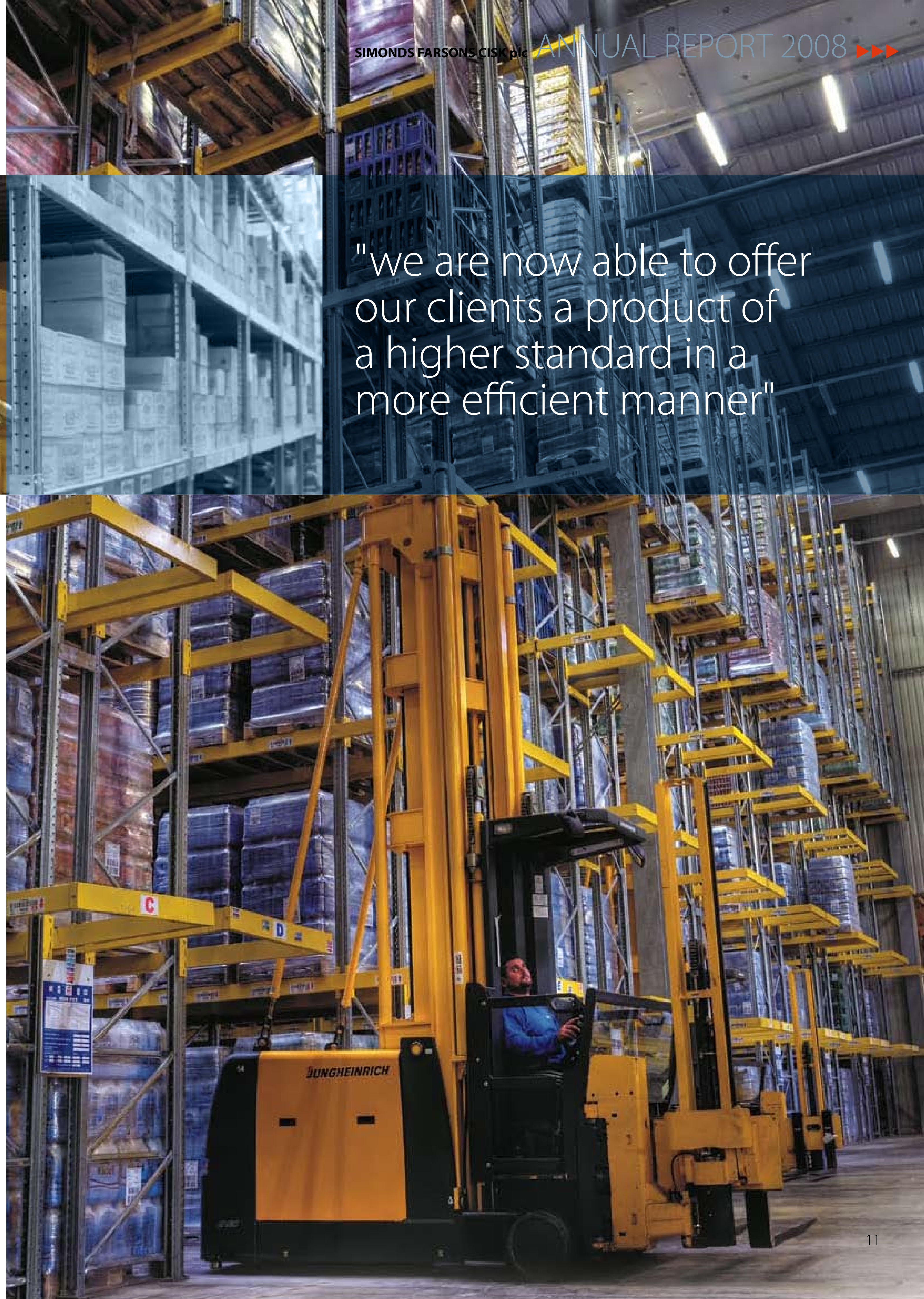
Eco-Pure Premium Water Company, our subsidiary which sells 19 litre San Michel water bottles for dispense, has continued to register a positive performance. Despite intense pricing competition on the market, the company has once again achieved growth in both its sales turnover and in its level of profitability.

In the case of our other water dispense subsidiary, Vitasana S.r.l., which is based in Treviso, Italy, we have regretfully fallen short of our objective. In spite of registering some growth in the number of accounts and in sales volumes, this was offset by increased operational costs. Management remains committed to addressing these difficulties and to reach a break even position in the shortest time possible.

FOOD FRANCHISING

The business climate in the food and beverage sector during the year under review was more positive than the previous year due to increased consumer spending by both local residents and the increased number of tourists. Food Chain (Holdings) Limited certainly benefited from these positive developments.

The turnover of Pizza Hut during the year was effected by the closure for part of the year of two of its outlets, Sliema and Valletta. The Sliema outlet underwent a planned refurbishment whilst the Valletta outlet had to be temporarily and unexpectedly closed following a fire that totally destroyed the premises. Once re-opened, the performance of both these outlets was very positive. ▶



Group Chief Executive's Review *continued*

The business climate in the food and beverage sector was more positive than the previous year.

Burger King had a successful year and registered a substantial increase in turnover thereby consolidating the turnaround that started last year. It was a pleasure to note that during an audit carried out by the franchisor on the performance of the local operation, our results were the best within the Mediterranean region.

KFC this year was not effected by any external factors as it was last year due to the avian flu scare. This, together with an exercise of menu engineering , has resulted in a healthy increase in turnover.

TGI Fridays too registered an increase in turnover though its high cost base means that it continues to experience serious challenges. Every effort is being made to further stimulate demand, though this comes at a cost.

This was the first full year of operation of our Wine and Beer Bar, Nove. During the year this outlet has acquired a reputation for good service and for good quality food and drink at an affordable price. The popularity of this new outlet in the heart of St. Julians has been steadily increasing and the focus that is being given by management should lead to a positive performance this year.

PROPERTY MANAGEMENT

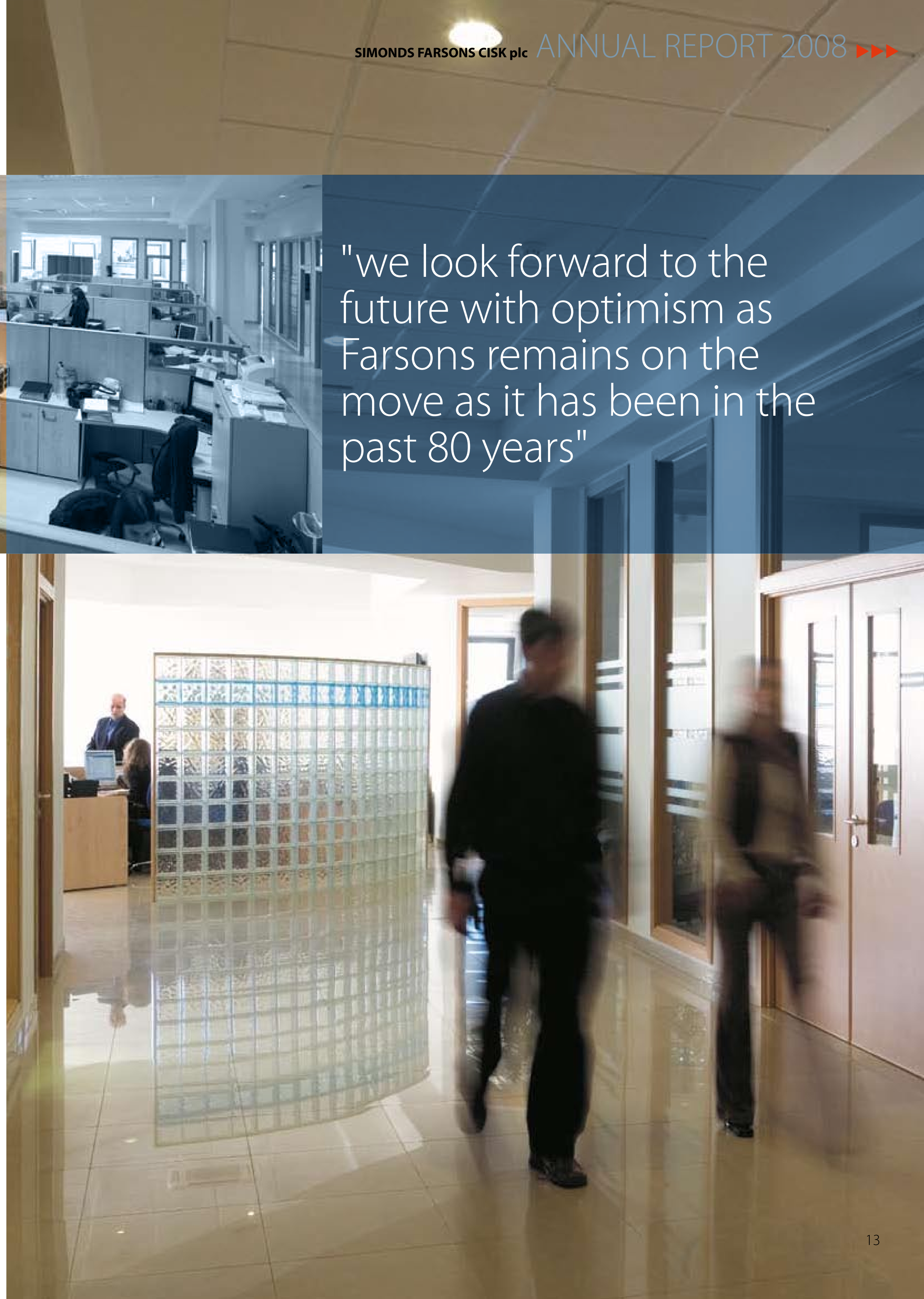
The major investment in a new centralised distribution centre located at our Mriehel site has meant that the various depots located across the island are no longer required for operational purposes. Three of these depots belonged to the group. It was decided to dispose of these depots in the most profitable manner possible and use the proceeds to part fund the investment. I am pleased to inform you that sale agreements have been signed on all three depots.

The capital projects undertaken mean that by the end of the year the Wands site will be totally vacated, and a large part of the façade of the Mriehel site will be released. Your board is already exploring the best use that should be made of these properties, the long term objective being that of ensuring new income streams to the group with added returns to the shareholders.

ON THE MOVE

The successful completion of the soft drinks packaging hall and the logistics centre leaves one final capital project to be carried out. The last remaining section of the company's investment program is the construction of a new brew house. Preliminary works on its design have already been carried out and it is expected that works will start in 2009 with completion targeted for 2011. Once this is done, Farsons would have undergone a total renewal of its operations for the third time in its history.

The Farsons Group has always been at the forefront of industrial and commercial activity in Malta. Throughout its 80 year history it always met the challenges it faced on the market and was always ready to adapt to the changing scenarios that came about. We are confident that, with the actions taken, the group will face the new challenges of the market place and we look forward to the future with optimism as Farsons remains on the move as it has been in the past 80 years.



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
Marquis Marcus John Scicluna Marshall
Alberto Miceli Farrugia
Roderick Chalmers
Arthur Muscat - *Company Secretary*

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

RELATED PARTY TRANSACTIONS COMMITTEE
Bryan A. Gera - *Chairman*
Vincent Curmi
Marquis Marcus John Scicluna Marshall
Dr. Max Ganado

NEW VENTURES, ACQUISITIONS, MERGERS COMMITTEE
Vincent Curmi - *Chairman*
Marcantonio Stagno d'Alcontres
Dr. Max Ganado

AUDIT COMMITTEE
Vincent Curmi - *Chairman*
Marquis Marcus John Scicluna Marshall
Dr. Max Ganado
Alberto Miceli Farrugia

GROUP EXECUTIVE BOARD
Louis A. Farrugia - *Chairman & Group Chief Executive*
Paul Micallef - *Chief Operations Officer*
Arthur Muscat - *Group HR Manager*
Charles Xuereb - *Chief Financial Officer*
Ray Grech - *Chief Marketing Officer*
Norman Aquilina - *Chief Commercial Officer*
Josef Formosa Gauci - *Secretary*

SENIOR MANAGEMENT
Albert F. Calleja - *Chief Development Officer*
Stefania Conte - *General Manager - Food Chain (Holdings) Limited*
Josef Formosa Gauci - *General Manager - Trident Developments Limited*
Ray Sciberras - *Chief Production Officer*
Pierre Stafrace - *General Manager - Wands Limited*
Adrian Tonna - *General Manager - National Sales*
Philip Farrugia - *General Manager - Quintano Foods Limited*

FARSONS FOUNDATION BOARD OF TRUSTEES
Bryan A. Gera - *President*
Arthur Muscat
Chev. Joseph Sammut
Chev. Dr. Vincent Despasquale
Franco Masini
Mark Miceli-Farrugia
Kenneth Pullicino - *Secretary*

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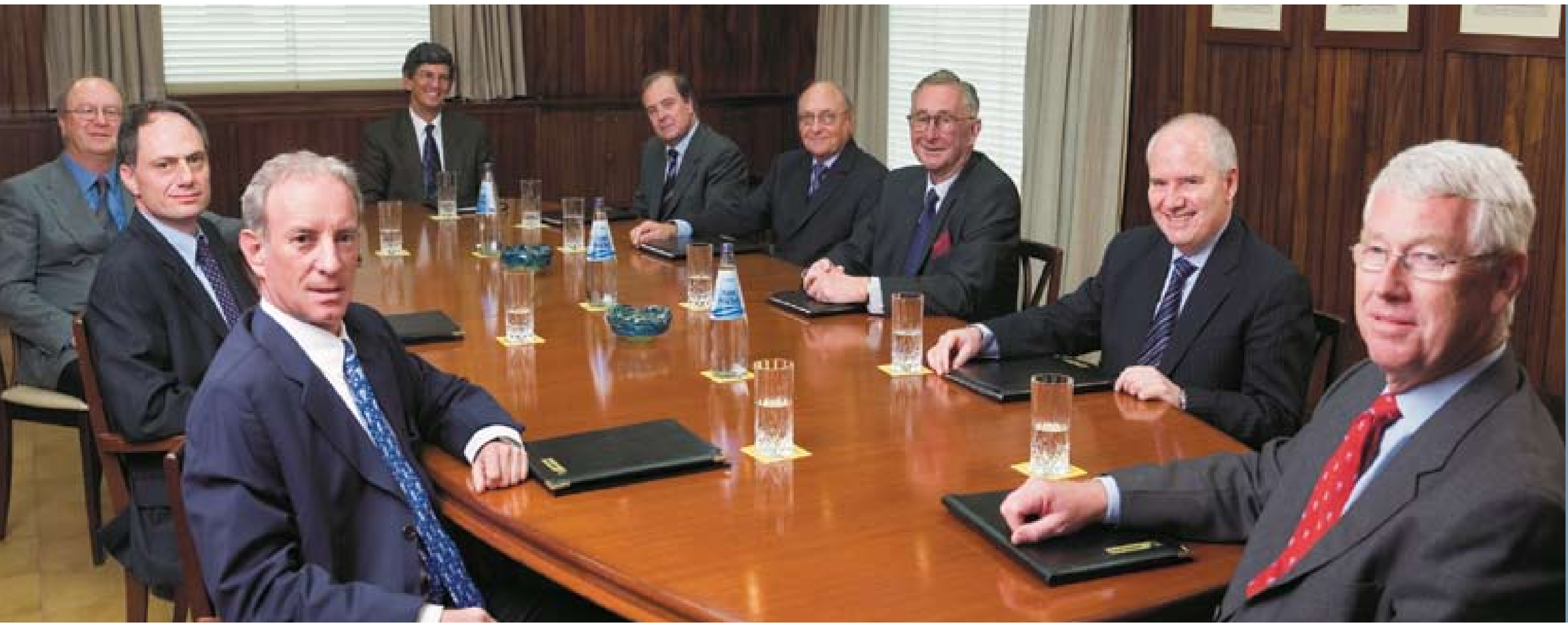
Tel: (+356) 2381 4114 Telefax: (+356) 2381 4150 email: sfc@farsons.com **www.farsons.com**



Left to right: Arthur Muscat, Alberto Miceli Farrugia, Marquis Marcus John Scicluna Marshall, Dr. Max Ganado, Marcantonio Stagno d'Alcontres, Vincent Curmi, Bryan A. Gera, Louis A. Farrugia, Roderick Chalmers.

Directors' Statement on the Restructuring of the Farsons Group

Over the past two years the board of directors and executive management have been heavily involved in overseeing and implementing a capital expenditure programme that has been directed at transforming the Farsons Group. In February 2008, the new soft drinks packaging hall and the state of the art logistics centre were officially opened, on time and on budget. The second phase of the transformation programme is now under way. Three depots have been sold, and the Wands operations have now been relocated to Mriehel. In 2009-2011, work is likely to commence on a new brewhouse, our old unit having served us faithfully since the brewery was first built 60 years ago. As indicated in the chairman's statement of the 2007 Annual Report, the board of directors has been giving the most careful consideration on how best to use the group's properties for the ultimate benefit of all our shareholders. As part of this effort, independent valuations of all of the group's properties have been carried out by two architectural firms, and the board of directors, after due consideration to both valuations, have approved a surplus of €55.5 million (Lm23.8 million) as shown hereunder.

These valuations have now been incorporated in the group's consolidated balance sheet as at 31 January 2008, and the surplus of €44.4 million (net of deferred tax of €11.1 million) credited to reserves. The group owns numerous properties, but the majority of the surplus arises on the property at Mriehel (which covers a land area of over 21 tumoli), and the Wands site at Marsa.

The board has continued to give much thought to the best use of the group's property portfolio with a view to greatly enhancing shareholder value. The outcome of these deliberations is that the board believes that the group's property assets should be allocated as follows:

(i) The land and buildings at Mriehel supporting SFC's core beer, soft drinks, mineral water and wines and spirits operations (collectively the "beverage businesses"), including the beers and the new soft drinks packaging halls and the logistics centre, will be retained by Simonds Farsons Cisk plc. The revalued amount of these assets totals €34.9 million.

(ii) The brewery façade, which from early 2011 will be totally surplus to the requirements of the core beverage business, will be transferred to Trident Developments Limited (refer to page 16). This property has been valued at €29.1 million.

(iii) The Wands site at Marsa, including the portion classified as investment property, which will be vacated by the end of 2008, valued at €10.1 million, will be retained by a subsidiary of Trident Developments Limited.

"In 2009-2011, work is likely to commence on a new Brewhouse"

	Properties owned by		
31 January 2008	SFC plc €'000	Trident Developments Ltd and other subsidiaries €'000	Total €'000
Directors' valuation	66,783	17,263	84,046
Book values	18,591	9,931	28,522
Surplus	48,192	7,332	55,524
Lm'000 equivalent	20,689	3,148	23,836

Directors' Statement on the Restructuring of the Farsons Group *continued*

The various other properties currently owned by Trident Developments Limited and its subsidiary companies are either used by the parent company's subsidiaries or rented to third parties or kept for capital appreciation. Property not occupied by the group is classified as investment property and its fair value as at 31 January 2008 is of €10.3 million.

The board believes that the time has come to reorganize the Farsons Group, and to separate its substantial property interests (other than those at Mriehel used in the core beverage business) from the other business activities, and then to maximize the value of the property interests for the benefit of all shareholders. Accordingly, the board will, in due course, be presenting the shareholders in General Meeting proposals for the restructuring of the group. The current thinking is that after the group rearranges the property holdings, proposals will be brought to the shareholders directed at separating Trident Developments Limited (TDL) from Simonds Farsons Cisk plc (SFC) into a separate listed company, to be named Trident Properties plc (TP). Following this separation, shareholders would therefore hold shares in both SFC and TP, their opening shareholding in TP being pari-passu with their holdings in SFC.

The board believes that the restructuring would bring with it the following benefits:

(i) It will separate and make more transparent the trading performance and values of the fast moving consumer businesses (beverages and foods) from that of the longer term property business;

(ii) It will enable shareholders at their sole discretion, to determine whether to remain participants in both these businesses, and in what proportions;

(iii) It will enable, if thought desirable, new investors, possibly with specific property expertise, to be brought into all or part of the Trident Properties plc portfolio. This may be of particular interest in the longer term development projects that may be undertaken;

(iv) It is believed that (i) to (iii) above will serve to create value for the shareholders.

A presentation of the proposed restructuring will be given to shareholders at the Annual General Meeting, and to financial analysts at a meeting to be arranged. In the meantime, shareholders should rest assured that finalized proposals will be brought before a General Meeting for approval prior to implementation.

Directors' Report

The directors present their report and the audited consolidated financial statements for the year ended 31 January 2008.

▶ PRINCIPAL ACTIVITIES

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

▶ REVIEW OF THE BUSINESS

Group turnover for the financial year to 31 January 2008 increased by 6.2% from €62,244,000 to €66,109,000. Group profit before tax amounted to €4,002,000. Group profit after tax amounted to €3,054,000.

Improved results were reported across the group. Our food import business performed extremely well, and a substantial turnaround of our franchised food retailing business was achieved.

Towards the end of the financial year the group commissioned the plant and machinery and IT systems relating to the new soft drinks packaging hall and logistics centre. The directors can report satisfactory progress on operations of these two important investments amounting to €24,303,000.

The year's activities were characterized by:

a) an increase in sales of all business activities due to an improved economic climate and an improved tourist sector;

b) a profit on sale of surplus land and buildings as a result of the relocation of distribution activities to the logistics centre.

▶ PROPERTY REVALUATION

As has been indicated, the board of directors has been giving the most careful consideration on how best to use the group's properties for the ultimate benefit of all our shareholders. As part of this effort, independent valuations of all of the group's properties have been carried out by two architectural firms. Based on these valuations the board approved a revaluation surplus of €55.5 million (Lm23.8 million). These valuations have now been incorporated in the group's consolidated balance sheet as at 31 January 2008, and the surplus of €44.4 million (net of deferred tax of €11.1 million) credited to reserves.

▶ RESULTS AND DIVIDENDS

The profit and loss accounts are set out on page 24.

The directors have announced a net interim dividend of €233,000 paid on 26 September 2007 to the ordinary shareholders, and will recommend the payment of a final dividend to the ordinary shareholders of €1,367,000 at the Annual General Meeting on 26 June 2008. The interim dividend was paid out of tax exempt profits. If approved at the Annual General Meeting, the final dividend will be paid on 27 June 2008 (out of tax exempt profits) to the shareholders who will be on the register of members of the company on 30 May 2008. Net dividends to the ordinary shareholders with regards to the year ended 31 January 2008 will amount to €1,600,000 (2007: €1,165,000).

▶ DIRECTORS

The directors in office during the year ended 31 January 2008 were:

Mr. Bryan A. Gera D.B.A. – Chairman

Mr. Vincent Curmi C.P.A. – Vice-Chairman

Mr. Louis A. Farrugia F.C.A. – Group Chief Executive

Marquis Marcus John Scicluna Marshall

Mr. Marcantonio Stagno d'Alcontres

Dr. Max Ganado LL.D.

Mr. Alberto Miceli Farrugia A.&C.E.

Mr. Roderick Chalmers M.A. Div. (Edin.), F.C.A., A.T.I.I., F.C.P.A., M.I.A.

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

▶ AUDITORS

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, 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, Notabile Road, Mriehel, Malta.
2 May 2008

Corporate Governance - Statement of Compliance

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

Since its establishment in 1948 as a public limited liability company, SFC has always adhered to generally accepted standards of good corporate governance encompassing the requirements for transparency, proper accountability and the fair treatment of shareholders. The board of directors has therefore endorsed the code of principles and adopted it except where particular circumstances, as explained in this statement, exist to warrant non-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.

It is the intention of the board to appoint a committee by a non-executive director during the next financial year, in order to regularly carry out a performance evaluation of its role. It is envisaged that this appointment would allow improvements in board effectiveness to be identified and implemented.

▶ 1. COMPOSITION OF BOARD OF DIRECTORS

In terms of the statute of SFC, the affairs of the company are managed and administered by a board composed of eight directors. Every shareholder owning twelve and a half percent (12.5%) ordinary issued share capital or more, is entitled to appoint a director for each and every twelve and a half percent of such shares, and the remaining ordinary shares not so utilised are entitled to fill the remaining unfilled posts of directors. Thus, each of the three major shareholders who are named and whose holdings are listed in the notes to the financial statements (page 58), normally each appoint two directors for a total of six, the remaining two directors then being elected by the general public shareholders. Accordingly, no individual or small group of individuals will be in a position to dominate the board. The interests of the directors in the shares of the company are disclosed in this annual report.

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

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

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

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

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

▶ 2. DIRECTORS' RESPONSIBILITIES

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

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

In fulfilling its responsibilities, the board regularly reviews and approves various management reports as well as annual financial plans, including capital budgets. To assist it in fulfilling its obligations, the board has delegated responsibility to the Group Chief Executive (see 1 above):
• for the formulation and implementation of policies as approved by the board;
• to achieve the objectives of the group as determined by the board; and accordingly
• to devise and put into effect such plans and to organise, manage, direct and utilise the human resources available and all physical and other assets of the group so as to achieve the most economically efficient use of all resources and highest possible profitability in the interest of the shareholders and all other stakeholders.

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

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

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

Corporate Governance - Statement of Compliance *continued*

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

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

3. BOARD COMMITTEES

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

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

Related Party Transactions Committee, presided over by the non-executive Chairman, deals with and reports to the board on all transactions with related parties. In the case of any director who is a related party with respect to a particular transaction, such director does not participate in the committee's deliberation and decision on the transaction concerned. During 2006, control mechanisms relevant to the reporting of related party transactions have been strengthened by ensuring that information is vetted and collated on a timely basis, before reporting to the Related Party Transactions Committee for independent and final review of the transactions concerned.

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

Apart from ad hoc meetings to consider the six monthly financial results and the annual financial statements, the committee meets as often as necessary to discuss formal reports remitted by the group internal auditor on group operations as well as on internal control procedures or other issues as may arise during the year. On 23 November 2004, the Listing Authority confirmed that the Audit Committee of SFC, conforms with the requirements of listing rule 8.72 in terms of its independence.

During the year ended 31 January 2008, the Audit Committee held seven meetings. According to listing rule 8.61, the Audit Committee shall meet at least six times a year preferably every two months.

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

New Ventures/Acquisitions/Mergers Committee, presided over by the non-executive Vice-Chairman, examines and reports on any proposal made by the GEB for the setting up of any new ventures, the acquisition of other businesses and entering into mergers with other parties, as well as to recommend policy guidelines thereon. Apart from the above, non-executive directors chair the Farsons Foundation which was established by public deed on 22 March 1995 to promote Maltese culture, heritage and talent, and the Pensions Board established under the staff pensions scheme which is applicable only to a diminishing number of employees and to existing pensioners. Both the Foundation and the Scheme are entirely funded by subventions authorised by the SFC board.

4. GOING CONCERN

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

5. COMMUNICATIONS WITH SHAREHOLDERS AND MARKETS

Within six months of the end of the financial year, an Annual General Meeting of shareholders is convened to consider the annual 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.

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

Approved by the board of directors on 2 May 2008 and signed on its behalf by:

Bryan A. Gera – *Chairman*

Vincent Curmi – *Vice-Chairman*

Louis Farrugia

Louis A. Farrugia – *Group Chief Executive*

Remuneration Report

DIRECTORS

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

The 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	€101,000
Directors' other emoluments	€189,000

SENIOR MANAGEMENT

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

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

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

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

Directors' Responsibility
Listing rules 8.37 and 8.38 issued by the Listing Authority require the company's directors to include in their annual report a Statement of Compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance with those principles.

Auditor's Responsibility
Our responsibility, as auditors of the group, is laid down by listing rule 8.39 issued by the Listing Authority which requires us to include a report on the Statement of Compliance.

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

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

Opinion
In our opinion, the Statement of Compliance set out on pages 19 to 20 has been properly prepared in accordance with the requirements of listing rules 8.37 and 8.38 issued by the Listing Authority.

PRICEWATERHOUSECOOPERS

167, Merchants Street, Valletta, Malta
2 May 2008

Statement of Directors pursuant to Listing Rule 9.40.5

We confirm that to the best of our knowledge:

1. the consolidated financial statements give a true and fair view of the financial position of the company and its subsidiary undertakings included in the consolidation taken as a whole as at 31 January 2008, and of the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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

Approved by the board of directors on 2 May 2008 and signed on its behalf by:

Bryan A. Gera – *Chairman*

Vincent Curmi – *Vice-Chairman*

Louis A. Farrugia – *Group Chief Executive*

Statement of Directors' Responsibilities

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

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

The directors are also responsible for designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Approved by the board of directors on 2 May 2008 and signed on its behalf by:

Bryan A. Gera – *Chairman*

Vincent Curmi – *Vice-Chairman*

Louis A. Farrugia – *Group Chief Executive*

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 24 to 57 which comprise the group's and the company's balance sheets as at 31 January 2008 and the profit and loss accounts, statements of changes in equity and cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements
The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Maltese Companies Act, 1995. As described in the statement of directors' responsibilities on page 22, 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements give a true and fair view of the financial positions of the group and the company as at 31 January 2008, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

PRICEWATERHOUSECOOPERS

167, Merchants Street, Valletta, Malta
2 May 2008

Profit and Loss Accounts

		Year ended 31 January			
		Group		Company	
		2008	2007	**2008**	2007
	Notes	**€'000**	€'000	**€'000**	€'000
Continuing operations:					
Turnover	1	**66,109**	62,244	**38,457**	36,394
Cost of sales	3	**(41,241)**	(39,604)	**(21,416)**	(20,508)
Gross profit		**24,868**	22,640	**17,041**	15,886
Selling and distribution costs	3	**(10,387)**	(9,940)	**(9,922)**	(9,439)
Administrative expenses	3	**(10,179)**	(9,709)	**(4,384)**	(3,580)
Operating profit		**4,302**	2,991	**2,735**	2,867
Fair value gains on investment property	15	**208**	862	**-**	-
Profit on disposal of land and buildings		**1,102**	-	**-**	-
Impairment of amount due by group undertaking		**-**	-	**-**	(116)
Impairment of investment in associated undertaking	17	**-**	-	**-**	(100)
Share of losses of associated undertakings	17	**-**	(100)	**-**	-
Investment income	6	**123**	-	**1,223**	654
Interest payable	7	**(1,733)**	(1,496)	**(1,373)**	(1,281)
Profit before tax		**4,002**	2,257	**2,585**	2,024
Tax expense	9	**(948)**	(102)	**(108)**	(35)
Profit for the year from continuing operations		**3,054**	2,155	**2,477**	1,989
Discontinued operations:					
Loss for the year from discontinued operations	10	**-**	(133)	**-**	-
Profit for the financial year		**3,054**	2,022	**2,477**	1,989
Earnings per share on profit from continuing operations attributable to the equity holders during the year	11	**€0.119**	€0.084		
Earnings per share on loss from discontinued operations attributable to the equity holders during the year	11	**-**	(€0.005)		

Balance Sheets

		As at 31 January			
		Group		Company	
		2008	2007	**2008**	2007
	Notes	**€'000**	€'000	**€'000**	€'000
ASSETS					
Fixed assets					
Intangible assets	13	**2,264**	2,783	**953**	1,193
Tangible assets					
Property, plant and equipment	14	**105,016**	44,445	**38,405**	30,301
Investment property	15	**10,268**	9,946	**-**	-
Financial assets					
Investments in group undertakings	16	**-**	-	**17,211**	17,654
Investments in associated undertakings	17	**12**	12	**2**	2
Total fixed assets		**117,560**	57,186	**56,571**	49,150
Other non-current assets					
Deferred taxation	19	**-**	431	**-**	-
Loans and receivables	18	**2,740**	-	**-**	-
Debtors	21	**1,542**	1,926	**7,526**	7,792
		4,282	2,357	**7,526**	7,792
Total non-current assets		**121,842**	59,543	**64,097**	56,942
Current assets					
Stocks	20	**13,833**	13,477	**8,510**	7,105
Debtors	21	**15,773**	15,082	**12,539**	15,179
Loans and receivables	18	**757**	-	**-**	-
Tax recoverable		**283**	454	**7**	-
Cash at bank and in hand		**846**	445	**295**	98
		31,492	29,458	**21,351**	22,382
Non-current assets held for sale	10	**739**	3,883	**-**	-
Total current assets		**32,231**	33,341	**21,351**	22,382
Total assets		**154,073**	92,884	**85,448**	79,324
EQUITY AND LIABILITIES					
Capital and reserves attributable to the equity holders of the company					
Called up issued share capital	22	**7,486**	7,486	**7,486**	7,486
Revaluation reserve	23	**44,372**	-	**-**	-
Other reserves	24	**16,712**	16,529	**12,056**	12,056
Profit and loss account		**14,812**	13,339	**18,407**	17,328
		83,382	37,354	**37,949**	36,870
Minority interest	26	**-**	(16)	**-**	-
Total equity		**83,382**	37,338	**37,949**	36,870
Provision for liabilities and charges					
Deferred taxation	19	**11,067**	-	**-**	-
Other provisions	27	**424**	321	**411**	321
		11,491	321	**411**	321
Creditors: due after more than one year					
Interest-bearing borrowings	25	**31,773**	31,251	**28,445**	27,601
Total non-current liabilities		**43,264**	31,572	**28,856**	27,922
Creditors: due within one year					
Interest-bearing borrowings	25	**12,750**	7,008	**9,211**	3,809
Trade and other creditors	28	**14,391**	16,630	**9,432**	10,723
Current taxation		**286**	186	**-**	-
		27,427	23,824	**18,643**	14,532
Liabilities directly associated with non-current assets classified as held for sale	10	**-**	150	**-**	-
Total current liabilities		**27,427**	23,974	**18,643**	14,532
Total liabilities		**70,691**	55,546	**47,499**	42,454
Total equity and liabilities		**154,073**	92,884	**85,448**	79,324

The financial statements on pages 24 to 57 were authorised for issue by the board of directors on 2 May 2008 and were signed on its behalf by:

Bryan A. Gera – *Chairman*

Vincent Curmi – *Vice-Chairman*

Louis A. Farrugia – *Group Chief Executive*

Statements of Changes in Equity

		Attributable to equity shareholders					
	Notes	Share capital €'000	Revaluation reserve €'000	Other reserves €'000	Profit and loss account €'000	Minority interest €'000	Total €'000
GROUP							
Balance at 1 February 2006		7,486	-	15,769	12,776	149	36,180
Net transfers of fair value gains on investment property, net of deferred tax	24	-	-	760	(760)	-	-
Other movements	26	-	-	-	-	(165)	(165)
Net movements recognised directly in equity		-	-	760	(760)	(165)	(165)
Profit for the financial year		-	-	-	2,022	-	2,022
Total recognised income for 2007		-	-	760	1,262	(165)	1,857
Dividends relating to 2006	12	-	-	-	(699)	-	(699)
Balance at 31 January 2007		**7,486**	**-**	**16,529**	**13,339**	**(16)**	**37,338**
Balance at 1 February 2007		7,486	-	16,529	13,339	(16)	37,338
Revaluation of property, plant and equipment, net of deferred tax	23	-	44,372	-	-	-	44,372
Net transfers of fair value gains on investment property, net of deferred tax	24	-	-	183	(183)	-	-
Other movements	26	-	-	-	-	16	16
Net movements recognised directly in equity		-	44,372	183	(183)	16	44,388
Profit for the financial year		-	-	-	3,054	-	3,054
Total recognised income for 2008		-	44,372	183	2,871	16	47,442
Dividends relating to 2007 and 2008	12	-	-	-	(1,398)	-	(1,398)
Balance at 31 January 2008		**7,486**	**44,372**	**16,712**	**14,812**	**-**	**83,382**

	Note	Share capital €'000	Other reserves €'000	Profit and loss account €'000	Total €'000
COMPANY					
Balance at 1 February 2006		7,486	12,056	16,038	35,580
Profit for the financial year		-	-	1,989	1,989
Dividends relating to 2006	12	-	-	(699)	(699)
Balance at 31 January 2007		**7,486**	**12,056**	**17,328**	**36,870**
Balance at 1 February 2007		7,486	12,056	17,328	36,870
Profit for the financial year		-	-	2,477	2,477
Dividends relating to 2007 and 2008	12	-	-	(1,398)	(1,398)
Balance at 31 January 2008		**7,486**	**12,056**	**18,407**	**37,949**

Cash Flow Statements

		Year ended 31 January			
		Group		Company	
	Notes	**2008 €'000**	2007 €'000	**2008 €'000**	2007 €'000
Operating activities					
Cash generated from operations	29	**6,364**	11,011	**7,502**	6,012
Interest received		**123**	-	**323**	363
Interest paid		**(1,733)**	(1,529)	**(1,373)**	(1,281)
Tax paid		**(330)**	(416)	**(7)**	(14)
Net cash from operating activities		**4,424**	9,066	**6,445**	5,080
Investing activities					
Acquisition of intangible assets		**-**	(12)	**-**	-
Purchase of property, plant and equipment		**(10,738)**	(10,666)	**(11,006)**	(9,560)
Purchase of investment property		**(114)**	(2,015)	**-**	-
Proceeds from disposal of property, plant and equipment and assets held for sale		**1,961**	144	**19**	93
Movements in investments in group undertakings		**-**	-	**-**	(2)
Net cash outflows on acquisition of minority interest		**16**	(165)	**-**	-
Decrease in investments - associated undertakings		**-**	(100)	**-**	(100)
Movements in loans to group undertakings		**-**	-	**(95)**	72
Proceeds from disposal of available-for-sale investments		**-**	7	**-**	-
Net cash used in investing activities		**(8,875)**	(12,807)	**(11,082)**	(9,497)
Financing activities					
Proceeds from short and long-term borrowings		**4,263**	14,102	**4,262**	12,366
Redemption of bonds		**-**	(4,659)	**-**	(4,659)
Payments of short and long-term borrowings		**(2,547)**	(1,146)	**(2,430)**	(706)
Dividends paid		**(1,398)**	(699)	**(1,398)**	(699)
Net cash from financing activities		**318**	7,598	**434**	6,302
Movement in cash and cash equivalents		**(4,133)**	3,857	**(4,203)**	1,885
Cash and cash equivalents at beginning of year		**(4,128)**	(7,985)	**(1,276)**	(3,161)
Cash and cash equivalents at end of year	30	**(8,261)**	(4,128)	**(5,479)**	(1,276)

Accounting Policies

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

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

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

Standards, interpretations and amendments to published standards effective in 2008
During the year ended 31 January 2008, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 February 2007. The adoption of these revisions to the requirements of IFRSs did not result in substantial changes to the group's accounting policies. IFRS 7, Financial Instruments: Disclosures, and the complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures, introduce new disclosures relating to financial instruments and capital, but do not have any impact on the classification and measurement of the group's financial instruments and capital.

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 accounting periods beginning after 1 February 2007. The group has not early adopted these revisions to the requirements of IFRSs.

The group has considered the requirements of IFRS 8, Operating Segments and the amendments to IAS 1, Presentation of Financial Statements – Capital Disclosures. IFRS 8 requires the disclosure of segments as reported for internal purposes. The amendments to IAS 1 introduce a change in disclosures for non-owner changes in equity. The group assessed the impact of IFRS 8 and the amendment to IAS 1 and concluded that certain additional changes in disclosures may be necessary upon application of these requirements. Other requirements will emanate from a number of standards. These include IAS 27 Consolidated and Separate Financial Statements (amended in 2008), IFRS 3 Business Combinations (revised in 2008), Revised IAS 23 Borrowing Costs and IFRIC 13 Customer Loyalty Programmes. The group is not expecting any material impact from these developments on the consolidated financial statements.

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

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

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

A listing of the group's undertakings is set out in note 36 to the financial statements.

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

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

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

A listing of the group's associated undertakings is set out in note 36 to the financial statements.

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

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

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

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

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

(d) Property related income
Rentals and short-term lets receivable on immovable property are recognised in the period when the property is occupied.

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

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

5. BORROWING COSTS
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is based on the average rate of interest on bank borrowings for qualifying assets. Other borrowing costs are recognised in the profit and loss account.

6. FOREIGN CURRENCIES
Functional and presentation currency - Adoption of the euro
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').

Malta adopted the euro as its national currency on 1 January 2008. This date fell within the group's financial reporting period. On this date the group's functional currency was changed from Maltese lira to euro. Consequently, the results and financial position of the group were translated at the Irrevocably Fixed Conversion Rate of €1 : Lm0.429300 as at that date. The consolidated financial statements are presented in euro, which is the group's presentation currency.

As the group converted its presentation currency from Maltese lira to euro, all comparative information was converted using the Irrevocably Fixed Conversion Rate noted above (note 39).

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

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

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

7. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE
A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and represents a separate major line of business or is a subsidiary acquired or created exclusively with a view to resale.

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset. Non-current assets (classified as assets held for sale) are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

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

Franchise and agency rights are initially shown at historical cost. Franchise and agency rights have a definite useful life and are carried at cost

Accounting Policies *continued*

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 accounting policy 13).

9. GROUP HOLDINGS OF LAND AND BUILDINGS

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

(a) Properties used as business, manufacturing and operational premises by the group including factories, warehouses, offices, and commercial buildings, are accounted for as property, plant and equipment and are included under fixed assets. Surplus properties previously employed in the group's operations, are classified as non-current assets held for sale (see accounting policy 7);

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

10. PROPERTY, PLANT AND EQUIPMENT

The directors approved a change in the group's accounting policy for property, plant and equipment. The group adopted the revaluation method as from 31 January 2008. Until 30 January 2008, the group's accounting policy for property, plant and equipment was the depreciated cost method.

As has been announced, the group is going through a process of re-structuring its property holdings. This is part of the group's strategy to re-organise its property portfolio with a view to give the group's shareholders further added value from this segment. Therefore the directors are of the opinion that the appropriate method to account for property, plant and equipment in the company's books is by using the depreciated cost method. Once this process is finalised, the company and its group undertakings will account for property, plant and equipment under the revaluation method as presented in the group's accounts.

In the group, 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 balance sheet date. 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 profit and loss account 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 profit and loss account. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the profit and loss account) 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 each balance sheet date.

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

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

11. INVESTMENT PROPERTY

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

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

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

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

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

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

12. LOANS AND RECEIVABLES

The group's loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They relate to receivables from third parties on the sale of property, plant and equipment and investment property. They are included in current assets, except for maturities greater than twelve months after the balance sheet date.

13. IMPAIRMENT OF ASSETS

Impairment of non financial assets

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

Impairment of financial assets

The group assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence that a financial asset is impaired includes observable data about the certain events which can include (but are not restricted to) indications that there is a measurable decrease in the estimated future cash flow from the financial asset since the initial recognition.

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

14. STOCKS

Stocks are stated at the lower of cost and net realisable value. Stocks of raw materials are determined by the first-in first-out method and those of spare parts on a weighted average basis. The cost of raw materials comprises the cost of direct materials and includes transport and handling charges. The cost of finished goods comprises raw materials, other direct costs and related production overheads. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. In the case of bottles, cases and kegs, the net realisable value is arrived at after providing for an annual charge calculated to amortise the costs over their estimated useful lives.

15. TRADE DEBTORS

Trade debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the debtors. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade 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 profit and loss account within 'selling and distribution costs'. When a trade debt is uncollectible, it is written off against the allowance account for trade debtors. Subsequent recoveries of amounts previously written off are credited against 'selling and distribution costs' in the profit and loss account.

16. CASH AND CASH EQUIVALENTS

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

17. BORROWINGS

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

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

18. TRADE AND OTHER CREDITORS

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

19. OPERATING LEASES

Where a group company is a lessee

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

Where a group company is a lessor

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

20. INCOME TAX EXPENSE

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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.

Deferred taxation is provided using the liability method, for all temporary differences arising

Accounting Policies *continued*

between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Under this method the group is required to make a provision for deferred income taxes on the revaluation of certain fixed assets. Such deferred tax is charged or credited directly to the revaluation 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 profit and loss account.

Under this method the group is required to make provision for deferred income taxes on the fair valuation of investment property.

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

21. 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.

22. TERMINATION BENEFITS

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

23. 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.

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 during the period.

25. OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

26. OTHER FINANCIAL INSTRUMENTS

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

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

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

27. SEGMENT REPORTING

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

Notes to the Consolidated Financial Statements

1. SEGMENT INFORMATION

	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**
2008					
Turnover	39,983	21,233	7,797	1,221	**70,234**
Less: inter-segmental sales	(799)	(2,455)	-	(871)	**(4,125)**
	39,184	18,778	7,797	350	**66,109**
Segment results	4,222	1,289	330	66	**5,907**
Unallocated costs					**(1,605)**
Operating profit					**4,302**
Fair value gains on investment property	-	-	-	208	**208**
Profit on disposal of land and buildings	-	-	-	1,102	**1,102**
Net interest payable					**(1,610)**
Profit before tax					**4,002**
Tax expense					**(948)**
Profit for the financial year					**3,054**
Segment assets	110,341	18,899	10,484	13,315	**153,039**
Assets held for sale	739	-	-	-	**739**
Associated undertakings	-	-	-	12	**12**
Unallocated assets					**283**
Total assets					**154,073**
Segment liabilities	10,139	1,581	2,003	1,092	**14,815**
Unallocated liabilities					**55,876**
Total liabilities					**70,691**
Capital expenditure	10,162	19	542	337	**11,060**
Depreciation	3,306	147	454	79	**3,986**
Amortisation	254	274	5	-	**533**
Impairment provision for debtors	214	(73)	-	16	**157**
Restructuring costs	274	13	-	-	**287**

Notes to the Consolidated Financial Statements *continued*

1. 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**
2007					
Turnover	37,710	20,755	7,100	1,249	**66,814**
Less: inter-segmental sales	(790)	(2,795)	-	(985)	**(4,570)**
	36,920	17,960	7,100	264	**62,244**
Segment results	3,833	927	(277)	61	**4,544**
Unallocated costs					**(1,553)**
Operating profit					**2,991**
Fair value gains on investment property	-	-	-	862	**862**
Interest payable					**(1,496)**
Share of losses of associated undertaking					**(100)**
Profit before tax					**2,257**
Tax expense					**(102)**
Profit for the year from continuing operations					**2,155**
Loss for the year from discontinued operations	-	-	-	(133)	**(133)**
Profit for the financial year					**2,022**
Segment assets	53,979	14,773	7,743	12,064	**88,559**
Assets held for sale	-	-	-	3,883	**3,883**
Associated undertakings	-	-	-	12	**12**
Unallocated assets					**430**
Total assets					**92,884**
Segment liabilities	12,302	1,614	1,684	1,351	**16,951**
Liabilities held for sale	-	-	-	150	**150**
Unallocated liabilities					**38,445**
Total liabilities					**55,546**
Capital expenditure	14,273	33	550	2,972	**17,828**
Depreciation	3,151	161	475	75	**3,862**
Impairment of intangible assets	-	-	128	-	**128**
Impairment of property, plant and equipment	-	-	-	130	**130**
Amortisation	261	275	37	-	**573**
Impairment provision for debtors	(47)	21	-	-	**(26)**
Restructuring costs	28	-	-	-	**28**

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

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

Segment assets consist primarily of land and buildings, investment property, plant, machinery and equipment, intangible fixed assets, stocks, debtors and cash at bank and in hand. Segment liabilities comprise trade and other creditors and exclude tax and borrowings. Capital expenditure comprises additions to land and buildings, investment property, plant, machinery and equipment and intangible fixed assets.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

3. EXPENSES BY NATURE

	Group		Company	
	2008 €'000	2007 €'000	**2008 €'000**	2007 €'000
Depreciation of property, plant and equipment (note 14)	**3,986**	3,862	**2,902**	2,525
Staff costs (note 4)	**14,534**	13,761	**7,382**	6,942
Termination benefits (note 4)	**287**	28	**274**	28
Raw materials, imported goods and consumables	**29,613**	27,822	**9,131**	8,104
Changes in stocks of finished goods and work in progress (note 20)	**(895)**	(722)	**70**	(284)
Impairment charges (note 13)	**-**	128	**-**	-
Impairment provisions for debtors (note 21)	**157**	(26)	**31**	63
Amortisation of intangible assets (note 13)	**519**	552	**240**	240
Operating motor vehicles lease rentals payable	**259**	263	**-**	-
Other expenses	**13,347**	13,585	**15,692**	15,909
Total cost of sales, selling and distribution costs and administrative expenses	**61,807**	59,253	**35,722**	33,527

Auditors' remuneration amounted to €81,000 (2007: €80,000) for the group and €28,000 (2007: €25,000) for the company respectively.

During the financial year ended 31 January 2008, operational and administrative expenses related to the euro change-over process amounted to €86,000.

4. STAFF COSTS

	Group		Company	
	2008 €'000	2007 €'000	**2008 €'000**	2007 €'000
Wages and salaries	**13,528**	12,774	**8,473**	8,125
Social security costs	**963**	943	**617**	631
Other pension costs	**43**	44	**43**	44
	14,534	13,761	**9,133**	8,800
Recharged to group undertakings	**-**	-	**(1,751)**	(1,858)
	14,534	13,761	**7,382**	6,942
Termination benefits	**287**	28	**274**	28
	14,821	13,789	**7,656**	6,970

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

	Group		Company	
	2008	2007	**2008**	2007
Brewing, production and sale of branded beers and beverages	**519**	518	**449**	462
Importation, wholesale and retail of food and beverages, including wines and spirits	**110**	111	**-**	-
Operation of franchised food retailing establishments	**197**	200	**-**	-
Property management	**1**	1	**-**	-
	827	830	**449**	462

Not included in the above staff costs are capitalised payroll expenses in relation to the soft drinks and logistics centre project in Mriehel amounting to €333,000 (2007: €307,000).

Notes to the Consolidated Financial Statements *continued*

5. DIRECTORS' EMOLUMENTS

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Directors' fees	**101**	86	**101**	86
Directors' other emoluments	**189**	186	**189**	186
	290	272	**290**	272

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 2008 includes emoluments amounting to €84,000 (2007: €77,000) which were recharged to group undertakings.

6. INVESTMENT INCOME

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Dividends receivable from group undertakings	**-**	-	**900**	291
Interest on loans and receivables	**123**	-	**-**	-
Interest on amounts owed by group undertakings	**-**	-	**323**	363
	123	-	**1,223**	654

7. INTEREST PAYABLE

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Bank loans and overdrafts	**1,085**	669	**758**	429
Bonds	**615**	834	**615**	834
Other finance costs	**33**	26	**-**	18
	1,733	1,529	**1,373**	1,281

Interest payable is allocated to continuing operations as disclosed in the profit and loss account (page 24) and to discontinued operations as disclosed in note 10.

During the year ended 31 January 2008, borrowing costs amounting to €275,000 (2007: €62,000) arising on the financing of the new soft drinks factory and distribution centre project, were capitalised and included in assets in course of construction (note 14). A net capitalisation rate of 2.85% (2007: 2.5%) [after taking into account an interest rate subsidy provided by Malta Enterprise of 2.5%] was applied, representing the borrowing cost of the loans utilised to finance the project.

8. NET FOREIGN EXCHANGE GAINS

The net exchange differences credited to the profit and loss account include:

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Foreign exchange differences	**188**	259	**85**	140
Fair value losses on derivative instruments:				
- Foreign exchange forward contracts	**(14)**	(30)	**(14)**	(30)
	174	229	**71**	110

9. TAX EXPENSE

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Current tax expense	**601**	284	**108**	35
Deferred tax expense/(income) (note 19)	**347**	(182)	**-**	-
Tax expense	**948**	102	**108**	35

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

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Profit from continuing operations	**4,002**	2,257	**2,585**	2,024
Loss from discontinued operations (note 10)	**-**	(133)	**-**	-
Results before tax	**4,002**	2,124	**2,585**	2,024
Tax on results at 35%	**1,401**	743	**905**	708
Tax effect of:				
Benefits available under the Business Promotion Act, including reduced rates of tax, investment tax credits and allowances	**(10,456)**	(8,996)	**(10,456)**	(8,996)
Differences attributable to tax rules applicable to immovable property and related profits	**(187)**	(198)	**(207)**	(68)
Unrecognised deferred tax assets	**9,906**	8,255	**9,761**	8,276
Non allowable expenses	**218**	298	**45**	119
Impairment charges on fixed assets	**-**	44	**-**	-
Differences related to termination benefits	**65**	-	**65**	-
Other differences	**1**	(44)	**(5)**	(4)
Tax expense	**948**	102	**108**	35

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

In 2008, the directors approved the proposed disposal of surplus properties previous employed in the distribution process of the company. Accordingly these properties have been classified as non-current assets held for sale as at 31 January 2008.

In 2007, the assets and liabilities relating to the Galleria Complex in Fgura (part of the property management business segment) have been presented as held for sale following the approval of the group's management to dispose of the related assets and liabilities. The completion date for the transaction was 13 March 2007.

	Group	
	2008	2007
Discontinued operations	**€'000**	€'000
Turnover	-	112
Other operating costs	-	(82)
Operating profit	-	30
Interest payable (note 7)	-	(33)
Loss before tax from discontinued operations	-	(3)
Loss recognised on the re-measurement of assets	-	(130)
Loss for the year from discontinued operations	-	(133)
Operating cash flows	-	(340)
Financing cash flows	-	349
Total cash flows	-	9

Notes to the Consolidated Financial Statements *continued*

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

	Group	
	2008	2007
Non-current assets held for sale	**€'000**	€'000
Property, plant and equipment	**739**	3,739
Trade and other debtors	**-**	144
Net book amount	**739**	3,883

	Group	
	2008	2007
Liabilities directly attributable to non-current assets held for sale	**€'000**	€'000
Trade creditors and accruals	**-**	150

11. EARNINGS PER SHARE

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

	Group	
	2008	2007
Profit attributable to equity holders on continuing operations (€'000)	**3,054**	2,155
Loss attributable to equity holders on discontinued operations (€'000)	**-**	(133)
Total profit attributable to equity holders (€'000)	**3,054**	2,022
Weighted average number of ordinary shares in issue (thousands)	**25,714**	25,714
Earnings per share on profit from continuing operations	**€0.119**	€0.084
Earnings per share on loss from discontinued operations	**-**	(€0.005)

12. DIVIDENDS

	Company	
	2008	2007
	€'000	€'000
Interim dividends	**408**	117
Final dividend	**990**	582
Total net dividend	**1,398**	699
Euro per share (net)	**€0.054**	€0.027

The interim dividend of €175,000 and the final dividend of €990,000 in respect of the year ended 31 January 2007, were announced to the ordinary shareholders on 16 May 2007 and 27 June 2007 respectively. These interim and final dividends were paid out of tax exempt profits.

A net interim dividend of €233,000 in respect of the year ended 31 January 2008 was announced on 26 September 2007, and paid to the ordinary shareholders on 19 October 2007. At the forthcoming Annual General Meeting, a final net dividend of €1,367,000 in respect of the financial year ended 31 January 2008 is to be proposed.

These financial statements do not reflect the final dividends for 2008 of €1,367,000, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 January 2009.

13. INTANGIBLE ASSETS

Group	Goodwill €'000	Franchise & agency rights €'000	Total €'000
At 1 February 2006			
Cost	1,058	4,454	5,512
Accumulated amortisation and impairment	(128)	(1,933)	(2,061)
Net book amount	930	2,521	3,451
Year ended 31 January 2007			
Opening net book amount	930	2,521	3,451
Additions	-	12	12
Amortisation	-	(552)	(552)
Impairment charge	-	(128)	(128)
Closing net book amount	930	1,853	2,783
At 31 January 2007			
Cost	1,058	4,466	5,524
Accumulated amortisation and impairment	(128)	(2,613)	(2,741)
Net book amount	930	1,853	2,783
Year ended 31 January 2008			
Opening net book amount	930	1,853	2,783
Amortisation	-	(519)	(519)
Closing net book amount	**930**	**1,334**	**2,264**
At 31 January 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

Amortisation of €246,000 (2007: €279,000) is included in cost of sales, and €273,000 (2007: €273,000) in administrative expenses within the profit and loss account.

The impairment charge of €128,000 for 2007 is included in cost of sales. The impairment charge for 2007 is attributable to franchise rights related to a franchised outlet. The related intangible assets have been written down to their estimated recoverable amounts. The recoverable amount (the higher of the value in use and net selling price) was determined at the individual asset level and represents the net selling price, determined by reference to market prices for equivalent assets.

Impairment tests for goodwill

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

	2008 €'000	2007 €'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.

Notes to the Consolidated Financial Statements *continued*

13. INTANGIBLE ASSETS (continued)

Franchise rights	Company 2008 €'000	Company 2007 €'000
Year ended 31 January		
Opening net book amount	**1,193**	1,433
Amortisation	**(240)**	(240)
Closing net book amount	**953**	1,193
At 31 January		
Cost	**2,402**	2,402
Accumulated amortisation	**(1,449)**	(1,209)
Net book amount	**953**	1,193

As at 1 February 2006, the cost and accumulated amortisation of the company's franchise rights amounted to €2,402,000 and €969,000 respectively. Amortisation charge for the year is included in cost of sales.

14. PROPERTY, PLANT AND EQUIPMENT

Group	Land & buildings €'000	Assets in course of construction €'000	Plant, machinery & equipment €'000	Total €'000
At 1 February 2006				
Cost	23,676	2,635	74,035	100,346
Accumulated depreciation and impairment	(5,325)	-	(61,559)	(66,884)
Net book amount	18,351	2,635	12,476	33,462
Year ended 31 January 2007				
Opening net book amount	18,351	2,635	12,476	33,462
Additions	170	12,975	1,794	14,939
Disposals	(196)	-	(450)	(646)
Depreciation	(398)	-	(3,464)	(3,862)
Depreciation released on disposals	196	-	356	552
Closing net book amount	18,123	15,610	10,712	44,445
At 31 January 2007				
Cost	23,650	15,610	75,379	114,639
Accumulated depreciation and impairment	(5,527)	-	(64,667)	(70,194)
Net book amount	18,123	15,610	10,712	44,445
Year ended 31 January 2008				
Opening net book amount	18,123	15,610	10,712	44,445
Additions	145	8,693	1,900	10,738
Commissioning of assets	9,741	(24,303)	14,562	-
Disposals	(1,026)	-	(110)	(1,136)
Depreciation	(416)	-	(3,570)	(3,986)
Depreciation released on disposals	78	-	92	170
Transfer to non-current assets held for sale	(738)	-	-	(738)
Revaluation surplus (note 23)	55,523	-	-	55,523
Closing net book amount	**81,430**	**-**	**23,586**	**105,016**
At 31 January 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

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

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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 two 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.

As at 31 January 2008, the carrying amount of land and buildings would have been €25,907,000 (2007: €18,123,000) had these assets been included in the financial statements at historical cost less depreciation.

Company	Land & buildings €'000	Assets in course of construction €'000	Plant, machinery & equipment €'000	Total €'000
At 1 February 2006				
Cost	9,864	2,635	56,787	69,286
Accumulated depreciation	(3,322)	-	(46,888)	(50,210)
Net book amount	6,542	2,635	9,899	19,076
Year ended 31 January 2007				
Opening net book amount	6,542	2,635	9,899	19,076
Additions	23	12,975	834	13,832
Disposals	-	-	(359)	(359)
Depreciation	(168)	-	(2,357)	(2,525)
Depreciation released on disposals	-	-	277	277
Closing net book amount	6,397	15,610	8,294	30,301
At 31 January 2007				
Cost	9,887	15,610	57,262	82,759
Accumulated depreciation	(3,490)	-	(48,968)	(52,458)
Net book amount	6,397	15,610	8,294	30,301
Year ended 31 January 2008				
Opening net book amount	6,397	15,610	8,294	30,301
Additions	48	8,693	1,117	9,858
Transferred from group undertakings	199	-	949	1,148
Commissioning of assets	9,741	(24,303)	14,562	-
Disposals	-	-	(56)	(56)
Depreciation	(164)	-	(2,738)	(2,902)
Depreciation released on disposals	-	-	56	56
Closing net book amount	**16,221**	**-**	**22,184**	**38,405**
At 31 January 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

In December 2007, the group commissioned the new soft drinks factory and distribution centre situated in Mriehel. This project was classified under assets in course of construction in 2007. Related development commenced in 2005. The related project costs amounted to €24,303,000.

During the year, assets with a carrying value of €1,148,000 have been transferred to the company from a group undertaking.

During the year, the group disposed of properties which were no longer being used as bottling distribution depot facilities. Profit on disposal of these properties is disclosed in the Profit and Loss accounts.

Notes to the Consolidated Financial Statements *continued*

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Close to year end, the group decided to dispose of the remaining properties used as bottling distribution depot facilities following the commissioning of the logistics centre. These properties have consequently been reclassified to non-current assets held for sale (refer to note 10).

In 2008, borrowing costs arising on the financing for the construction of the new soft drinks factory and the logistics centre and dedicated payroll costs were capitalised and are included in 'Additions' (note 7 and note 4).

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

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Cost of sales	**2,885**	2,765	**2,339**	2,210
Selling and distribution costs	**502**	558	**156**	16
Administration expenses	**599**	539	**407**	299
	3,986	3,862	**2,902**	2,525

15. INVESTMENT PROPERTY

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Year ended 31 January				
Opening net book amount	**9,946**	7,069	**-**	-
Additions	**114**	2,015	**-**	-
Fair value gains for the year	**208**	862	**-**	-
Closing net book amount	**10,268**	9,946	**-**	-
At 31 January				
Cost	**4,798**	4,684	**-**	-
Fair value gains	**5,470**	5,262	**-**	-
Net book amount	**10,268**	9,946	**-**	-

As at 1 February 2006, the cost and fair value gains attributable to the group's investment property amounted to €2,670,000 and €4,400,000 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.

Investment property included above, comprising property leased out under operating leases, has a carrying amount of €1,721,000 (2007: €1,691,000). Bank borrowings are secured by the group's investment property (note 25).

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 profit and loss account:

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Rental income	**270**	263	**-**	-
Direct operating expenses arising from investment property that generate rental income	**(204)**	(203)	**-**	-

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

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
At 31 January				
Cost	**4,798**	4,684	**-**	-
Accumulated depreciation	**(172)**	(158)	**-**	-
Net book amount	**4,626**	4,526	**-**	-

16. INVESTMENTS IN GROUP UNDERTAKINGS

	Company	
	2008	2007
	€'000	€'000
Year ended 31 January		
Opening net book amount	**17,654**	17,652
Movements	**(443)**	2
Closing net book amount	**17,211**	17,654
At 31 January		
Cost	**18,492**	18,935
Impairment provision for investments	**(1,281)**	(1,281)
Net book amount	**17,211**	17,654

The principal group undertakings at 31 January 2008 all of which are unlisted, are disclosed in note 36 to these financial statements.

17. INVESTMENTS IN ASSOCIATED UNDERTAKINGS

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Year ended 31 January				
Opening net book amount	**12**	12	**2**	2
Additions	**-**	100	**-**	100
Impairment provision for investments	**-**	-	**-**	(100)
Share of results of associated undertaking	**-**	(100)	**-**	-
Closing net book amount	**12**	12	**2**	2
At 31 January				
Cost	**102**	102	**102**	102
Share of undertakings' results and reserves	**(90)**	(90)	**-**	-
Impairment provision for investments	**-**	-	**(100)**	(100)
Net book amount	**12**	12	**2**	2

The principal associated undertakings at 31 January 2008 all of which are unlisted, are disclosed in note 36 to these financial statements.

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

	Assets	**Liabilities**	**Loss**
	€'000	€'000	€'000
At 31 January 2007	946	1,002	(233)
Movements	(34)	(93)	(1)
At 31 January 2008	**912**	**909**	**(234)**

Notes to the Consolidated Financial Statements *continued*

18. LOANS AND RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Year ended 31 January				
Opening net book amount	**-**	-	**-**	72
Receivable upon disposal of non-current assets held for sale and additions during the year	**4,522**	-	**-**	-
Repayments	**(1,025)**	-	**-**	(72)
Closing net book amount	**3,497**	-	**-**	-
At 31 January				
Cost and net book amount	**3,497**	-	**-**	-

In 2008 loans and receivables relate to dues from third parties on the disposal of the non-current assets held for sale in 2007 and on the disposal on land and buildings utilised by the group prior to the commissioning of the new logistics centre.

As at 31 January 2008, the weighted average effective interest rate at balance sheet date was 4.0% (2007: NIL%) for the group. In 2007, the company's loans and receivables relating to loans to group undertakings were unsecured, with an interest rate of 6.6%.

Maturity of loans and receivables as at the balance date was:

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Non-current				
Between 1 and 2 years	**756**	-	**-**	-
Between 2 and 5 years	**1,984**	-	**-**	-
	2,740	-	**-**	-
Current	**757**	-	**-**	-
	3,497	-	**-**	-

These assets 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 33.

As of 31 January 2008, these financial assets were fully performing and hence do not contain impaired assets.

19. DEFERRED TAXATION

Deferred taxation is calculated on all temporary differences under the liability method, using the principal tax rate of 5% (2007: 5%) on all temporary differences in accordance with the provisions of the Business Promotion Regulations, 2001. Deferred tax on those temporary differences that do not qualify in this manner is calculated at 35% (2007: 35%), except for temporary differences on certain immovable property that are calculated under the liability method using a principal tax rate of 12% (2007: 12%) on the carrying amounts.

The movement in the deferred tax account is as follows:

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
At beginning of year	**431**	249	**-**	-
(Charged)/credited to profit and loss account (note 9)	**(347)**	182	**-**	-
Charged to equity (note 23)	**(11,151)**	-	**-**	-
At end of year	**(11,067)**	431	**-**	-

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

(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 2006	68	242	(683)	(35)	-	657	249
Profit and loss	44	19	(102)	156	-	65	182
At 31 January 2007	112	261	(785)	121	-	722	431
At 1 February 2007	112	261	(785)	121	-	722	431
Profit and loss	(2,266)	1,891	(26)	-	-	54	(347)
Equity	-	-	-	-	(11,151)	-	(11,151)
At 31 January 2008	**(2,154)**	**2,152**	**(811)**	**121**	**(11,151)**	**776**	**(11,067)**
Company							
At 1 February 2006	(689)	242	-	(93)	-	540	-
Profit and loss	(61)	19	-	-	-	42	-
At 31 January 2007	(750)	261	-	(93)	-	582	-
At 1 February 2007	(750)	261	-	(93)	-	582	-
Profit and loss	(2,012)	1,894	-	-	-	118	-
At 31 January 2008	**(2,762)**	**2,155**	**-**	**(93)**	**-**	**700**	**-**

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 2008, the group and the company had unrecognised deferred tax assets consisting of unutilised tax credits arising from:

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Unutilised investment tax credits	**22,114**	12,353	**22,114**	12,353
Unabsorbed tax losses	**333**	310	**-**	-
Unabsorbed capital allowances	**690**	568	**-**	-
	23,137	13,231	**22,114**	12,353

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

Notes to the Consolidated Financial Statements *continued*

20. STOCKS

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Raw materials and consumables	**3,985**	3,496	**3,316**	2,670
Finished goods and goods for resale	**5,855**	6,413	**2,319**	2,052
General stores	**1,559**	1,896	**635**	832
Bottles, cases and kegs	**2,434**	1,672	**2,240**	1,551
	13,833	13,477	**8,510**	7,105

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

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Cost of sales	**810**	631	**289**	289
Selling and distribution costs	**41**	35	**41**	-
	851	666	**330**	289

21. DEBTORS

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Non-current				
Amounts due from group undertakings	**-**	-	**6,007**	5,912
Other debtors	**1,542**	1,926	**1,519**	1,880
	1,542	1,926	**7,526**	7,792
Current				
Trade debtors	**9,733**	9,210	**6,079**	5,497
Amounts due from group undertakings	**-**	-	**2,824**	6,108
Amounts due from associated undertakings	**455**	426	**455**	426
Indirect taxation	**184**	291	**-**	-
Other debtors	**2,879**	3,133	**2,336**	2,425
Prepayments and accrued income	**2,522**	2,022	**845**	723
	15,773	15,082	**12,539**	15,179
Total debtors	**17,315**	17,008	**20,065**	22,971
Debtors are stated net of impairment provision as follows:				
Trade and other debtors	**2,384**	2,227	**1,452**	1,421
Amounts due from group undertakings	**-**	-	**426**	426

The impairment provision for debtors is disclosed in note 3 and is included in selling and distribution costs in the profit and loss account.

Amounts due from group and associated undertakings are unsecured, interest free and are repayable on demand, except for an amount of €4,500,141 (2007: €9,063,592) which is subject to an average interest rate of 4.96% (2007: 4.80%).

The group's and company's exposure to credit and currency risks and impairment losses relating to trade and other debtors are disclosed in note 33. The other classes within debtors do not contain impaired assets.

22. SHARE CAPITAL

	Company	
	2008	2007
	€'000	€'000
Authorised:		
26,000,000 ordinary shares of €0.291 each	**7,570**	7,570
2,000,000 preference shares of €2.329 each	**4,659**	4,659
500,000 preference shares of €23.294 each	**11,647**	11,647
20,000 preference shares of €232.937 each	**4,659**	4,659
	28,535	28,535
Issued and fully paid:		
25,714,286 ordinary shares of €0.291 each	**7,486**	7,486

The denomination and value of the company's nominal share capital was translated at the Irrevocably Fixed Conversion Rate of €1 : Lm0.429300 from 1 January 2008 as a result of Malta's adoption of the euro.

23. REVALUATION RESERVE

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Revaluation of property, plant and equipment				
At beginning of year, before deferred taxation	**-**	-	**-**	-
Revaluation surplus for the year	**55,523**	-	**-**	-
Deferred taxation (note 19)	**(11,151)**	-	**-**	-
At 31 January	**44,372**	-	**-**	-

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

24. OTHER RESERVES

	Share premium €'000	Unrealised fair value gains reserve €'000	Incentives & benefits reserve €'000	Capital redemption reserve €'000	**Total** €'000
Group					
At 1 February 2006	2,078	3,713	2,515	7,463	15,769
Investment property fair value gains	-	862	-	-	862
Deferred tax on fair value gains for the year	-	(102)	-	-	(102)
At 31 January 2007	2,078	4,473	2,515	7,463	16,529
At 1 February 2007	2,078	4,473	2,515	7,463	16,529
Investment property fair value gains	-	208	-	-	208
Deferred tax on fair value gains for the year	-	(25)	-	-	(25)
At 31 January 2008	**2,078**	**4,656**	**2,515**	**7,463**	**16,712**
Company					
At 31 January 2007 and 2008	**2,078**	**-**	**2,515**	**7,463**	**12,056**

Notes to the Consolidated Financial Statements *continued*

24. OTHER RESERVES (continued)

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

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

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

25. INTEREST-BEARING BORROWINGS

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Non-current				
6.6% Bonds 2010-2012	**9,267**	9,253	**9,267**	9,253
Bank loans	**22,506**	21,998	**19,178**	18,348
	31,773	31,251	**28,445**	27,601
Current				
Bank overdrafts	**9,107**	4,573	**5,774**	1,374
Bank loans	**3,643**	2,388	**3,437**	2,388
Business Promotion Act – soft loan	**-**	47	**-**	47
	12,750	7,008	**9,211**	3,809
Total borrowings	**44,523**	38,259	**37,656**	31,410

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

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'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	**99**	85	**99**	85
Net book amount	**(50)**	(64)	**(50)**	(64)
Amortised cost	**9,267**	9,253	**9,267**	9,253

The quoted market price as at 31 January 2008 for the 6.6% Bonds 2010-2012 was €240 (2007: €242).

The group's and company's banking facilities as at 31 January 2008 and 2007 amounted to €43,234,000 and €38,806,000 for the group, and €34,171,000 and €29,124,000 for the company respectively.

The carrying amount of borrowings are denominated in euro.

The bank overdrafts and loans are secured by special and general hypothecs over the group's assets and pledges over the group's merchandise. The soft loan given under the provisions of the Business Promotion Act was secured by a bank guarantee.

25. INTEREST-BEARING BORROWINGS (continued)

Interest rate exposure:

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
At floating rates	**35,256**	28,959	**28,389**	22,110
At fixed rates	**9,267**	9,300	**9,267**	9,300
Total borrowings	**44,523**	38,259	**37,656**	31,410

Weighted average effective interest rates at balance sheet date:

	Group		Company	
	2008	2007	**2008**	2007
	%	%	**%**	%
Bank overdrafts	**5.07**	4.94	**5.16**	4.68
Bank loans	**5.14**	4.92	**5.10**	4.95
Bonds 2010-2012	**6.60**	6.60	**6.60**	6.60
Business Promotion Act – soft loan	**-**	3.25	**-**	3.25

This note provides information about the contractual terms of the company's and the group's interest-bearing loans and borrowings. For more information about the company's and the group's exposure to interest rate, foreign currency and liquidity risk, see note 33.

26. MINORITY INTEREST

	Group	
	2008	2007
	€'000	€'000
At beginning of year	**(16)**	149
Acquisition of share in minority interest	**16**	(165)
At end of year	**-**	(16)

27. OTHER PROVISIONS

	Group		Company	
	2008	2007	**2008**	2007
Restructuring provision	**€'000**	€'000	**€'000**	€'000
At 1 February	**321**	458	**321**	458
Charged to the profit and loss account	**287**	28	**274**	28
Utilised during the year	**(184)**	(165)	**(184)**	(165)
At 31 January	**424**	321	**411**	321

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 to be incurred are €274,000 at 31 January 2008 (2007: €28,000), and were fully provided for in 2008 (note 4). It is anticipated that €180,000 (2008: €184,000) of the provision will be paid during the financial year ending 31 January 2009.

Notes to the Consolidated Financial Statements *continued*

28. TRADE AND OTHER CREDITORS

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Current				
Trade creditors	**3,055**	4,675	**2,066**	2,460
Capital and other creditors	**3,083**	6,578	**2,342**	5,353
Indirect taxes and social security	**1,857**	1,225	**1,252**	785
Accruals and deferred income	**6,396**	4,152	**3,772**	2,125
	14,391	16,630	**9,432**	10,723

The group's and company's exposure to currency and liquidity risk related to trade and other creditors is disclosed in note 33.

29. CASH GENERATED FROM OPERATIONS

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Operating profit from continuing operations	**4,302**	2,991	**2,735**	2,867
Operating loss from discontinued operations (note 10)	**-**	(100)	**-**	-
Operating profit	**4,302**	2,891	**2,735**	2,867
Adjustments for:				
Depreciation of property, plant and equipment (note 14)	**3,986**	3,862	**2,902**	2,525
Impairment of property, plant and equipment (note 10)	**-**	130	**-**	-
Profit on disposal of property, plant and equipment	**(30)**	(51)	**(19)**	(12)
Impairment of intangible assets (note 13)	**-**	128	**-**	-
Amortisation of intangible assets (note 13)	**519**	552	**240**	240
Amortisation of bond issue costs (note 25)	**14**	21	**14**	21
Provision for termination benefits (note 27)	**287**	28	**274**	28
	9,078	7,561	**6,146**	5,669
Changes in working capital:				
Stocks	**(356)**	825	**(1,405)**	638
Trade and other debtors	**(307)**	1,445	**4,236**	78
Trade and other creditors	**(2,051)**	1,180	**(1,475)**	(373)
Cash generated from operations	**6,364**	11,011	**7,502**	6,012

30. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Cash at bank and in hand	**846**	445	**295**	98
Bank overdrafts	**(9,107)**	(4,573)	**(5,774)**	(1,374)
	(8,261)	(4,128)	**(5,479)**	(1,276)

31. CONTINGENT LIABILITIES

At 31 January 2008, the group and the company had contingent liabilities amounting to €1,287,581 (2007: €4,573,000) and €130,912 (2007: €3,847,195) 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 2008, guarantees amounting to €8,020,000 (2007: €6,718,000) were given by the company with regards to bank facilities of group undertakings.

32. RELATED PARTY TRANSACTIONS

The following companies (and their respective group and associated undertakings) are related parties by virtue of their shareholding in the company:

	Percentage of shares held	
	2008	2007
Farrugia Investments Limited	**26.50**	26.50
MSM Investments Limited	**26.50**	26.50
Sciclunas Estates Limited	**26.32**	26.32

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

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Income from goods and services				
- Sales of goods to group undertakings	**-**	-	**2,102**	2,262
- Recharge of costs to group undertakings	**-**	-	**761**	850
- Recharge of payroll costs to group undertakings	**-**	-	**1,751**	1,858
- Interest receivable on loans to group undertakings	**-**	-	**303**	363
	-	-	**4,917**	5,333
Expenditure for goods and services				
- Purchases of goods from group undertakings	**-**	-	**886**	811
- Services payable to group undertakings	**-**	-	**9,166**	8,576
- Rents charged from group undertakings	**-**	-	**197**	247
- Purchases of goods and services from related parties	**965**	797	**680**	585
	965	797	**10,929**	10,219

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

Amounts due from group and associated undertakings, in connection with sales and purchases transactions, are disclosed in note 21 to these financial statements. These include the transfer to the company of property, plant and equipment from a group undertaking (note 14). In the company's books, long and short-term amounts due from group and associated undertakings, in connection with group financing activities are disclosed within note 21 to these financial statements. Impairment losses of €NIL (2007: €116,469) have been recognised in 2008 in respect of amounts due from group undertakings in connection with group financing activities.

Notes to the Consolidated Financial Statements *continued*

33. FINANCIAL RISK MANAGEMENT

The group's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price 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 by euro.

Accordingly, a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the balance sheet date is not deemed necessary.

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 2007 the settlement dates on open contracts ranged between two and twelve months. The local currency amounts to be paid and contractual exchange rates of the group's outstanding contracts as at year end were €NIL (2007: €927,000).

(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 25), 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, consisting primarily of unsecured bonds which are carried at amortised cost (refer to Note 25), 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 balance sheet date to be immaterial. Up to the balance sheet date 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 reporting date was:

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Carrying amounts				
Loans and receivables	**3,497**	-	**-**	-
Debtors	**17,315**	17,008	**20,065**	22,971
Cash at hand and in bank	**846**	445	**295**	98
	21,658	17,453	**20,360**	23,069

33. FINANCIAL RISK MANAGEMENT (continued)

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 debtors 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 debtors. This allowance represents specific provisions against individual exposures.

The group's debtors, 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

Local trade debtors
Impairment provisions of €1,448,000 (2007: €1,383,000) for the group were present at year end in respect of trade debtors that were over due and that were not expected to be recovered. Other overdue trade debts that were not impaired amounted to €1,517,000 (2007: €3,225,000) for the group. The group holds security of €322,000 (2007: €322,000) against these debts. The unsecured overdue amounts consisted of €1,070,000 (2007: €1,891,000) that were less than 3 months overdue and €125,000 (2007: €1,012,000) that were greater than 3 months.

Impairment provisions of €515,000 (2007: €531,000) for the company were present at year end in respect of trade debtors that were over due and that were not expected to be recovered. Other overdue trade debts that were not impaired amounted to €671,000 (2007: €882,000) for the company. The company holds security of €322,000 (2007: €322,000) against these debts. The unsecured overdue amounts consisted of €349,000 (2007: €336,000) that were less than 3 months overdue and €NIL (2007: €224,000) that were greater than 3 months.

Other debtors
As at year end, impairment provisions of €887,000 (2007: €829,000) for the group and the company were in existence at year end in respect of trade loans (disclosed under other debtors) that were over due and that were not expected to be recovered. Other overdue trade loans that were not impaired amounted to €1,582,000 (2007: €1,697,000) for the group and €1,582,000 (2007: €1,697,000) for the company. The group and company hold the security of €464,000 (2007: €527,000) against these debts.

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

	Group		Company	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Balance as at 1 February	**2,227**	2,253	**1,421**	1,358
Impairment loss recognised	**157**	(26)	**31**	63
Balance as at 31 January	**2,384**	2,227	**1,452**	1,421

The group's policy is to recognize impairment losses on all trade debtors exceeding one year, while it recognizes impairment losses on other debtors 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 the point the amounts considered irrecoverable are written off against trade receivables directly.

The group holds collateral as security for all its assets classified as loans and receivables.

The group and company's debtors also include advances to group undertakings on which no credit risk is considered to arise.

Notes to the Consolidated Financial Statements *continued*

33. FINANCIAL RISK MANAGEMENT (continued)

(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 interest-bearing borrowings (refer to notes 28 and 25). 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 balance sheet date to the contractual maturity date in the respective notes to the financial statements.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, 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 2008					
Borrowings	**44,523**	**48,199**	**10,767**	**27,841**	**9,591**
Trade and other creditors	**14,391**	**14,391**	**14,391**	**-**	**-**
	58,914	**62,590**	**25,158**	**27,841**	**9,591**
31 January 2007					
Borrowings	38,259	41,838	4,977	23,831	13,030
Trade and other creditors	16,630	16,630	16,630	-	-
	54,889	58,468	21,607	23,831	13,030

	Carrying amount €'000	Contractual cash flows €'000	Within one year €'000	One to five years €'000	Over five years €'000
Company					
31 January 2008					
Borrowings	**37,656**	**43,593**	**10,413**	**26,043**	**7,137**
Trade and other creditors	**9,432**	**9,432**	**9,432**	**-**	**-**
	47,088	**53,025**	**19,845**	**26,043**	**7,137**
31 January 2007					
Borrowings	31,410	36,957	4,646	22,116	10,195
Trade and other creditors	10,723	10,723	10,723	-	-
	42,133	47,680	15,369	22,116	10,195

Fair values

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 balance sheet date, the fair values of financial assets and liabilities, approximate the carrying amounts shown in the balance sheet.

34. CAPITAL 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 net debt 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 is stated at revalued amounts as at 31 January 2008. As stated in the accounting policy 10 - Property, plant and equipment, the company's property, plant and equipment is stated at depreciated cost.

Structural borrowings include all interest bearing borrowings, less cash at bank and in hand. Borrowings include unsecured bonds issued by the company. The gearing ratios at 31 January 2008 and 2007 were as follows:

	Group		Company	
	2008 €'000	2007 €'000	**2008 €'000**	2007 €'000
Total borrowings (note 25)	**44,523**	38,259	37,656	31,410
Less: cash in hand and at bank	**(846)**	(445)	(295)	(98)
Net debt	**43,677**	37,814	37,361	31,312
Total equity	**83,382**	37,338	37,949	36,870
Total capital	**127,059**	75,152	75,310	68,182
Gearing	**34.38%**	50.32%	49.61%	45.92%

35. COMMITMENTS

Capital commitments

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

	Group		Company	
	2008 €'000	2007 €'000	**2008 €'000**	2007 €'000
Contracted but not provided for	**273**	855	**273**	855
Authorised but not contracted	**4,854**	12,215	**3,936**	11,044
	5,127	13,070	**4,209**	11,899

In 2007 €8,152,000 of the capital commitments noted as 'authorised but not contracted' relate to the approved investment plan and modernisation programme, that comprises a new soft drink packaging hall and a distribution centre, which was commissioned in 2008.

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	
	2008 €'000	2007 €'000	**2008 €'000**	2007 €'000
Not later than 1 year	**566**	545	**-**	-
Later than 1 year and not later than 5 years	**1,682**	1,982	**-**	-
Later than 5 years and not later than 30 years	**5,975**	5,993	**-**	-
Later than 30 years	**17,125**	17,345	**-**	-
	25,348	25,865	**-**	-

Non-cancellable operating lease payments disclosed above as 'Later than 30 years' expire within 77 years. This commitment relates to a non-cancellable property operating lease that expires in 2084.

Notes to the Consolidated Financial Statements *continued*

35. COMMITMENTS (continued)

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	
	2008	2007	**2008**	2007
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**242**	233	**-**	-
Later than 1 year and not later than 5 years	**1,009**	992	**-**	-
Later than 5 years	**2,734**	2,996	**-**	-
	3,985	4,221	**-**	-

36. GROUP AND ASSOCIATED UNDERTAKINGS

The principal group undertakings at 31 January 2008 are shown below:

	Registered office	Principal activities	Percentage of shares held 2008	2007
Anthony Caruana & Sons Limited	303 Qormi Road, Marsa	Importation and wholesale of beverages, wines and spirits	**100**	100
Burger Operations Limited	303 Qormi Road, Marsa	Operation of franchised food retailing establishments	**100**	100
Eco Pure Premium Water Co. Limited	Triq San Gwakkin, Mriehel	Sale and distribution of bottled water	**100**	100
Farsons Italia S.r.l.	Via del Concilio 17, 20045 Lissone, Milan - Italy	Sale of branded beer and beverages in Europe	**100**	100
Farsons (Sales & Marketing) Limited	The Brewery, Notabile Road, Mriehel	Group selling and distribution function	**100**	100
Food Chain (Holdings) Limited	303 Qormi Road, Marsa	Intermediate investment and property holding	**100**	100
Food Operations Limited	303 Qormi Road, Marsa	Catering	**100**	100
Galleria Management Limited	The Brewery, Notabile Road, Mriehel	Non-operating	**100**	100
Guido Vella Limited	303 Qormi Road, Marsa	Importation, wholesale and retail of food, beverages, wines and spirits	**100**	100
Kentucky Operations Limited	303 Qormi Road, Marsa	Operation of franchised food retailing establishments	**100**	100
Mensija Catering Co. Limited	303 Qormi Road, Marsa	Property leasing	**100**	100
Pizza Operations Limited	303 Qormi Road, Marsa	Operation of franchised food retailing establishments	**100**	100
Portanier Warehouses Limited	The Brewery, Notabile Road, Mriehel	Property leasing	**100**	100
Quintano Foods Limited	Commerce Street, Qormi	Importation and wholesale of food products	**100**	100
Sliema Fort Company Limited	303 Qormi Road, Marsa	Property leasing	**100**	100
Trident Developments Limited	The Brewery, Notabile Road, Mriehel	Intermediate investment and property holding	**100**	100
Trident Wines Limited	303 Qormi Road, Marsa	Importation of branded wines	**100**	100
Vita Sana S.r.l.	Via Fratelli Rosselli 17/13 31020 Villorba (TV) Treviso - Italy	Sale and distribution of bottled water in Italy	**100**	51
Wands Limited	303 Qormi Road, Marsa	Importation and wholesale of beverages, wines and spirits	**100**	100

36. GROUP AND ASSOCIATED UNDERTAKINGS (continued)

The principal associated undertakings at 31 January 2008 are shown below:

	Registered office	Principal activities	Percentage of shares held 2008	2007
FSG Company Limited	The Brewery, Notabile Road, Mriehel	Investment holding	**50**	50
Malta Deposits and Return Systems Limited	Mizzi House, National Road, Blata l-Bajda	Waste management activities	**56**	56

37. STATUTORY INFORMATION

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

38. MALTESE LIRI CONVERTED FINANCIAL HIGHLIGHTS

	Group		Company	
	2008	2007	**2008**	2007
	Lm'000	Lm'000	**Lm'000**	Lm'000
Turnover	**28,381**	26,721	**16,510**	15,624
Profit before tax	**1,718**	912	**1,110**	869
Profit for the financial year	**1,311**	868	**1,063**	854
Earnings per share (cents)	**5.11**	3.39	**-**	-
Net asset value	**35,796**	16,029	**16,292**	15,828
Cash flows from/(used in):				
Operating activities	**1,899**	3,892	**2,767**	2,181
Investing activities	**(3,810)**	(5,498)	**(4,758)**	(4,077)
Financing activities	**137**	3,262	**186**	2,705

A net interim dividend of Lm100,000 was announced on 26 September 2007 and was paid to the ordinary shareholders on 19 October 2007. At the forthcoming Annual General Meeting, a final net dividend of Lm587,000 in respect of the financial year ended 31 January 2008 is to be proposed.

All figures have been translated using the Irrevocably Fixed Conversion Rate of €1 : Lm0.429300.

39. COMPARATIVE INFORMATION

All comparative financial information has been converted into euro using the Irrevocably Fixed Conversion Rate of €1 : Lm0.429300. This change in comparative presentation has been made for information purposes only.

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

Shareholder Information

Directors' interests in the Company

	Ordinary shares held as at 31 January 2008	Ordinary shares held as at 28 April 2008
Bryan A. Gera	75,077	75,077
Vincent Curmi	6,732	6,732
Louis A. Farrugia	19,512	19,512
Marquis Marcus John Scicluna Marshall	5,020	5,020
Marcantonio Stagno d'Alcontres	-	-
Dr. Max Ganado	-	-
Alberto Miceli Farrugia	9,530	9,530

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

Mr. Marcantonio Stagno d'Alcontres has a beneficial interest in MSM Investments Limited. Besides having a beneficial interest in Farrugia Investments Limited, Mr. Louis A. Farrugia has a beneficial interest in a further 36,785 Ordinary shares registered in the name of Farrugia Holdings Limited. Marquis Marcus John Scicluna Marshall has a beneficial interest in Sciclunas Estates Limited. There has been no movement in the above stated shareholdings during the period from 31 January 2008 to 28 April 2008.

Shareholders holding 5% or more of the equity share capital at 28 April 2008

Ordinary shares

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

Shareholding details
As at 28 April 2008, the company's issued share capital was held by the following shareholders:

	Number of shareholders
Ordinary shares of €0.2912 each	1,676

The holders of the Ordinary shares have equal voting rights.

Number of shareholders as at 28 April 2008

	Number of shareholders	Number of shares	Percentage holding
Ordinary shares of 12c5 each			
Up to 500 shares	530	131,770	0.51
501 - 1,000	308	223,439	0.87
1,001 - 5,000	651	1,503,016	5.85
More than 5,000	187	23,856,061	92.77
	1,676	25,714,286	100.00

Arthur Muscat
Company Secretary

The Brewery, Notabile Road, Mriehel BKR 3000. Telephone: (+356) 2381 4172

Five Year Summarised Group Results

		2008 €'000	2007 €'000	2006 €'000	2005 €'000	2004 €'000
Turnover		**66,109**	62,355	61,316	62,383	57,594
Operating costs		**(61,807)**	(59,464)	(61,640)	(59,276)	(53,420)
Operating profit/(loss)		**4,302**	2,891	(324)	3,107	4,174
Changes in fair value of investment property		**208**	862	885	627	291
Profit on disposal of land and buildings		**1,102**	-	1,223	-	-
Net finance costs		**(1,610)**	(1,529)	(1,903)	(1,828)	(1,817)
Share of results of associated undertakings		**-**	(100)	(9)	19	-
Profit/(loss) before taxation		**4,002**	2,124	(128)	1,925	2,648
Tax		**(948)**	(102)	617	(505)	3,357
Profit before minority interest		**3,054**	2,022	489	1,420	6,005
Minority interest		**-**	-	361	35	261
Profit attributable to Ordinary shareholders		**3,054**	2,022	850	1,455	6,266
Dividends declared on:						
Ordinary shares		**1,398**	699	1,407	1,407	1,072
Total dividends (net)		**1,398**	699	1,407	1,407	1,072
Shareholders' funds		**83,382**	37,338	36,182	37,100	37,088
Borrowings		**44,523**	38,259	33,878	34,936	29,448
Deferred tax		**-**	-	-	622	389
Total capital employed		**127,905**	75,597	70,060	72,658	66,925
Fixed assets		**117,560**	57,186	42,951	49,455	45,923
Non-current assets		**4,282**	2,357	2,611	2,504	2,770
Current assets		**31,492**	29,458	32,371	32,597	29,413
Assets held for sale		**739**	3,883	3,869	-	-
Liabilities (excluding borrowings)		**(26,168)**	(17,287)	(11,742)	(11,898)	(11,181)
Total assets less current liabilities		**127,905**	75,597	70,060	72,658	66,925
Shares in issue during the financial year:						
- Ordinary shares	**'000**	**25,714**	25,714	25,714	25,714	25,714
Number of Ordinary and Preference shareholders		**1,676**	1,729	1,752	1,699	1,708
Earnings per Ordinary share (reference note 11)		**€0.119**	€0.079	€0.033	€0.056	€0.245
Return on average capital employed	**percentage**	**5.5**	5.0	3.0	5.5	7.1
Dividend cover	**times**	**2.18**	2.89	0.60	1.03	5.85
Dividends per Ordinary share (net of tax)		**€0.054**	€0.027	€0.054	€0.054	€0.042
Net asset value per Ordinary share		**€3.24**	€1.45	€1.40	€1.41	€1.44
Gearing	**percentage**	**34.4**	50.3	48.4	48.1	44.0

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

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

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

Dividend cover is calculated by dividing the profit attributable to the Ordinary shareholders by the total net dividends.

Net asset value per Ordinary share is calculated by dividing shareholders' funds attributable to the Ordinary shareholders by the number of Ordinary shares in issue at the end of the year.

Gearing is calculated by dividing total borrowings (including preference shares at year end) by total capital employed.