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FARSONS GROUP

Farsons

SIMONDS FARSONS CISK plc ANNUAL REPORT 2011 for the year ended 31 January 2011

Directors, Board Committees, Group Executives & Senior Management

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Vincent Curmi - Vice-Chairman
Louis A. Farrugia - Chairman - Group Executive Board
Dr. Max Ganado
Marcantonio Stagno d'Alcontres
Marina Hogg
Marquis Marcus John Scicluna Marshall
Roderick Chalmers
Arthur Muscat - Company Secretary

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

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Marquis Marcus John Scicluna Marshall
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Farsons Group Management Team
Norman Aquilina - Group Chief Executive
Charles Xuereb - Chief Financial Officer
Ray Sciberras - Chief Operations Officer
Antoinette Caruana - Group HR Manager
Chris Borg Cardona - Head of Logistics
Susan Weenink - Head of Marketing & Communications
Stephen Sultana - Head of International Business Development
Stefania Calleja - Head of Sales and Customer Relations
Pierre Stafrace - General Manager FBIC Limited
Philip Farrugia - General Manager Quintano Foods Limited
John Bonello Ghio - General Manager Food Chain (Holdings) Limited

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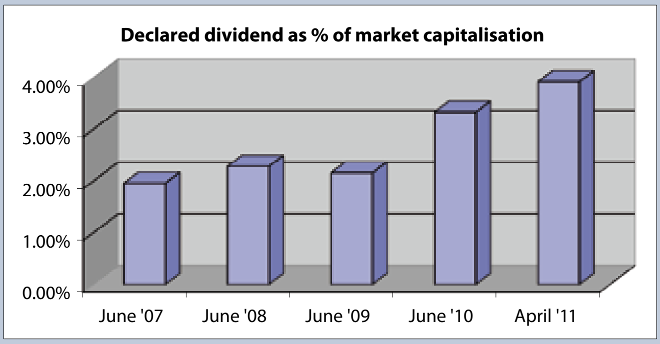
SIMONDS FARSONS CISK plc ANNUAL REPORT 2011 for the year ended 31 January 2011

Chairman's Statement

Once again this year, I am pleased to present to you for the second year in succession a most satisfactory set of financial results. Group turnover reached a record €67,354,000, up from €65,111,000, an increase of 3.4%. Group profit before taxation from continuing operations amounted to €4,051,000 up from €3,126,000, a significant increase of 29.6%. This follows on from a previous year's improved performance after the difficult year ending 31 January 2009.



Clearly, the difficulties that the brewery had encountered during the year of change, financial year ended 31 January 2009, from returnable glass to one way packaging have now been overcome. The results this year have been achieved largely due to improved productivity, overhead cost containment, and increases in sales in both the local market and export markets. This achievement has taken place in a year when competition continued to increase and the European economy in general continues to suffer, most especially in the nearby markets of southern Europe.

What is most pleasing to note is that group operating profit also reached a record €6,300,000, an increase from €4,914,000 achieved in the previous year. Furthermore, earnings before interest, taxation, depreciation and amortisation (EBITDA) reached €10,910,000 up from €10,160,000. This indicates the strong cash flows that the group has generated for the second year in succession. In fact, one can note that group borrowings, which had reached a peak of €44,523,000 at 31 January 2008 are down at 31 January 2011 to €31,848,000. Our gearing ratio now stands at 27.1%.

It is most gratifying to recall the overwhelming response from the public to the 6.0% €15,000,000 Bond issue in May last year. The main purpose of the issue was to finance the repayment of the 6.6% Bonds redeemed in 2010 and the financing of the new €14,000,000 brewhouse, laboratories and water treatment facilities. I am pleased to report that the project, as I had indicated last year, commenced in July 2010 and is on target to be completed by May 2012. It is an ambitious project both in its design features and in its complexity. We are investing in a state of the art brew hall and malt storage which should serve the company well for many years to come. The brewhouse vessels are due to arrive this October. Our own team of senior and experienced technical executives are managing the project along with local and foreign consultants.

As shareholders you will have noted that over the last 5 years we have increased your dividend to what will be a record declared amount of €2,000,000 for the financial year ended 31 January 2011 being proposed at this Annual General Meeting. This is a 3.9% rate of return on the market capitalisation as at 18 April 2011. As a rate of dividend return this is a most satisfactory equity return on the Malta Stock Exchange, particularly when one considers that no further taxes are deductible. To illustrate this, I am reproducing a graph showing the declared dividends over the last 5 years compared to the market capitalisation at the AGM/signing date of this report.

You will note that Mr. Louis Farrugia is for the first time in 32 years reporting to you this year not as Chief Executive but in his key role as Chairman of the Group Executive Board. You will be pleased to note that he reports on the successful transition of the day to day responsibilities to Mr. Norman Aquilina as Group Chief Executive. This is another milestone achievement for the Farsons Group which over the years has earned itself a good track record in implementing workable succession policies. This is an important consideration for all shareholders. And so in this Annual Report, Mr. Aquilina presents his CEO report on the activities of the group for the first time. I wish to congratulate him and his new team on these results achieved in his first year at the helm and wish him all success in the years to come.

The outlook for the coming year is dominated by the military and political events that are taking place in North Africa and in particular in Libya. Although your group has no investments in the region, our exports of beverages have been increasing to these markets over recent years. Naturally the events are also affecting sentiment in the local economy and could also affect our incoming tourism results and so in turn affect local demand for our products. We hope and pray that a peaceful ending to the conflict will be reached in the months ahead.

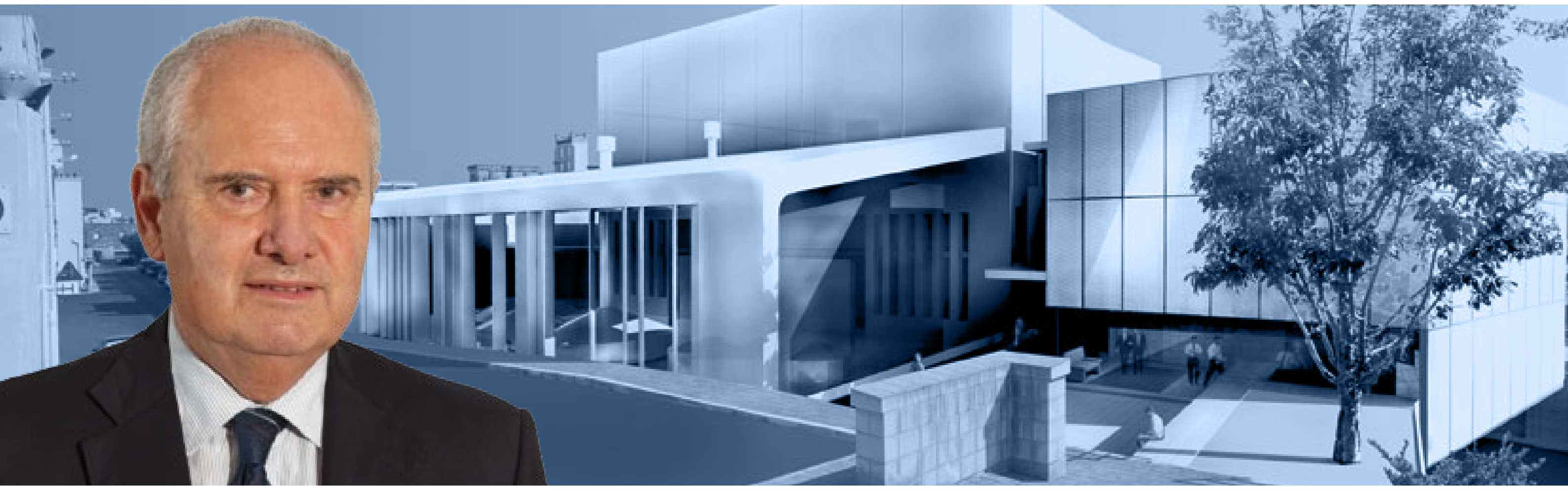
In general terms, we are facing inflationary pressures in costs of raw materials, utilities and other overhead costs. Our task is to contain our costs and continue to improve productivity and turnover. I am confident that the board of directors and your management team can undertake this responsibility in the coming years ahead.

There were no changes in the board of directors. My colleagues on the board were as always very supportive and for this I would like to thank them. The excellent results achieved this year reflect the sum total of the effort made by each and every member of the staff from the Chairman of the Group Executive Board, the Group Chief Executive, senior managers and down to the employees on the shop floor, on behalf of the board I would like to thank them all.

We thank also our auditors PricewaterhouseCoopers who help us to adjust effectively to the forever changing financial reporting requirements and our legal advisor Prof. Andrew Muscat of Mamo TCV who was especially helpful this year in drafting a more vibrant and up to date memorandum and articles which shall be presented for approval at the next AGM. We thank him for his advice.

Bryan A. Gera - Chairman

Statement by the Chairman of the Group Executive Board



I wish to report on my perspective of the Farsons Group's activities for the year to 31 January 2011 during which year I have served as Chairman of the Group Executive Board rather than as Chief Executive Officer.

As you are aware Mr. Norman Aquilina officially took over the reigns of CEO on 1 July 2010 having been appointed the designate CEO for the previous twelve months. The handing over of the day to day responsibility of the group activities has taken place over a relatively long period of time and I am pleased to state that it has gone according to plan and with success - as you will all be pleased to note from the group results achieved this year and from the CEO report in this Annual Report. Mr. Aquilina has been able to put together a group management structure represented by an energetic and hardworking team of managers in a short space of time. The results achieved across all sectors are impressive and this augurs well for the future.

Naturally this instils in us a great deal of satisfaction since it confirms the Farsons Group's ability and skill to renew itself in more ways than one. We have been successful at reinvigorating our own leading brands like Cisk Lager and our bitter sweet Kinnie. We have been successful at investing in new productive technologies and implementing and using IT systems to enhance our management effectiveness as well as improving our quality standards. This has happened as a result of our investment over the years in our human resources. We have been able to give responsibility to our younger managers as a result of suitable and appropriate policies in HR development. We have also been successful at being innovative in our marketing activities by introducing new products and packages which are in line with consumer trends at this time. We have launched new products such as our low carbohydrate lager beer Cisk Excel which has been a tremendous success.

During this year we have successfully taken on the representation of world renowned energy drink Red Bull and continued to extend both our beverage and food brands portfolio. We have also introduced new products and concepts in our quick service restaurants as well totally refurbishing two Burger King restaurants.

As Chairman of the Group Executive Board it is my responsibility to keep in touch with the key important aspects of the business, namely, the latest commercial trends, Government relations, senior managerial appointments and of course the finances and profitability of the group's various activities. I therefore meet the CEO and senior key executives at the GEB meetings held on a regular basis. I am happy to report that this communication exercise has worked well.

During this year the all important new €14 million brewhouse project got underway. I am pleased to report that the project is moving at a fast pace and according to projected timescales. Structural works are well advanced and we have targeted October 2011 for the arrival of key machinery such as the brewhouse vessels and malt tower silos. We hope that we should be able to show you the finished project in June next year. In fact, we are programmed to start test brews in April 2012. We are obviously indebted to the whole team working on this project, our architects, consultants, contractors and our own specialist brewers, engineers, in-house architect for their unstinted dedication and commitment to its success.

I wish to also thank the board of directors for their support throughout these years of substantial investment and changes. In particular I wish to thank our Chairman Mr. Bryan Gera, who has undertaken his responsibilities as Chairman of the Board with great dedication and fairness. He has brought great harmony to board meetings, by encouraging discussion whilst preparing board members for important decisions through active engagement before board meetings when necessary.

Naturally I also wish to place on record my appreciation for the hard work that our management team as well as all our employees, ably led by Mr. Norman Aquilina, have put in. Our results would not have been possible without their strong commitment.

Lastly but not least my thanks go to you, our shareholders, for your loyalty throughout the years. Your board is distinctly appreciative of this fact.

Louis Farrugia

Louis A. Farrugia - Chairman - Group Executive Board

Group Chief Executive's Review

The Farsons Group: A Resilient Commitment to the Future

Introduction

Marking the first year as Chief Executive of Farsons, it is fitting for me to acknowledge at the outset of this review not only the unparalleled resources, heritage and ethos of this landmark Maltese business, but also the scale of the challenges - and the breadth of the opportunities - that lie ahead as we continue to open up our horizons.

That this is a highly successful group is not in any doubt. But of course, we now operate in a global economic reality that is re-defining itself on so many facets, and within a fully liberalized, and increasingly competitive, domestic market. Nevertheless, while we are responding well and have already made substantial progress, much more remains to be accomplished.

Our resolve remains unwavering, and our vision consistent. While we endeavour to position ourselves as the best performing group within the fast moving consumer goods category, we are proud not only of a highly impressive brand portfolio, but also of our ability to maximize the potential of each and every brand within this portfolio, as a result of our group's structure and focus.

We will therefore maintain our focus on targeted areas for profitable growth, whilst simultaneously seeking to turn-around or divest those non-profitable operations within our group. We will continue to pursue all opportunities for growth, whether organic or otherwise, putting a greater priority on innovation, be it in the form of new product development or packaging, and of course commit the necessary focus and resources on seeking further export-led growth.

We will also remain vigilant because the domestic market, as a result of anticipated market consolidation, may offer opportunities for additional brand representation. Above all, our group looks ahead strategically as traditional business models are challenged and the retail infrastructure takes on different dimensions. This means we need to persevere with our declared investment programme and implement the necessary changes to strengthen all our structures.

The management team we have now put in place is reinforcing new practices and novel ways of thinking about the way people work. In this way we are aiming to achieve a stronger objectives-based, and results-driven, management culture across our group.

Driving this determined plan forward at all levels is of course fundamental, as we ensure that our structures are right-sized, fully effective and cost efficient. It is pertinent to highlight the successful introduction of a number of new working practices within our recently signed 2011 - 2013 collective agreements with both the General Workers Union (GWU) and Unjoni Haddiema Maghqudin (UHM). These encompass a greater emphasis on performance-related rewards as well as greater job flexibility. This will be driven mainly through multi-skilling initiatives along with elements of flexitime. We have also introduced the concept of 'banking of hours' and staggered breaks, amongst other. These are all important developments which will contribute towards our group's competitiveness within the highly competitive markets in which we operate.

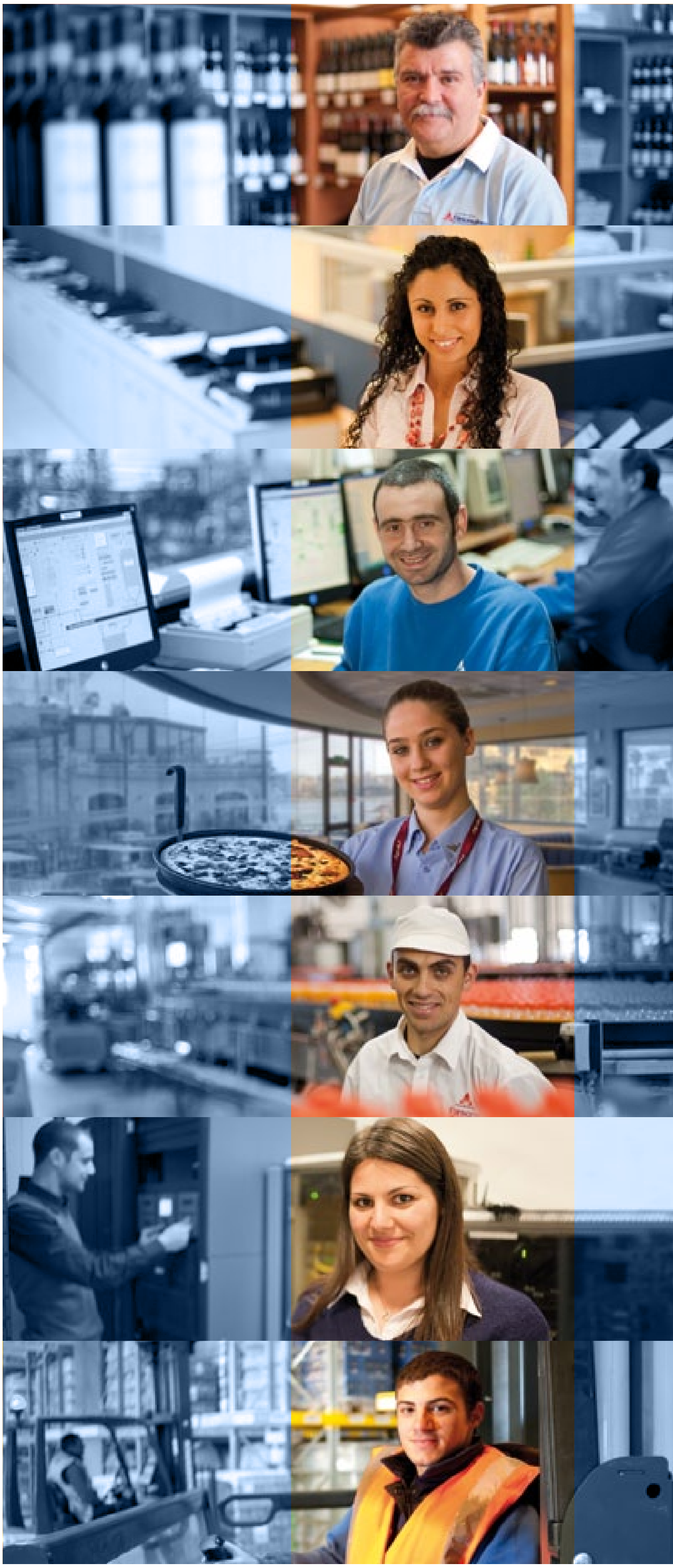
Our group takes pride in its many assets, particularly our human resource. The expertise, commitment and resourcefulness of our dedicated management team are key strengths as the group continues to move forward. It is indeed, at all levels that human resources are brought to bear as our group requires the sustained effort of a diverse array of people each focused on their own areas of responsibility.

Steady on course with encouraging results

In spite of the highly intense and competitive market our group operates in, we nonetheless managed to increase turnover by another €2.2 million over the previous year, bringing our group turnover to €67.4 million. More importantly, we also improved our pre-tax bottom line results from continuing operations by 29.6% to now exceeding the €4 million mark. We are steady on course with encouraging results, but clearly need to continue to push forward.

Our financial results are encouraging, and the result of so much hard work and commitment by many colleagues across this group. Such results demonstrate that strategic, and often tough, decisions do translate into tangible results.

"the expertise, commitment and resourcefulness of our dedicated management team are key strengths as the group continues to move forward"



The Farsons Group Management Team - left to right:
Pierre Stafrace – General Manager FBIC Limited
Philip Farrugia – General Manager Quintano Foods Limited
Chris Borg Cardona – Head of Logistics
Stephen Sultana – Head of International Business Development
Norman Aquilina – Group Chief Executive
Stefania Calleja – Head of Sales and Customer Relations
Charles Xuereb – Chief Financial Officer
Susan Weenink – Head of Marketing & Communications
Antoinette Caruana – Group HR Manager
Ray Sciberras – Chief Operations Officer
John Bonello Ghio – General Manager Food Chain (Holdings) Limited

Committed towards quality and meeting our environmental responsibilities

As outlined by the Chairman of our Group Executive Board, we made smooth progress on our brewhouse project, which represents a significant investment, as well implemented efficiencies in our existing operations. Indeed throughout the year, we continued with our drive towards further improving our overall performance. We attained higher efficiency in production, and extended innovative packaging initiatives.

We improved our sales route management, which, in return, resulted in a better logistical coverage with continued reductions in our delivered cost per case. And last, but certainly not least, we continued with our efforts towards driving more effective promotional activities and marketing initiatives.

While the market has not fallen short of its challenges, we have continued to respond by investing further in quality. Amongst a number of initiatives, one notable example relates to the installation of a new Krones bottle inspecting system that deploys cameras and sophisticated software to inspect every returnable glass bottle, ensuring optimum hygiene, product quality and presentation.

We have maintained our commitment towards quality management by strengthening our Quality Management team and ensuring good results from our ongoing audits arising from our ISO 9001-2008 certification. Furthermore, we are proud of having maintained our Grade A status within our BRC certification. We are also made subject to audits by PepsiCo, Carlsberg and AB In-Bev's Budweiser.

One particular challenge we have faced is the sustained increases in costs of energy and utilities, which continued to put pressure for us to seek measures of becoming more energy efficient. As a result, we managed an impressive reduction of 12.5% in our specific energy consumption. This was the result of a continuous, and group-wide, effort to ensure that all elements of our energy conversion plant are maintained and operated at optimal conditions and that energy users identify and reduce any wastage. Similarly, we also managed to reduce our water usage index by 10%. Such efforts which would render us more energy efficient and environment-friendly will continue to remain a priority. In fact, apart from our social responsibility, great efforts have been made to take into account, and manage, the environmental impact of all the packaging waste we place on the market. Farsons, just like all the rest of the companies within the group, are members of an authorised packaging waste recovery scheme which collects and organizes the separation of waste in conformity with EU packaging waste directives. Having signed up to the waste recovery schemes, we are committed to recovering at least 70% of the packaging waste we place on the market which is separated and eventually recycled, as opposed to ending up in the waste stream.

As we face all these challenges, our unwavering resolve and the proven business acumen of the Farsons Group give us the courage to maintain a cautiously optimistic outlook and to remain resiliently committed to our future.

FARSONS GROUP
Farsons
BREWERS & BOTTLERS

FARSONS GROUP
FBIC
BEVERAGE IMPORTERS

FARSONS GROUP
Food Chain
RESTAURANTS

FARSONS GROUP
Quintano
FOOD IMPORTERS

FARSONS GROUP
EcoPure
BEVERAGE SERVICES

FARSONS GROUP
Farsonsdirect
BEVERAGES & MORE

FARSONS GROUP
Trident
PROPERTY MANAGEMENT

"While we endeavour to position ourselves as the best performing group within the fast moving consumer goods category, we are proud not only of a highly impressive brand portfolio, but also of our ability to maximize the potential of each and every brand within this portfolio, as a result of our group's structure and focus.'


CISK
LAGER
CISK
EXPORT
CISK
EXCEL
HOPLEAF
PALE ALE
BLUE LABEL
ALE
Carlsberg
FARSONS
SHANDY
SKOL
LAGER
Kinnie
7UP
pepsi
pepsi
MAX
Mirinda
San
Michel
nutrì
San
Michel
San
Michel
fruit waves
Britvic
Sparkling
BITTER LEMON
Gatorade
Red Bull
ENERGY DRINK
Lipton
Ice Tea
perrier
caffè
KIMBO
MONIN
Grenadine
Budweiser
BECK'S
JOHN SMITH'S
EXTRA SMOOTH
GUINNESS
Corona
Extra
STRONGBOW
BULMERS
ORIGINAL
NEWCASTLE
BROWN ALE
CINZANO
JIM BEAM
COINTREAU
Ballantine's
MOLINARI
DRAMBUIE
VODKA
MICHEL ADAM
BEEFEATER
APEROL
CAMPARI
ABSOLUT
VODKA
Jägermeister
EXTRA
RÉMY MARTIN
THE
FAMOUS
GROUSE
PERNOD
XO
IMPERIAL
COURVOISIER
COGNAC
KAHLUA
WHYTE & MACKAY
SPECIAL
Vladivar
VODKA
BOLS
Havana
Club
CYNAR
ROBERT MONDAVI
WOODBRIDGE
RUFFINO
CHIANTI
BOLLA
BARDOLINO
VILLA
ANTINORI
JACOB'S CREEK
MERLOT
WYNDHAM
ESTATE
BIN
555
BOLLINGER
BURGER
KING
Pizza
Hut
Sardinella
DANONE
WALKERS
treValli
Bonduelle
Mista
Bayernland
Tropicana
ORIGINAL
HOPLÁ
QUAKER
Doritos
POPZ
MICROWAVE POPCORN
THE
JELLY
BEAN
FACTORY
Mareblu
Ribena
Solo
PROFITEROL
FINI
Calvé
PEANUT BUTTER
PATAK'S
Korma
TUC
Vitasnella
Buitoni

Leading through quality in a challenging market

Cisk Export – taking the 'Out to Party' campaign concept to new heights.

Strong presence of our brands in major outdoor events.

The Annual Farsons Great Beer Festival continues to draw the crowds.

DRINK AWARE

Responsible Consumption
As a major producer and distributor of alcoholic beverages, Farsons has always been keenly aware of its responsibility to promote responsible consumption. Farsons was one of the founder members of The Sense Group, which actively promotes moderate drinking, and disseminates information to both consumers and the trade as part of its 'Drink Aware' campaigns. Moreover, advertising campaigns for all of Farsons' products carry moderate drinking 'drink aware' messages.

Group Chief Executive's Review continued

Review of business sectors

Beers This financial year was a very encouraging one for the group's beer portfolio, with positive results achieved by several of our brands.

To some degree, this strong performance was aided by external factors. The recovery of the on-premise business revived the sales of draught beers, which tend to be highly dependent on good tourist figures and favourable weather. The 2010 World Cup finals held in June and July, were another factor that boosted beer consumption.

Largely however, success from this part of our business was the result of our group's unwavering commitment to product quality, investment in appropriate advertising campaigns, innovative and effective consumer promotions, and back to back marketing and sales programmes. Likewise, sponsorship of some of the major musical events held in Malta, involving foreign artists, also formed an important part of our promotional and brand building strategy.

Very strong results were registered by the Cisk portfolio across all market and consumer segments. Cisk Lager benefitted from a new television, print and outdoor advertising campaign, based on the 'Cisk Is....' platform which underpinned the brand's heritage and unique positioning. Cisk Excel posted double-digit increase and continues to gain ground in both on-premise and off-premise sectors. A new television commercial was produced, shot on location in Gozo, and showcasing the scenery of our Islands. The 'Excel and Enjoy' communications campaign was implemented across various media platforms and this served to enhance the premium positioning enjoyed by this Cisk variant.

Our low carb Cisk continues to excel, proving to be a beer our consumers truly enjoy.

Cisk Export also performed well. The new mega-sign installed at St. George's Bay has, literally, taken the 'Out to Party' campaign concept to new heights. The extension of 'on pack' consumer promotions to the Cisk portfolio offered consumers greater value for money whilst at the same time retaining the premium image enjoyed by the whole Cisk brand.

One must also mention the very good performances registered by Carlsberg, Blue Label, Skol and Farsons Shandy, which all saw increases in sales, despite the fierce competition which prevailed throughout the year.

Carlsberg - probably irresistible.

The award winning Cisk brews so many have grown to appreciate, inspire our ongoing commitment to keep Cisk our national pride, whilst our Classic brews, Hopleaf and Blue Label take on a fresh new look.

Tiffany, winner of Britain's Next Top Model featured in a highly successful campaign for Diet Kinnie.

Group Chief Executive's Review continued

Non-Alcoholic Beverages Two main factors characterized the carbonated soft drinks market in Malta throughout the financial year. The first was intense price-based competition, particularly in the cola segment. The second factor was the increasing consumer awareness about health issues and obesity. In line with the trend experienced in other markets around the world, consumers more and more seek beverages which they perceive as being healthy choices such as bottled water, juices, sports and energy drinks. Faced with this scenario, the more established 'traditional' soft drink brands sought ways to re-engage with consumers by offering back to back programmes featuring value-added offers and on-pack instant promotions.

Notwithstanding all of this, our own flagship brand, Kinnie, performed extremely well throughout the year. A new advertising campaign, built around the 'Kinnie Adds Taste' theme was the backbone of the brand's marketing and sales programmes. The campaign highlighted the unique taste of Kinnie and positioned the product as the ideal accompaniment to consumers' favourite snacks and food.

In a highly competitive and saturated beverage market, organic growth becomes increasingly harder and more expensive to achieve. Innovation therefore assumes greater strategic importance and Farsons has, for some time, been pursuing innovation to gain competitive advantage, respond to consumers' ever-changing needs and wants and stimulate growth in an otherwise relatively flat landscape.

Although major focus for innovation is through the actual products, packaging and new package formats are also important and the packaging of many products within our portfolio has been fine-tuned and upgraded throughout the year under review. The most significant packaging innovation put on the market in 2010 was applied to the Pepsi-Cola brand. The 'Zipack' is an innovative package, the first of its kind in Malta, and offers consumers the option to 'unzip' two, four or six bottles with ease. This new package format was launched for the Pepsi 1.5 litre range, which includes Pepsi, Diet Pepsi and Pepsi Max. Besides the flexibility that this innovative package offers, consumers simultaneously also benefit from extremely attractive pricing, clearly printed and visible on-pack to ensure that the benefits are passed on to end consumers.

Our own value offering, Like Cola, competed very effectively in its sector of the market and registered increased sales for yet another year.

Water The corollary to a slowing carbonated soft drinks market is the increase in the 'Better For You' drinks category, which reflects changing consumer tastes and lifestyles. Within SFC's diversified product portfolio there are a number of brands which fall into this category and which played a role in satisfying consumers' demands in this regard.

The year under review was in fact a positive one for San Michel, our Table Water brand, with good results achieved on key packages and variants, particularly for San Michel Fruitwaves, the flavoured water range, which registered an upward trend in market share. This was supported by an extensive high-profile outdoor campaign at the end of summer 2010 and also saw the launch of the premium and innovative 75cl 'glass-look' PET bottle, targeted primarily at restaurants and casual dining outlets.

'Kinnie Adds Taste' theme was the backbone of the brand's marketing and sales programmes.

San Michel in its new and attractive 75cl PET package.

The 'Zipack' - an innovative package, the first of its kind in Malta.

Group Chief Executive's Review continued

Exports Notwithstanding the challenging economic situation in many of the company's overseas markets, buoyant double digit export sales growth figures were again registered this year with the number of export markets increasing to fifteen countries across Europe, North Africa, North America and Australasia.

Substantial export growth was registered in both beer and carbonated soft drinks. During the year, export turnover reached its highest point ever in the company's history combined with encouraging improvements in the overall profitability of export operations.

Export sales of soft drinks like Kinnie grew substantially in 2010 with Kinnie now also available in London and other parts of the United Kingdom. Moreover, during the course of the year, the production of Kinnie under licence from Simonds Farsons Cisk in overseas markets like Australia continued to register encouraging results. Export sales of soft drinks and non-alcoholic beverages to Middle East markets, particularly Libya continued to grow thanks to Kinnie and Cisk Non Alcoholic, the latter being a malt beverage developed exclusively for Middle East markets.

"Substantial export growth was registered in both beer and carbonated soft drinks...

...in line with our strategy based on export-led growth."

Beer exports to Italy continued to show steady growth notwithstanding the challenging international situation. Sustained growth was especially visible in the on-premise market segment where the number of outlets in Italy serving Cisk increased significantly in recent months having extended our market reach through new clients and bigger accounts. During the course of the year, the number of importers and distributors covering the Italian territory increased to 12 with the Southern-most importer located in Catania, Sicily and the Northern-most importers located in Milan and Treviso. Packaged beer exports to other markets also increased significantly with interesting market inroads being made in Australia, Hong Kong and China. In recognition of their quality, Cisk Export and Cisk Lager also garnered awards at the International Beverage Exposition & Competition held in Shenzen in 2010.

Looking ahead, it is envisaged that the on-going investment in the new brewhouse and packaging operations over the next three to four years will further strengthen our group's export competitiveness. This being in line with our strategy based on export-led growth.

Cisk Lager and Cisk Export awarded Gold for brewing excellence at the International Beverage Exhibition and Competition in China. Cisk XS won Silver in the strong beer category.

London's West End consumers respond positively to Kinnie, Diet Kinnie and Kinnie Zest's launch in summer 2010.

A new fleet of trucks to meet the ever growing demand for 11 and 19 litre bottles.

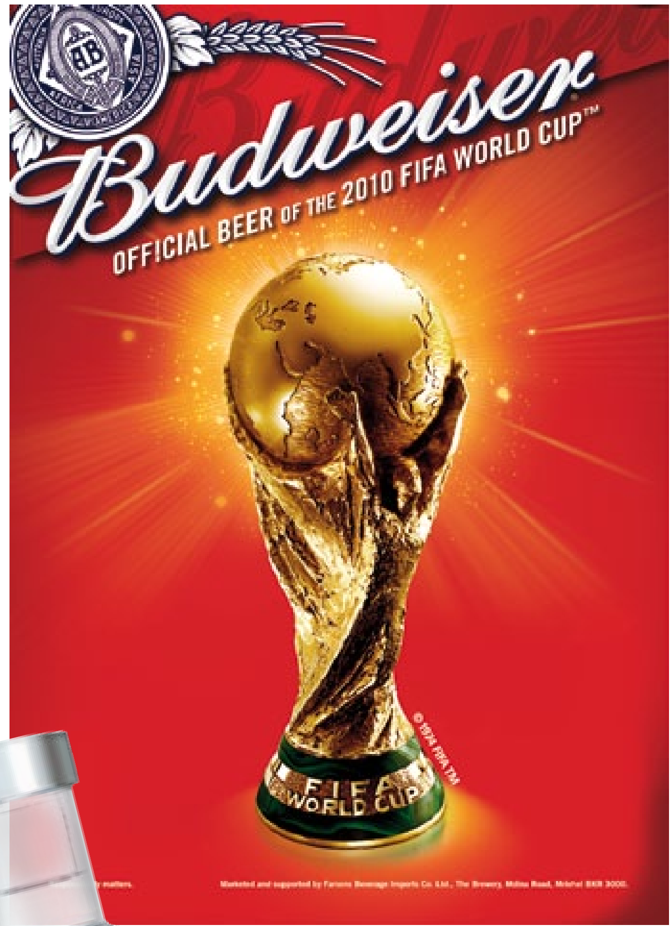
EcoPure The Company strengthened its efforts to increase the availability of its water dispense services in response to changing patterns in consumer demand. An afternoon delivery service was introduced and the delivery of the 11 litre water bottles complemented that of its core 19 litre bottle service. This allowed EcoPure to increase both its customer base and its throughput of bottle deliveries year on year, thereby delivering satisfactory financial results.

"Major changes are currently underway to strengthen and better organise the company structures and procedures"

In line with the group's growth ambitions, a new management was put in place in February 2011. This also brought about the relocation of EcoPure's offices within the brewery precincts. Furthermore, all warehousing and distribution requirements are now managed by our Warehouse Management System. Major changes are currently underway to strengthen and better organise the company structures and procedures with a view towards giving that timely and added uplift to the overall performance of this business. This is being complemented with a new delivery fleet as part of an investment programme which reflects EcoPure's commitment to further building on its leading role within the water dispense market.

Our Logistics Centre houses all our beverage production now also including EcoPure.

Group Chief Executive's Review continued



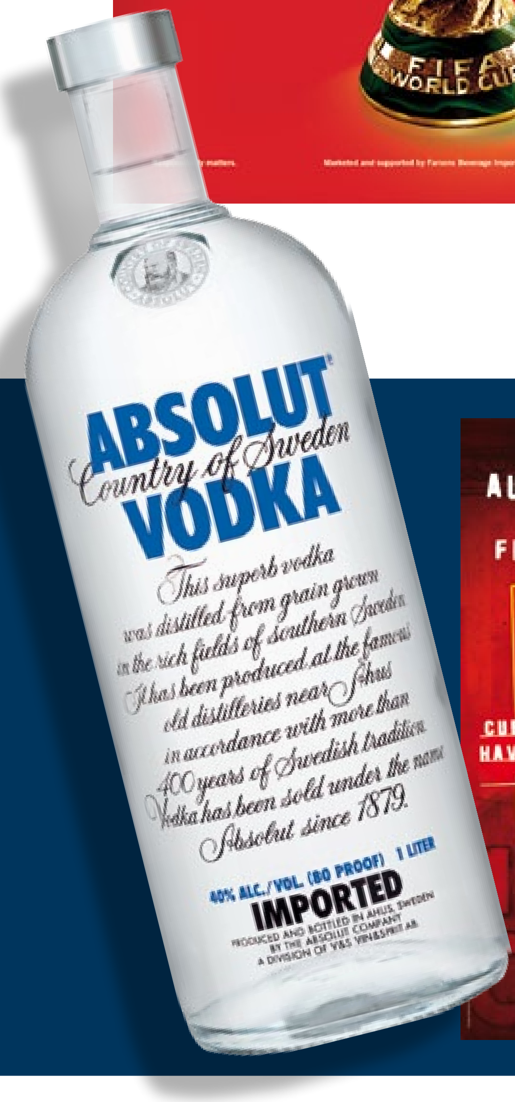
FBIC Farsons Beverage Imports (FBIC) incorporates both importation and retailing. In the retailing sector, we have streamlined our operations by divesting our interests in both the Guido Vella cash and carry outlet and in the outlet within the Non-Schengen area of the Malta International Airport. By focusing on the Farsonsdirect outlet, we have managed to obtain very encouraging results. Our stated objective of widening our consumer base is being reached, this including our online web sales.

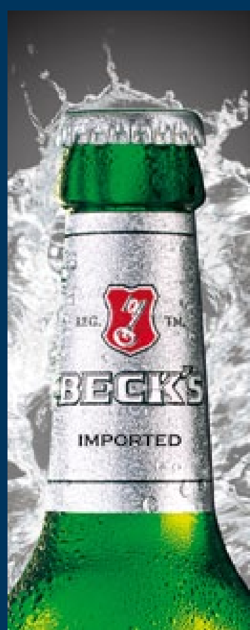
In the beverage importation sector, we have also managed to achieve a good year, despite the difficult market. In 2010, FBIC took on the distribution and representation of the Red Bull brand in Malta. This has strengthened our portfolio of brands and added more leverage to our sales team; at the same time, we have widened the availability of Red Bull on the island and increased sales in spite of new competition in the energy drink sector.

Cross-border trading on the main brands in our portfolio was still very prevalent, leading to strong pressures on pricing. Throughout the year, we ran marketing programmes for key brands, particularly aimed at supporting sales to consumers directly in bars and other outlets.

In the rum sector, Havana Club is synonymous with the mojito and our promotions this summer focused on the Cuban heritage of this brand. We have also maintained a good presence in the vodka category through the Absolut brand which is becoming much more widely available on the island as consumers relate to its strong international image.

FBIC has represented Campari in Malta for many years. As from January 2011, Gruppo Campari has also entrusted FBIC with





the representation of its other flagship brand, Aperol. Already a well-established brand in Malta, Aperol has been growing very rapidly in many European countries through its promotion as the very refreshing Aperol Spritz. FBIC will also be handling Cinzano vermouths and sparkling wines.

The Famous Grouse launched two line extensions in 2010 - The Snow Grouse and the Black Grouse. Both these premium variants added some new excitement to this well-established brand.

2010 was World Cup year and Budweiser was once again a main sponsor. Malta joined the rest of the world in celebrating this major football event and Bud sponsored many activities around the island. With Beck's, we strengthened the international link to music through the sponsorship of a number of major events. Ciders featured strongly in our promotions in 2010, with both Strongbow and Bulmer's continuing to obtain wider presence in pubs all over Malta.

Conscious of the extensive range of wines within our portfolio, and with a dedicated Wine Manager, we have adopted a well balanced approach in order to improve on the availability and sales of our wines in both the retail channel and on restaurant menus. Regular promotions at supermarkets and other retail outlets have driven sales of popular brands while special wine-tasting events have emphasised the quality of our higher-end restaurant brands. FBIC has again been at the forefront of innovation in the wine sector as it launched on draught Serena Wines from the Veneto region.

"Our stated objective to widen our consumer base is also being achieved"

Red Bull gives our brand portfolio a new set of wings.

Farsonsdirect outlet achieved a substantial increase in consumer traffic and turnover.

Group Chief Executive's Review continued

Quintano Foods Notwithstanding growing competitive pressures, Quintano Foods posted satisfactory results. This is encouraging, as we steadily remain on course with our strategy of growth, retaining our focus in the food business.

Our flagship brand remains the Danone range of fresh yoghurts. In spite of the challenging competitive conditions, Danone remains the leading imported range of yoghurts. To continue to push forward, Quintano Foods has defined an aggressive market plan for 2011 that encompasses various market and marketing facets and tactics to ensure the leading position is not only maintained but further strengthened.

It is also encouraging to note that the PepsiCo food brand portfolio, which comprises Tropicana chilled juices, Quaker oats and cereals and Walkers crisps and snacks, has maintained its growth record. Furthermore, Quintano Foods has also re-launched on the market the Patak's range of Indian food products and sauces with very encouraging prospects of growth for this niche, yet growing, category.

Following the relocation to new premises in 2009, Quintano Foods improved its productivity levels. This relocation process also aided the transfer of responsibility of sourcing, warehousing and distribution of all our fast-food requirements from Food Chain to Quintano Foods.

There is an ongoing process where all the business processes and 'ways-of-working' are constantly challenged and reviewed in order to improve efficiencies whilst ensuring they meet market and customer expectations.

Quintano Foods has a renewed commitment to follow through on its growth strategy in order to achieve established group objectives. In this sense, the company – as from April 2011 - has now entered the frozen foods segment and, as a first step for this development, an exclusive distribution agreement has been concluded with Nestlé Malta Limited for the brands Buitoni pizza and Antica Gelateria del Corso ice-cream. This will serve as a solid platform for this new venture whilst the company will continue to analyse other business opportunities in this segment.

In parallel, the company is now investing in the construction of sizeable freezer storage facilities within its Marsa premises. This will result in doing away with the need for third-party freezer storage rental for our fast-food frozen products, apart from being able to also store the two newly represented Nestlé brands within our own premises.

Quintano Foods remains fully geared to take advantage of, and develop, new market opportunities, and whilst effectively remaining focused on solely-food related categories, the company now practically covers all food market segments. Closely monitoring changing consumer preferences, consumption patterns and trade practices, the Farsons Group is committed to support Quintano Foods with its initiatives, and to continue investing in this sector.

The food brand portfolio handled by Quintano Foods has succeeded in registered growth levels over the previous year.

"Quintano Foods posted a satisfactory profitability level whilst improving its turnover and sowing the seeds for future development"

Quintano Foods' relocation to Trident House resulted in improved productivity levels, more effective warehousing and efficient distribution of the Group's fast-food related food ingredients and other stocks.


Pizza Hut
BURGER KING
KFC

Group Chief Executive's Review continued

Food Chain The year under review has proved to be particularly challenging for our Food Chain businesses. The increases in the global food prices together with increases in the energy costs have materially penalised the results of this important segment of the group. Furthermore, such increases in the cost base were largely absorbed by the group and were not passed on to consumers.

In response to this challenging situation, a number of key changes within the management structure and complement were put in place as from January 2011. The effect of such changes is already being felt and are having a positive impact on the business as we now actively prepare ourselves for that quality and quantum leap forward. Efforts to further improve levels of service, operational efficiency, and to manage costs will be a priority for the new management.

Pizza Hut Turnover generated through our Pizza Hut outlets increased by 6% over the corresponding period last year, with the growth largely attributable to the full year's activity of our Pizza Hut in Qormi, net of the cannibalisation of the delivery sales from our Valletta outlet. A number of initiatives were taken throughout the year, in particular through the introduction of buffet lunches and weeknight treat promotions which attracted some added business.

Towards the end of the year we re-engineered the value meals and carried out subsequent promotions across various media. The outcome has been positive and we intend to continue building further.

Burger King Our four Burger King restaurants generated the same level of turnover as last year. The Paceville outlet was closed for a period of four weeks and has undergone a major refurbishment in line with what is referred to as the 20/20 concept by Burger King International. This investment programme forms part of our firm commitment to continue investing in this brand. In fact we have just completed our refurbishment of our Sliema outlet.

"...key changes within the management structure and complement were put in place as from January 2011... as we now actively prepare ourselves for that quality and quantum leap forward"

Various promotional activities have taken place during the year while various other initiatives are planned for the current year. Particular emphasis is being made to the customer's experience and ensuring that all our staff are adequately trained to give an impeccable service.

KFC In spite of now having two KFC outlets, the true potential of this franchise has not been adequately developed. While our Gzira outlet maintains a stable operation, we still have some challenges within our MIA outlet. Plans are in place to bring this franchise more in line with our expectations.

Sardinella With the performance of the Nove outlet in St Julians not to expectations, we have recently decided to change the concept from a wine and beer bar to a casual dining place. As from April 2011, this outlet has reopened under the name Sardinella. We are confident that the planned changes within this newly opened outlet will deliver the needed turn-around and ultimately result in a satisfactory return.

A new reason to visit Burger King. "Your Coffee Your way" BK's Coffee Bar in Sliema, now serving a delicious range of coffees and desserts

Value meals and offers launched to entice consumers resulted in an immediate increase in ticket count.

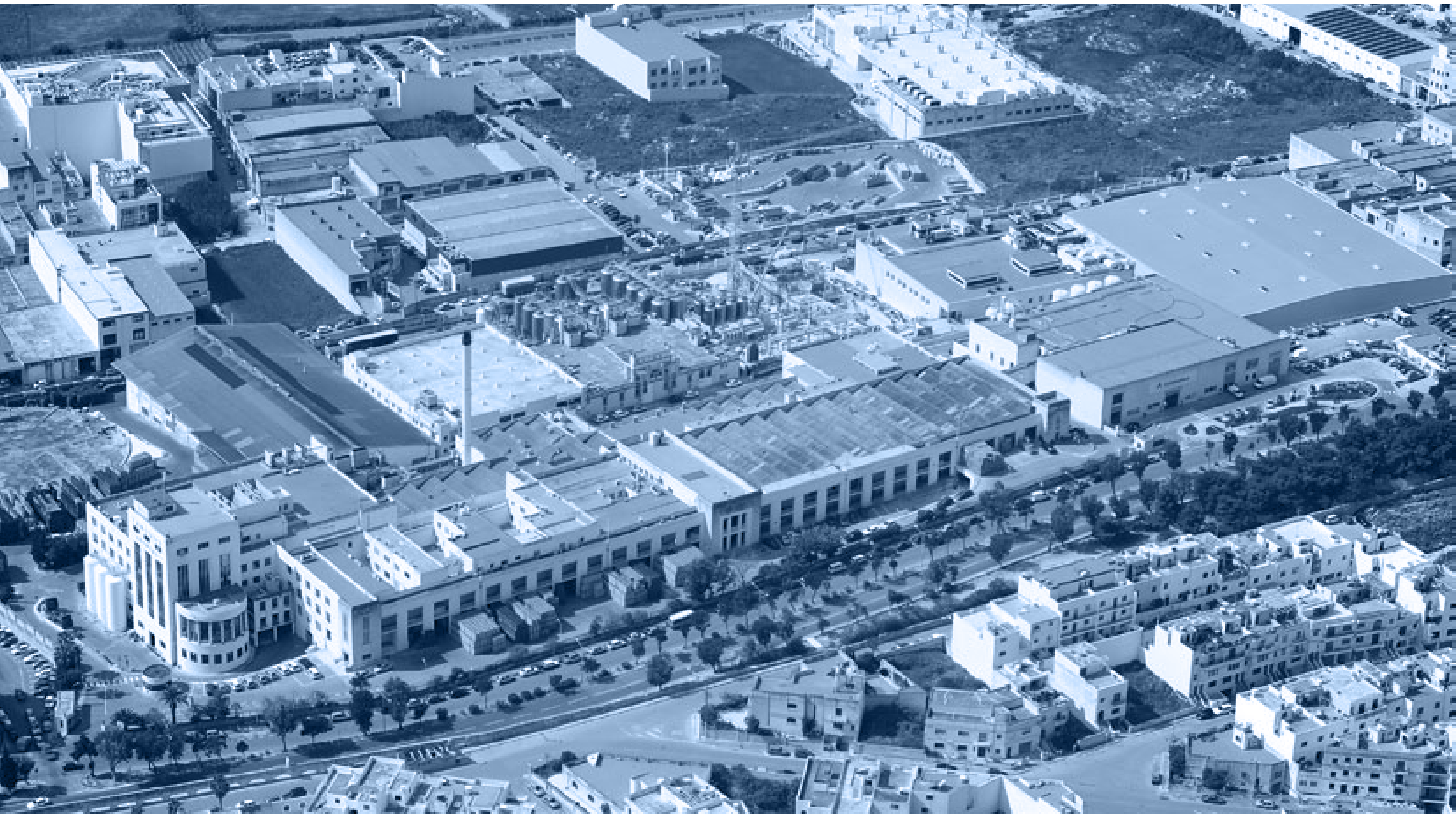
Group Chief Executive's Review continued

Trident Developments New brewhouse and water treatment projects – After the appointment of Krones as the suppliers of the brewhouse equipment, AP architects and other consultants continued with the detailed designs of the new brewhouse.

Competitive tenders were issued and a general contractor was appointed and entrusted with the actual building. Work on site started in July 2010 and the civil works are scheduled for completion by the end of summer 2011. Designs of the building are proving complex and some project issues are also being addressed, though these should not affect the planned end date of the project.

We expect that the brewhouse should in fact be operational by May 2012. Construction of the water treatment building is also planned to commence in January 2012.

Property Development Our overall strategy is to develop the Farsons Brewery façade along Mdina Road once the brewhouse and water treatment projects are completed. In line with this master plan, Farsons has acquired the direct ownership of some 3,900 m² of land on the front which had previously been held on long term lease agreement.



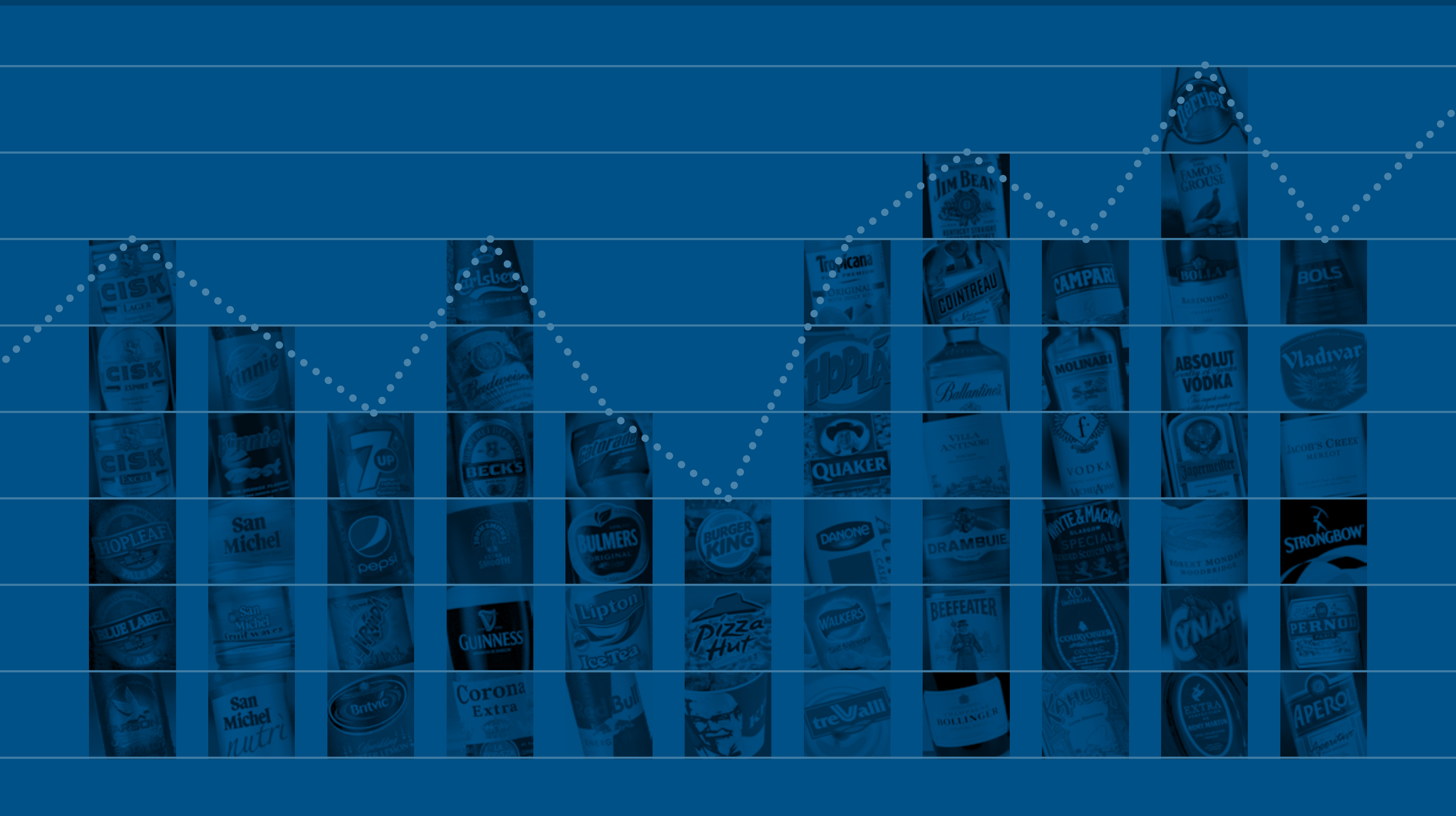
Looking forward to the future with optimism

There is no doubt that the challenges ahead are great, but so are our group resources and arising market opportunities. We are strategically repositioning and systematically restructuring ourselves not only to retain our market position, but also to continue to progress within an ever-evolving and growing competitive environment. We need to make sure that we remain well positioned to satisfy market demands within all the businesses we operate in, offering that competitive value-added, while securing an adequate return on our group investments.

We have good reason to be satisfied with our year end results, but clearly need to remain vigilant and conscious of the many more challenges which are and will continue to come our way. Our achievements for the year are certainly commendable, but there is undoubtedly much more to be done. We need to maintain the set strategic vision and push forward will all the resilience and determination to ensure our continued success, not only to satisfy our numerous, yet ever-demanding consumers, but also for the benefit of our employees and shareholders.

Norman Aquilina - Group Chief Executive

SIMONDS FARSONS CISK plc ANNUAL REPORT 2011 for the year ended 31 January 2011



Financial Statements

Directors' Report

The directors present their report and the audited consolidated financial statements for the year ended 31 January 2011.

Principal activities

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

Review of the business

The Farsons Group has registered a profit before taxation of €4,051,000 for the year ended 31 January 2011 – an increase of 29.6% on the profit before taxation from continuing operations of €3,126,000 achieved the previous year.

Group turnover increased from €65,111,000 to €67,354,000, an increase of 3.4%. Group operating profit increased from €4,914,000 to €6,300,000, an increase of 28.2%.

These improved results have been achieved as a result of:

1. increased international trading activities resulting in export sales;
2. increases in sales of beer and imported beverages on the local market;
3. lower costs of raw materials;
4. overhead cost containment;
5. improved productivity throughout our operations.

Group earnings before interest, taxation, depreciation and amortisation (EBITDA) amounted to €10,910,000, an increase of 7.4% over the previous result of €10,160,000. This improvement in earnings has helped our cash flow significantly. Group borrowings decreased from €38,484,000 on 31 January 2010 to €31,848,000 on 31 January 2011, a decrease of €6,636,000.

The group's statements of financial position remain healthy with a net asset base of €86 million. Shareholders' funds finance 59.2% (2010: 57.5%) of the group's total assets. The gearing ratio stands at 27.1% (2010: 31.4%).

Construction began during the year on the new €14,000,000 brewhouse, laboratory and water treatment facilities. The project is expected to be completed by May 2012.

Outlook for financial year ending 31 January 2012

The new financial year has started in a background of uncertainty in the Mediterranean and the North African front.

The local economy will undoubtedly be influenced by events in the region, but at this stage it looks like consumer confidence and tourist arrivals are at normal levels.

The industry is being faced with inflationary pressures as a result of increases in the cost of malt, PET preforms and energy costs. In the very competitive scenario that we operate in, it is not possible to pass on these increases to consumers. Seeking areas of further cost curtailment therefore remains imperative.

Management is continually reviewing plans to address future production requirements. Investing in new technologies is essential to ensure that the group remains competitive.

The board of directors remains confident that notwithstanding the economic and geopolitical uncertainties, the group's business model remains robust so long as the group is able to implement strategies that exploit its strengths.

Results and dividends

The statements of comprehensive income are set out on page 30.

The directors declared a net interim dividend of €400,000, which was paid on 22 October 2010 to the ordinary shareholders, and will recommend the payment of a final dividend to the ordinary shareholders of €1,600,000 at the Annual General Meeting scheduled for 23 June 2011. The interim dividend was paid out of tax exempt profits. If approved at the Annual General Meeting, the final dividend will be paid on 24 June 2011 (out of tax exempt profits) to the shareholders who will be on the register of members of the company on 24 May 2011. As a result, total declared dividends relating to the financial year ending January 2011 would equate to €2,000,000 compared to €1,800,000 relating to the previous financial year.

Net dividends to the ordinary shareholders paid during the year ended 31 January 2011 amounted to €1,900,000 (2010: €1,100,000).

Directors

The directors in office during the year ended 31 January 2011 were:

Mr. Bryan A. Gera D.B.A. - *Chairman*
Mr. Vincent Curmi C.P.A. - *Vice-Chairman*
Mr. Louis A. Farrugia F.C.A. - *Chairman - Group Executive Board*
Marquis Marcus John Scicluna Marshall
Mr. Marcantonio Stagno d'Alcontres
Dr. Max Ganado LL.D.
Mr. Roderick Chalmers M.A. Div. (Edin.), F.C.A., A.T.I.I., F.C.P.A., M.I.A.
Ms. Marina Hogg

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

Statement of directors' responsibilities for the financial statements

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

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

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

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

The financial statements of Simonds Farsons Cisk plc for the year ended 31 January 2011 are included in this annual report, which is published in hard-copy printed form and are available on the parent company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the parent company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

The directors confirm that, to the best of their knowledge:
• the financial statements give a true and fair view of the financial position of the group and the parent company as at 31 January 2011, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
• the annual report includes a fair review of the development and performance of the business and the position of the group and the parent company, together with a description of the principal risks and uncertainties that the group and the parent company face.

Going concern basis

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

Shareholder register information pursuant to Listing Rule 5.64

Share capital information of the company is disclosed in note 14 of the financial statements on page 50.

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

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

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

The rules governing the appointment or election of directors are contained in the company's Articles of Association, Articles 22 to 25. An extraordinary resolution approved by the shareholders in the general meeting is required to amend the Articles of Association.

The powers of directors are outlined in Articles 47 and 48 of the company's Articles of Association. In terms of Article 3a of the said Articles of Association, the company may, subject to the provisions of the Maltese Companies Act, 1995 acquire or hold any of its shares.

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

It is hereby declared that, as at 31 January 2011, the company is not party to any significant agreement contained in Listing Rules 5.64.10.

Shareholder register information

The following information is disclosed in this annual report:
• directors' interests in the share capital of the company;
• shareholders holding 5% or more of the equity share capital as at 18 April 2011;
• shareholding details;
• number of shareholders as at 18 April 2011.

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	Vincent Curmi	Louis A. Farrugia
Chairman	*Vice-Chairman*	*Chairman - Group Executive Board*

Registered address: The Brewery, Mdina Road, Mriehel BKR 3000, Malta. Telephone (+356) 2381 4172
Arthur Muscat – *Company Secretary* – 20 April 2011

Corporate Governance Statement

Introduction
This statement is being made by Simonds Farsons Cisk plc (SFC) pursuant to Listing Rules 5.92 and 5.97 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.

Compliance
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.

Composition of board of directors
In terms of the statute of SFC, the affairs of the company are managed and administered by a board composed of eight directors. Every shareholder owning twelve and a half percent (12.5%) ordinary issued share capital or more, is entitled to appoint and replace a director for each and every twelve and a half percent (12.5%) of such shares, and the remaining ordinary shares not so utilised are entitled to fill the remaining unfilled posts of directors. Thus, each of the three major shareholders who are named and whose holdings are listed in the notes to the financial statements (page 59), 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 Chairman of the Group Executive Board.

The board is thus composed of a non-executive chairman, a non-executive vice-chairman, an executive managing director as Chairman of the Group Executive Board and five other non-executive directors.

Non-Executive Directors
Mr. Bryan A. Gera D.B.A. - *Chairman*
Mr. Vincent Curmi C.P.A. - *Vice-Chairman*
Marquis Marcus John Scicluna Marshall
Mr. Marcantonio Stagno d'Alcontres
Dr. Max Ganado LL.D.
Mr. Roderick Chalmers M.A. Div. (Edin.), F.C.A., A.T.I.I., F.C.P.A., M.I.A.
Ms. Marina Hogg

All directors, other than the Chairman of the Group Executive Board, are considered independent as no shareholder has a controlling interest and all directors, other than the Chairman of the Group Executive Board, have no relationship with management.

The board meets regularly every month apart from other occasions as may be needed. Individual directors, apart from attendance at formal board meetings, participate in other ad hoc meetings during the year as may be required, and are also active in board sub-committees as mentioned further below, either to assure good corporate governance, or to contribute more effectively to the decision making process.

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

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

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

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.

The company's current organisational structure includes a Chairman of the Group Executive Board and a Group Chief Executive (CEO), two positions which are occupied by Mr. Louis Farrugia and Mr. Norman Aquilina respectively. Mr. Aquilina has been appointed as CEO as of 1 July 2010 after a period of 12 months serving as designate.

Both the Chairman of the Group Executive Board and the Group Chief Executive are accountable to the board of directors of the company for the business operations of the group. The board is ultimately responsible for the company's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate risk to achieve business objectives, and can provide only reasonable, and not absolute, assurance against material error, losses or fraud. Through the Audit Committee, the board reviews the effectiveness of the company's system of internal controls, which are monitored by the Internal Audit Department.

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 Chairman of the Group Executive Board:

• 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 Chairman of the Group Executive Board 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.

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

The CEO chairs a Farsons Group Management Meeting on a weekly basis, during which operational issues on a company and group basis are discussed. The company has an operations board which discusses operational issues on a monthly basis, a group receivables review board which monitors the collection of receivables, and a quality board which monitors quality levels and controls. These boards are composed of executive managers of the group. Each subsidiary has its own management structure and accounting systems and internal controls, and is governed by its own board, whose members comprise SFC directors and/or representatives of the GEB, and/or senior management of SFC.

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

Board committees

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

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

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

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

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

The Audit Committee is chaired by the non-executive vice-chairman and comprises three other members all of whom are independent non-executive directors of the company. Mr. Vincent Curmi, the chairman of the Audit Committee, was appointed by the board in terms of Listing Rule 5.115 in view that he is a Certified Public Accountant and holder of a practising certificate in auditing.

Throughout the year ended 31 January 2011, the Audit Committee held four meetings. Audit Committee meetings are held mainly to discuss formal reports remitted by the group internal auditor but also to consider the external auditors' audit plan, the six-monthly financial results and the annual financial statements.

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

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

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

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

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

Remuneration Committee is presided over by the non-executive chairman of the company. Its terms of reference are to review from time to time and to report and make recommendations on the non-executive directors' remuneration generally as well as the conditions of service of the Chairman of the Group Executive Board. In the case of the Chairman of the Group Executive Board 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. The group remuneration committee met once during the financial year ended 31 January 2011.

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.

Corporate Governance Statement continued

Internal Control

The key features of the group's system of internal control are as follows:

Organisation:
The group operates through boards of directors of subsidiaries and associates with clear reporting lines and delegation of powers.

Control Environment:
The group is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations.

Group policies and employee procedures are in place for the reporting and resolution of fraudulent activities. The group has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve group objectives.

Risk Identification:
Group management is responsible together with each company's management, for the identification, evaluation, control and reporting of major risks applicable to their areas of business.

Reporting:
The group has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures taken include physical controls, segregation of duties, reviews by management and internal audit.

On a monthly basis the board receives a comprehensive analysis of financial and business performance, including reports comparing actual performance with budgets as well as analysis of any variances.

General meetings and other communications with shareholders

The manner in which the general meeting is conducted is outlined in Articles 51 to 54 of the company's Articles of Association, subject to the provisions of the Maltese Companies Act, 1995.

Within six months of the end of the financial year, an Annual General Meeting of shareholders is convened to consider the annual consolidated financial statements, the directors' and auditor's report for the year, to decide on dividends recommended by the board, to elect the directors and appoint the auditors. Prior to the commencement of the Annual General Meeting, a presentation is made to shareholders on the progress made and strategies adopted during the year in the light of prevailing market and economic conditions and the objectives set by the board, and an assessment on future prospects is given. The group's presence on the worldwide web (**www.farsons.com**) contains a corporate information section.

Apart from the above, the group publishes its financial results every six months and from time to time issues public notices regarding matters which may be of general interest or of material importance to shareholders and the market in general, or which may concern price sensitive issues. On 16 June 2010, the group announced the appointment of Mr. Norman Aquilina as Group Chief Executive Officer.

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

Approved by the board of directors on 20 April 2011 and signed on its behalf by:

Bryan A. Gera	Vincent Curmi	Louis A. Farrugia
Chairman	*Vice-Chairman*	*Chairman - Group Executive Board*

Remuneration Report

Directors

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

The Chairman of the Group Executive Board has an indefinite 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 establishes a number of objectives against the achievement of which a performance bonus may be considered.

No director (including the Chairman of the Group Executive Board) 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, based exclusively on fixed elements, for the financial year under review:

Directors' fees	€103,000
Directors' other emoluments	€216,000

Senior management

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

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

Independent Auditor's Report

To the shareholders of Simonds Farsons Cisk plc

Report on the Financial Statements

We have audited the consolidated and stand-alone parent company financial statements of Simonds Farsons Cisk plc (together the "financial statements") on pages 29 to 60, which comprise the consolidated and parent company statements of financial position as at 31 January 2011, and the consolidated and parent company statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on page 22, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the financial statements are free from 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements:

- give a true and fair view of the financial position of the group and the parent company as at 31 January 2011, and of their financial performance and their cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

Report on Other Legal and Regulatory Requirements

Report on the statement of compliance with the Principles of Good Corporate Governance

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their annual report a Corporate Governance Statement providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

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

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

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

In our opinion, the Corporate Governance Statement set out on pages 24 to 26 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

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

Matters on which we are required to report by exception

We also have responsibilities:

- Under the Maltese Companies Act, 1995 to report to you if, in our opinion:
  - The information given in the directors' report is not consistent with the financial statements.
  - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
  - The financial statements are not in agreement with the accounting records and returns.
  - We have not received all the information and explanations we require for our audit.
  - Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.
- Under the Listing Rules, to review the statement made by the directors, set out on page 22, that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

PRICEWATERHOUSECOOPERS

167 Merchants Street, Valletta, Malta.

Simon Flynn - *Partner*
20 April 2011

Statements of Financial Position

		As at 31 January			
		Group		Company	
		2011	2010	**2011**	2010
	Notes	**€'000**	€'000	**€'000**	€'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	**66,971**	67,219	**51,537**	51,496
Investment property	6	**45,121**	44,880	**32,926**	31,843
Intangible assets	7	**1,322**	1,583	**233**	473
Investments in subsidiaries	8	**-**	-	**13,706**	16,506
Investments in jointly-controlled entities	9	**12**	12	**2**	2
Loans and receivables	10	**348**	825	**-**	-
Trade and other receivables	12	**2,977**	1,643	**4,868**	4,425
Total non-current assets		**116,751**	116,162	**103,272**	104,745
Current assets					
Inventories	11	**11,989**	13,180	**8,624**	9,874
Loans and receivables	10	**507**	490	**-**	-
Trade and other receivables	12	**14,777**	15,092	**16,742**	15,133
Current tax assets		**140**	198	**-**	7
Cash and cash equivalents	13	**808**	789	**449**	464
		28,221	29,749	**25,815**	25,478
Non-current assets classified as held for sale	22	**-**	77	**-**	-
Total current assets		**28,221**	29,826	**25,815**	25,478
Total assets		**144,972**	145,988	**129,087**	130,223
EQUITY AND LIABILITIES					
Capital and reserves attributable to owners of the company					
Share capital	14	**9,000**	9,000	**9,000**	9,000
Revaluation and other reserves	16, 17	**58,421**	59,058	**53,161**	52,951
Retained earnings		**18,339**	15,858	**18,250**	18,044
Total equity		**85,760**	83,916	**80,411**	79,995
Non-current liabilities					
Borrowings	18	**25,493**	16,799	**24,387**	14,198
Provisions for other liabilities and charges	19, 20	**11,251**	11,307	**5,957**	6,046
Total non-current liabilities		**36,744**	28,106	**30,344**	20,244
Current liabilities					
Trade and other payables	21	**15,782**	11,890	**13,878**	13,668
Current tax liabilities		**331**	391	**-**	-
Borrowings	18	**6,355**	21,685	**4,454**	16,316
Total current liabilities		**22,468**	33,966	**18,332**	29,984
Total liabilities		**59,212**	62,072	**48,676**	50,228
Total equity and liabilities		**144,972**	145,988	**129,087**	130,223

The notes on pages 33 to 60 are an integral part of these financial statements.

The financial statements on pages 29 to 60 were authorised for issue by the board of directors on 20 April 2011 and were signed on its behalf by:

Bryan A. Gera
Chairman

Vincent Curmi
Vice-Chairman

Louis A. Farrugia
Chairman - Group Executive Board

Statements of Comprehensive Income

		Year ended 31 January			
		Group		Company	
		2011	2010	**2011**	2010
	Notes	**€'000**	€'000	**€'000**	€'000
Continuing operations:					
Revenue	4	**67,354**	65,111	**39,962**	38,760
Cost of sales	23	**(41,802)**	(40,520)	**(21,885)**	(22,425)
Gross profit		**25,552**	24,591	**18,077**	16,335
Selling and distribution costs	23	**(8,990)**	(9,177)	**(7,068)**	(7,180)
Administrative expenses	23	**(10,262)**	(10,500)	**(5,541)**	(5,659)
Operating profit		**6,300**	4,914	**5,468**	3,496
Impairment of amounts owed by subsidiary		**-**	-	**-**	(425)
Impairment of investment in subsidiary	8	**-**	-	**(2,800)**	-
Release of impairment provision on amounts owed by subsidiary		**-**	-	**-**	425
Investment (losses)/gains	26	**(618)**	63	**1,599**	155
Finance costs	27	**(1,631)**	(1,851)	**(1,531)**	(1,610)
Profit before tax		**4,051**	3,126	**2,736**	2,041
Tax expense	28	**(307)**	(454)	**(420)**	-
Profit for the year from continuing operations		**3,744**	2,672	**2,316**	2,041
Discontinued operations:					
Profit for the year from discontinued operations	22	**-**	78	**-**	-
Profit for the year		**3,744**	2,750	**2,316**	2,041
Earnings per share for profit during the year	30				
from continuing operations		**€0.125**	€0.089		
from discontinued operations		**-**	€0.003		

The notes on pages 33 to 60 are an integral part of these financial statements.

Statements of Changes in Equity

	Notes	Share capital €'000	Revaluation and other reserves €'000	Retained earnings €'000	Total equity €'000
Group					
Balance at 1 February 2009		7,486	60,572	14,208	82,266
Comprehensive income					
Profit for the year		-	-	2,750	2,750
Total comprehensive income		-	-	2,750	2,750
Transactions with owners					
Capitalisation of reserves upon bonus issue of shares	16	1,514	(1,514)	-	-
Dividends relating to 2009 and 2010	15	-	-	(1,100)	(1,100)
Balance at 31 January 2010		**9,000**	**59,058**	**15,858**	**83,916**
Balance at 1 February 2010		9,000	59,058	15,858	83,916
Comprehensive income					
Profit for the year		-	-	3,744	3,744
Other comprehensive income:					
Net transfers of fair value losses on investment property, net of deferred tax	17	-	(637)	637	-
Total comprehensive income		-	(637)	4,381	3,744
Transactions with owners					
Dividends relating to 2010 and 2011	15	-	-	(1,900)	(1,900)
Balance at 31 January 2011		**9,000**	**58,421**	**18,339**	**85,760**
Company					
Balance at 1 February 2009		7,486	54,465	17,103	79,054
Comprehensive income					
Profit for the year		-	-	2,041	2,041
Total comprehensive income		-	-	2,041	2,041
Transactions with owners					
Capitalisation of reserves upon bonus issue of shares	16	1,514	(1,514)	-	-
Dividends relating to 2009 and 2010	15	-	-	(1,100)	(1,100)
Balance at 31 January 2010		**9,000**	**52,951**	**18,044**	**79,995**
Balance at 1 February 2010		9,000	52,951	18,044	79,995
Comprehensive income					
Profit for the year		-	-	2,316	2,316
Other comprehensive income:					
Net transfers of fair value gains on investment property, net of deferred tax	17	-	210	(210)	-
Total comprehensive income		-	210	2,106	2,316
Transactions with owners					
Dividends relating to 2010 and 2011	15	-	-	(1,900)	(1,900)
Balance at 31 January 2011		**9,000**	**53,161**	**18,250**	**80,411**

The notes on pages 33 to 60 are an integral part of these financial statements.

Statements of Cash Flows

		Year ended 31 January			
		Group		Company	
		2011	2010	**2011**	2010
	Notes	**€'000**	€'000	**€'000**	€'000
Cash flows from operating activities					
Cash generated from operations	31	**15,238**	12,853	**7,548**	9,913
Interest received		**43**	63	**161**	155
Interest paid		**(1,631)**	(1,851)	**(1,531)**	(1,610)
Income tax (paid)/refunded		**(276)**	(304)	**7**	-
Net cash from operating activities		**13,374**	10,761	**6,185**	8,458
Cash flows from investing activities					
Acquisition of intangible assets		**-**	(129)	**-**	-
Dividends received		**-**	-	**780**	-
Purchase of property, plant and equipment		**(4,072)**	(3,958)	**(3,557)**	(1,979)
Additions to investment property		**(902)**	(59)	**(845)**	-
Proceeds from disposal of property, plant and equipment and assets held for sale		**209**	28	**158**	2
Movements in loans to subsidiaries		**-**	-	**891**	1,016
Net cash used in investing activities		**(4,765)**	(4,118)	**(2,573)**	(961)
Cash flows from financing activities					
Proceeds from short and long-term borrowings		**2,530**	-	**2,530**	-
Net proceeds from 6.0% bond issue		**7,432**	-	**7,432**	-
Bond issue costs		**(384)**	-	**(384)**	-
Net redemption of 6.6% bonds		**(1,734)**	-	**(1,734)**	-
Payments of short and long-term borrowings		**(11,197)**	(3,399)	**(9,554)**	(3,040)
Dividends paid		**(1,900)**	(1,100)	**(1,900)**	(1,100)
Net cash used in financing activities		**(5,253)**	(4,499)	**(3,610)**	(4,140)
Net movement in cash and cash equivalents		**3,356**	2,144	**2**	3,357
Cash and cash equivalents at beginning of year		**(6,940)**	(9,084)	**(2,257)**	(5,614)
Cash and cash equivalents at end of year	13	**(3,584)**	(6,940)	**(2,255)**	(2,257)

The notes on pages 33 to 60 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.1 Basis of preparation

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

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

Standards, interpretations and amendments to published standards effective in 2011

In 2011, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 February 2010. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the group's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the group's accounting periods beginning after 1 February 2010. The group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's directors are of the opinion that there are no requirements that will have a possible significant impact on the group's financial statements in the period of initial application.

1.2 Consolidation

(a) Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income (see note 1.8).

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

A listing of the subsidiaries is set out in note 37 to the financial statements.

(b) Jointly-controlled entities

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

The group's share of its jointly-controlled entities' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly-controlled entity.

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

A listing of the group's jointly-controlled entities is set out in note 37 to the financial statements.

Notes to the Consolidated Financial Statements continued

1.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in euro which is the company's functional currency and the group's presentation policy.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

The group enters into foreign exchange forward contracts in order to manage its exposure to fluctuations in foreign currency rates on specific transactions (see note 1.28).

(c) Subsidiaries

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

1.4 Group holdings of land and buildings

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

(a) Properties used as business, manufacturing and operational premises by the group including factories, warehouses, offices and commercial buildings, are accounted for as property, plant and equipment and are included under non-current assets. Surplus properties previously employed in the group's operations, are classified as non-current assets held for sale (see note 1.15);

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

1.5 Property, plant and equipment

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

Cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete, and is suspended if the development of the asset is suspended.

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 statement of comprehensive income 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 statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of comprehensive income) 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%
• Plant, machinery and equipment	5.00% - 33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (see note 1.8).

1.6 Investment property

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

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. 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 statement of comprehensive income during the financial period in which they are incurred. Changes in fair values are recorded in the statement of comprehensive income.

Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

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

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

1.7 Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/ jointly-controlled entity or business concern at the date of acquisition. Goodwill on acquisitions of subsidiaries/business concerns is included in intangible assets. Goodwill on acquisitions of jointly-controlled entities is included in investments in jointly-controlled entities. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The group gathers objective evidence that goodwill is impaired using the same process disclosed in note 1.8.

Franchise and agency rights are initially shown at historical cost. Franchise and agency rights have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of franchise and agency rights over their estimated useful lives (5 to 10 years).

1.8 Impairment of assets

Impairment of non-financial assets

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

Impairment of financial assets

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

1.9 Investments in subsidiaries and jointly-controlled entities

In the company's financial statements, investments in subsidiaries and jointly-controlled entities are accounted for by the cost method of accounting. The dividend income from such investments is included in the statement of comprehensive income in the accounting year in which the company's rights to receive payment of any dividend is established. The company gathers objective evidence that an investment is impaired using the same process disclosed in note 1.10.3. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of comprehensive income.

Loans for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, an extension of the company's investment in that subsidiary. Loans to subsidiaries for which settlement is planned are classified as loans and receivables in accordance with the requirements of IAS 39.

Notes to the Consolidated Financial Statements continued

1.10 Financial assets

1.10.1 Classification

The group's financial assets are classified as loans and receivables originated by the group in accordance with the requirements of IAS 39. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (note 1.12 and 1.14).

1.10.2 Recognition and measurement

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

1.10.3 Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The group first assesses whether objective evidence of impairment exists. The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. Impairment testing of trade receivables is described in note 1.12.

1.11 Inventories

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

1.12 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor or, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within 'selling and distribution costs'.

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

1.13 Current and deferred tax

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

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

Deferred taxation is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Under this method the group is required to make a provision for deferred income taxes on the revaluation and fair valuation of certain non-current assets. Such deferred tax is charged or credited directly to the revaluation reserve and/or the unrealised fair value gains reserve. Deferred income tax on the difference between the actual depreciation on the property and the equivalent depreciation based on the historical cost of the property is realised through the statement of comprehensive income.

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

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

1.14 Cash and cash equivalents

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

1.15 Discontinued operations and non-current assets held for sale

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and represents a separate major line of business or a geographical area of operation or is a subsidiary acquired or created exclusively with a view to resell.

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

1.16 Share capital

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

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

1.17 Borrowings

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

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

1.18 Provisions

Provisions (including restructuring costs) are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Restructuring provisions principally comprise termination benefits.

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

1.19 Termination benefits

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

Notes to the Consolidated Financial Statements continued

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

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

1.21 Financial liabilities
The group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.22 Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

1.23 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 an entity has delivered products to the customer, the customer has accepted the products and collectibility of the related trade and other receivables is reasonably assured. Branded beers, beverages and food products are often sold with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

(b) Sales of goods - retail
Sales of goods are recognised when an entity 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. It is the group's policy to sell its products to the end customer with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

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

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

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

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

1.24 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 statement of comprehensive income on a straight-line basis over the period of the lease.

Where a group company is a lessor
Assets leased out under operating leases are included in investment property in the statement of financial position. These assets are fair valued annually on a basis consistent with similarly owned investment property.

1.25 Borrowing costs
Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment or investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. All other borrowing costs are expensed. Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of the group's interest-bearing borrowings.

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

1.27 Segment reporting

The group determines and presents operating segments based on the information that internally is provided to the board of directors, which is the group's chief operating decision maker in accordance with the requirements of IFRS 8 'Operating Segments'.

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components, and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the board of directors to make decisions about resources to be allocated to the segment and to assess its performance executing the function of the chief operating decision maker.

1.28 Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts and interest rate swap agreements and other derivative financial instruments, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date. The fair value of interest rate swaps is mainly based on the present value of the estimated future cash flows. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. On the date a derivative contract is entered into, the group designates certain derivatives as a hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met. In accordance with the requirements of IAS 39, the criteria for a derivative instrument to be accounted for as a cash flow hedge include:

- formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is prepared before hedge accounting is applied;
- the hedge is documented showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period; and
- the hedge is effective on an ongoing basis.

Accordingly, the group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

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

(b) Cash flow hedge

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

Amounts accumulated in equity are recycled in the statement of comprehensive income in the periods when the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income.

2. FINANCIAL RISK MANAGEMENT

2.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

Notes to the Consolidated Financial Statements continued

2.1 Financial risk factors continued

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 2011 the settlement dates on open contracts ranged between two and twelve months. These derivatives contracts have a notional amount of €2,834,000 (2010: €1,529,000). In view of the offsetting of the group's hedge items and the derivative contracts, disclosure of sensitivity analysis attributable to a reasonable shift in exchange rates was not deemed necessary as at 31 January 2011. The fair value of these derivative financial instruments held at the end of the reporting date were not deemed material by the directors for recognition and disclosure purposes.

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

Significant exposure to cash flow interest rate risk arises in respect of interest payments relating to borrowings, in particular to a loan amounting to €9.5 million that is subject to interest at floating rates linked to Euribor. The company entered into an interest-rate swap agreement, which provided a cash flow hedging relationship in respect of variability of future floating interest payments. This agreement covers interest payments on the total amount of this borrowing. Accordingly, this hedging instrument has been designated as cash flow hedges on the interest rate risk, that is, volatility in floating interest amounts. Up to the reporting date, the company did not have any hedging arrangements with respect to the exposure of interest rate risk on other interest-bearing liabilities.

Based on the above, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

(b) Credit risk

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

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Carrying amounts				
Loans and receivables	**855**	1,315	**-**	-
Trade and other receivables	**17,754**	16,735	**21,610**	19,558
Cash and cash equivalents	**808**	789	**449**	464
	19,417	18,839	**22,059**	20,022

Group companies bank only with local financial institutions with high quality standing or rating. The group's operations are principally carried out in Malta and most of the group's revenues originate from clients based in Malta. The group has no concentration of credit risk that could materially impact on the sustainability of its operations. However, in common with similar business concerns, the failure of specific large customers could have a material impact on the group's results.

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

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

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

Impairment losses

Trade and other receivables

Impairment provisions of €1,717,000 (2010: €1,711,000) for the group were present at year end in respect of trade receivables that were overdue and that were not expected to be recovered. Other overdue trade receivables that were not impaired amounted to €555,000 (2010: €1,660,000) for the group. These unsecured overdue amounts consisted of €465,000 (2010: €1,096,000) that were less than three months overdue and €90,000 (2010: €564,000) that were greater than three months.

Impairment provisions of €594,000 (2010: €809,000) for the company were present at year end in respect of trade receivables that were overdue and that were not expected to be recovered. Other overdue trade receivables that were not impaired amounted to €149,000 (2010: €357,000) for the company. These unsecured overdue amounts consisted of €149,000 (2010: €247,000) that were less than three months overdue and €Nil (2010: €110,000) that were greater than three months overdue.

Other receivables
As at year end, impairment provisions of €621,000 (2010: €436,000) for the group and the company were in existence at year end in respect of trade loans (disclosed under other receivables) that were overdue and that were not expected to be recovered. Other overdue trade loans that were not impaired amounted to €2,579,000 (2010: €1,377,000) for the group and the company. The group and company hold security of €1,032,000 (2010: €998,000) against these receivables.

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

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Balance as at 1 February	**2,147**	2,329	**1,245**	1,331
Impairment charge/(release)	**191**	(182)	**(30)**	(86)
Balance as at 31 January	**2,338**	2,147	**1,215**	1,245

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

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

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

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

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

	Carrying amount €'000	Contractual cash flows €'000	Within one year €'000	One to five years €'000	Over five years €'000
Group					
31 January 2011					
Borrowings	**31,848**	**40,666**	**7,819**	**11,314**	**21,533**
Trade and other payables	**15,782**	**15,782**	**15,782**	**-**	**-**
	47,630	**56,448**	**23,601**	**11,314**	**21,533**
31 January 2010					
Borrowings	38,484	42,047	22,900	15,652	3,495
Trade and other payables	11,890	11,890	11,890	-	-
	50,374	53,937	34,790	15,652	3,495
Company					
31 January 2011					
Borrowings	**28,841**	**37,505**	**5,870**	**10,268**	**21,367**
Trade and other payables	**13,878**	**13,878**	**13,878**	**-**	**-**
	42,719	**51,383**	**19,748**	**10,268**	**21,367**
31 January 2010					
Borrowings	30,514	33,551	17,477	13,763	2,311
Trade and other payables	13,668	13,668	13,668	-	-
	44,182	47,219	31,145	13,763	2,311

Notes to the Consolidated Financial Statements continued

2.2 Capital risk management

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

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

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

Total borrowings include unsecured bonds issued by the company. The gearing ratios at 31 January 2011 and 2010 were as follows:

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Total borrowings (note 18)	**31,848**	38,484	**28,841**	30,514
Total equity	**85,760**	83,916	**80,411**	79,995
Total capital	**117,608**	122,400	**109,252**	110,509
Gearing	**27.08%**	31.44%	**26.40%**	27.61%

2.3 Fair values of financial instruments

At 31 January 2011 and 2010 the carrying amounts of cash at bank, trade and other receivables, trade and other payables and current borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of amounts owed by subsidiaries and jointly-controlled entities which are current or repayable on demand is equivalent to their carrying amount.

The fair value of non-current financial instruments 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. The fair value of the group's non-current floating interest rate bank borrowings at the end of the reporting period is not significantly different from the carrying amounts.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

4. SEGMENT INFORMATION

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

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

The group does not have any particular major customer, as it largely derives revenue from a significant number of consumers availing of its products and services. Accordingly, the group has not identified any relevant disclosures in respect of reliance on major customers.

The group's productive and commercial operations are segregated primarily into brewing, production and sale of branded beers and beverages, the importation, wholesale and retail of food and beverages, including wines and spirits, the operation of franchised food retailing establishments and property management.

The board of directors assesses the performance of the operating segments based on operating results adjusted for centralised costs. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group. Since the board of directors reviews adjusted operating results, the results of discontinued operations are not included in the measure of adjusted operating results.

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

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

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

4. SEGMENT INFORMATION continued

	Brewing, production & sale of branded beers & beverages €'000	Importation, wholesale & retail of food & beverages, including wines & spirits €'000	Operation of franchised food retailing establishments €'000	Property management €'000	**Group €'000**
2011					
Revenue	41,079	22,173	8,948	982	**73,182**
Less: inter-segmental sales	(1,149)	(4,090)	-	(589)	**(5,828)**
	39,930	18,083	8,948	393	**67,354**
Segment results	4,808	1,364	66	62	**6,300**
Net finance costs					**(1,588)**
Fair value loss on investment property					**(661)**
Profit before tax					**4,051**
Tax expense					**(307)**
Profit for the financial year					**3,744**
Segment assets	81,066	9,860	9,863	44,031	**144,820**
Jointly-controlled entities	-	-	-	12	**12**
Unallocated assets					**140**
Total assets					**144,972**
Segment liabilities	11,708	2,223	1,900	574	**16,405**
Unallocated liabilities					**42,807**
Total liabilities					**59,212**
Additions to non-current assets	4,503	71	343	901	**5,818**
Depreciation	3,559	121	452	95	**4,227**
Amortisation	294	-	21	-	**315**
Impairment provision for trade receivables	12	47	132	-	**191**
Restructuring costs	124	-	-	-	**124**

	Brewing, production & sale of branded beers & beverages €'000	Importation, wholesale & retail of food & beverages, including wines & spirits €'000	Operation of franchised food retailing establishments €'000	Property management €'000	**Group €'000**
2010					
Revenue	39,898	19,333	8,834	1,243	**69,308**
Less: inter-segmental sales	(1,153)	(2,484)	-	(560)	**(4,197)**
	38,745	16,849	8,834	683	**65,111**
Segment results	2,894	1,325	423	272	**4,914**
Net finance costs					**(1,788)**
Profit before tax					**3,126**
Tax expense					**(454)**
Profit from continuing operations					**2,672**
Profit from discontinuing operations	78	-	-	-	**78**
Profit for the financial year					**2750**
Segment assets	80,515	9,573	10,376	45,237	**145,701**
Assets held for sale	77	-	-	-	**77**
Jointly-controlled entities	-	-	-	12	**12**
Unallocated assets					**198**
Total assets					**145,988**
Segment liabilities	8,136	1,824	1,660	533	**12,153**
Unallocated liabilities					**49,919**
Total liabilities					**62,072**
Additions to non-current assets	2,057	376	842	873	**4,148**
Depreciation	3,702	88	412	129	**4,331**
Impairment of property, plant and equipment	350	116	100	-	**566**
Amortisation	258	68	22	-	**348**
Impairment provision for trade receivables	(165)	(21)	-	4	**(182)**
Restructuring costs	132	-	-	-	**132**

Notes to the Consolidated Financial Statements continued

5. PROPERTY, PLANT AND EQUIPMENT

Group	Land & buildings €'000	Assets in course of construction €'000	Plant, machinery & equipment €'000	Total €'000
At 1 February 2009				
Cost or valuation	49,790	78	94,661	144,529
Accumulated depreciation and impairment	(666)	-	(72,053)	(72,719)
Net book amount	49,124	78	22,608	71,810
Year ended 31 January 2010				
Opening net book amount	49,124	78	22,608	71,810
Additions	848	152	2,958	3,958
Disposals	-	-	(95)	(95)
Depreciation	(646)	-	(3,685)	(4,331)
Impairment charge	(116)	-	(450)	(566)
Depreciation released on disposals	-	-	80	80
Transfer to investment property (note 6)	(3,637)	-	-	(3,637)
Closing net book amount	45,573	230	21,416	67,219
At 31 January 2010				
Cost or valuation	47,001	230	97,524	144,755
Accumulated depreciation and impairment	(1,428)	-	(76,108)	(77,536)
Net book amount	45,573	230	21,416	67,219
Year ended 31 January 2011				
Opening net book amount	45,573	230	21,416	67,219
Additions	33	1,672	2,367	4,072
Disposals	(24)	-	(1,675)	(1,699)
Depreciation	(703)	-	(3,524)	(4,227)
Depreciation released on disposals	-	-	1,606	1,606
Closing net book amount	**44,879**	**1,902**	**20,190**	**66,971**
At 31 January 2011				
Cost or valuation	47,010	1,902	98,216	147,128
Accumulated depreciation and impairment	(2,131)	-	(78,026)	(80,157)
Net book amount	44,879	1,902	20,190	66,971

5. PROPERTY, PLANT AND EQUIPMENT *continued*

Company	Land & buildings €'000	Assets in course of construction €'000	Plant, machinery & equipment €'000	Total €'000
At 1 February 2009				
Cost	32,354	78	76,066	108,498
Accumulated depreciation	-	-	(55,011)	(55,011)
Net book amount	32,354	78	21,055	53,487
Year ended 31 January 2010				
Opening net book amount	32,354	78	21,055	53,487
Additions	8	152	1,819	1,979
Disposals	-	-	(78)	(78)
Depreciation	(439)	-	(3,180)	(3,619)
Impairment of assets	-	-	(350)	(350)
Depreciation released on disposals	-	-	77	77
Closing net book amount	31,923	230	19,343	51,496
At 31 January 2010				
Cost or valuation	32,362	230	77,807	110,399
Accumulated depreciation and impairment	(439)	-	(58,464)	(58,903)
Net book amount	31,923	230	19,343	51,496
Year ended 31 January 2011				
Opening net book amount	31,923	230	19,343	51,496
Additions	30	1,672	1,855	3,557
Disposals	-	-	(1,265)	(1,265)
Depreciation	(507)	-	(2,999)	(3,506)
Depreciation released on disposals	-	-	1,255	1,255
Closing net book amount	**31,446**	**1,902**	**18,189**	**51,537**
At 31 January 2011				
Cost or valuation	32,392	1,902	78,397	112,691
Accumulated depreciation and impairment	(946)	-	(60,208)	(61,154)
Net book amount	31,446	1,902	18,189	51,537

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

On 31 January 2009, the directors approved revaluations of the owned property by the group and classified under property, plant and equipment, after assessing the valuations made by duly appointed independent chartered architectural firms. These valuations were determined on the basis of open market values after considering the intrinsic value of the property and net potential returns. The directors have confirmed these values as at 31 January 2011.

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

The group's and company's impairment charge for 2010 is mainly attributable to operational manufacturing assets within the bottling segment related to the old soft drinks factory. The related assets have been written down to their estimated recoverable amounts. The recoverable amount (the higher of the value in use and net selling price) was determined at the individual asset level and represents the net selling price, determined by reference to market prices for equivalent assets.

As at 31 January 2011, the carrying amount of land and buildings would have been €17,704,000 (2010: €18,398,000) had these assets been included in the financial statements at historical cost less depreciation.

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

	Group		Company	
	2011 €'000	2010 €'000	**2011 €'000**	2010 €'000
Cost of sales	**2,401**	2,670	**1,872**	2,123
Selling and distribution costs	**1,162**	1,106	**1,093**	1,052
Administration expenses	**664**	555	**541**	444
	4,227	4,331	**3,506**	3,619

Notes to the Consolidated Financial Statements continued

6. INVESTMENT PROPERTY

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Year ended 31 January				
Opening net book amount	**44,880**	41,184	**31,843**	31,843
Additions	**902**	59	**845**	-
Fair value (losses)/gains	**(661)**	-	**238**	-
Transfer from property, plant and equipment	**-**	3,637	**-**	-
Closing net book amount	**45,121**	44,880	**32,926**	31,843
At 31 January				
Cost	**40,280**	39,378	**32,688**	31,843
Fair value gains	**4,841**	5,502	**238**	-
Net book amount	**45,121**	44,880	**32,926**	31,843

As at 1 February 2010, the cost and fair value gains attributable to the group's investment property amounted to €36,298,000 and €4,886,000 respectively. Transfers from property, plant and equipment related to properties released from operational use during the financial year ended 31 January 2010 (note 5).

Investment property is valued annually and approved by the directors on the basis of a professional valuation prepared by independent property valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. Fair values are determined on the basis of open market value taking cognisance of the specific location of the properties, their size and development potential and the availability of similar properties in the area and, whenever possible, having regard to recent market transactions for similar properties in the same location.

Investment property included above, comprising property leased out under operating leases, has a carrying amount of €1,094,000 (2010: €1,902,000). Bank borrowings are secured by the group's and company's investment property (note 18). Investment property comprises a number of commercial properties that are leased to third parties and land held for capital appreciation. The following amounts have been recognised in the statement of comprehensive income:

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Rental income	**378**	753	-	-
Direct operating expenses	**(249)**	(359)	**-**	-

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

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
At 31 January				
Cost	**11,973**	11,071	**4,456**	3,611
Accumulated depreciation	**(254)**	(228)	**-**	-
Net book amount	**11,719**	10,843	**4,456**	3,611

7. INTANGIBLE ASSETS

Group	Goodwill €'000	Franchise & agency rights €'000	Total €'000
At 1 February 2009			
Cost	1,058	4,505	5,563
Accumulated amortisation and impairment	(128)	(3,651)	(3,779)
Net book amount	930	854	1,784
Year ended 31 January 2010			
Opening net book amount	930	854	1,784
Additions	-	129	129
Amortisation	-	(330)	(330)
Closing net book amount	930	653	1,583
At 31 January 2010			
Cost	1,058	4,634	5,692
Accumulated amortisation and impairment	(128)	(3,981)	(4,109)
Net book amount	930	653	1,583
Year ended 31 January 2011			
Opening net book amount	930	653	1,583
Amortisation	-	(261)	(261)
Closing net book amount	**930**	**392**	**1,322**
At 31 January 2011			
Cost	1,058	4,634	5,692
Accumulated amortisation and impairment	(128)	(4,242)	(4,370)
Net book amount	930	392	1,322

Amortisation of €261,000 (2010: €330,000) is included in cost of sales, and €Nil (2010: €69,000) in administrative expenses within the statement of comprehensive income.

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:

	2011 €'000	2010 €'000
Brewing, production and sale of branded beers & beverages	**192**	192
Importation, wholesale and retail of food & beverages, including wines & spirits	**738**	738
Net book amount	**930**	930

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

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

Company

Franchise rights	**2011 €'000**	2010 €'000
Year ended 31 January		
Opening net book amount	**473**	713
Amortisation	**(240)**	(240)
Closing net book amount	**233**	473
At 31 January		
Cost	**2,402**	2,402
Accumulated amortisation	**(2,169)**	(1,929)
Net book amount	**233**	473

As at 1 February 2009, the cost and accumulated amortisation of the company's franchise rights amounted to €2,402,000 and €1,689,000 respectively. Amortisation charge for the year is included in cost of sales.

Notes to the Consolidated Financial Statements continued

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011	2010
	€'000	€'000
Year ended 31 January		
Opening net book amount	**16,506**	17,211
Impairment provision	**(2,800)**	-
Transfer of investment to subsidiary	**-**	(705)
Closing net book amount	**13,706**	16,506
At 31 January		
Cost	**17,787**	17,787
Impairment provision for investments	**(4,081)**	(1,281)
Net book amount	**13,706**	16,506

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

The principal subsidiaries at 31 January 2011 all of which are unlisted, are disclosed in note 37 to these financial statements.

9. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Year ended 31 January				
Opening and closing net book amount	**12**	12	**2**	2
At 31 January				
Cost	**102**	102	**102**	102
Share of jointly-controlled entities' results and reserves	**(90)**	(90)	**-**	-
Impairment provision for investments	**-**	-	**(100)**	(100)
Net book amount	**12**	12	**2**	2

The principal jointly-controlled entities at 31 January 2011 all of which are unlisted, are disclosed in note 37 to these financial statements.

Summarised financial information of the principal jointly-controlled entities as at 31 January is as follows:

	Assets	**Liabilities**	**Losses**
	€'000	€'000	€'000
At 31 January 2010	916	926	(247)
Movements	(2)	3	(5)
At 31 January 2011	**914**	**929**	**(252)**

10. LOANS AND RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Year ended 31 January				
Opening net book amount	**1,315**	3,040	**-**	-
Receivable upon disposal of non-current assets held for sale and additions during the year	**-**	519	**-**	-
Repayments	**(460)**	(2,244)	**-**	-
Closing net book amount	**855**	1,315	**-**	-
At 31 January				
Cost and net book amount	**855**	1,315	**-**	-

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

As at 31 January 2011, the weighted average effective interest rate for the group at the end of the reporting period was 3.5% (2010: 3.5%).

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

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Non-current				
Between 1 and 2 years	**183**	438	**-**	-
Between 2 and 5 years	**165**	387	**-**	-
	348	825	**-**	-
Current	**507**	490	**-**	-
	855	1,315	**-**	-

Loans and receivables are secured with hypothecs in favour of the group over the property sold on which these receivables have originated. The group's exposure to credit and liquidity rate risks related to these loans and receivables is disclosed in note 2. As of 31 January 2011, these financial assets were fully performing and hence do not contain impaired assets.

11. INVENTORIES

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Raw materials and consumables	**3,192**	3,769	**2,963**	3,481
Finished goods and goods for resale	**5,018**	5,227	**2,069**	2,396
Containers and other stocks	**3,779**	4,184	**3,592**	3,997
	11,989	13,180	**8,624**	9,874

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

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Cost of sales	**267**	372	**158**	230
Selling, distribution and administrative expenses	**185**	231	**185**	231
	452	603	**343**	461

Notes to the Consolidated Financial Statements continued

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Non-current				
Amounts due from subsidiaries	**-**	-	**1,891**	2,782
Other receivables	**2,977**	1,643	**2,977**	1,643
	2,977	1,643	**4,868**	4,425
Current				
Trade receivables	**9,660**	9,621	**5,584**	6,431
Amounts due from subsidiaries	**-**	-	**7,175**	4,973
Amounts due from jointly-controlled entities	**464**	462	**464**	462
Indirect taxation	**66**	169	**-**	-
Other receivables	**2,837**	2,460	**2,737**	2,036
Prepayments and accrued income	**1,750**	2,380	**782**	1,231
	14,777	15,092	**16,742**	15,133
Total trade and other receivables	**17,754**	16,735	**21,610**	19,558

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

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Trade and other receivables	**2,338**	2,147	**1,215**	1,245

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

Amounts due to the company by subsidiaries and jointly-controlled entities are unsecured and are repayable on demand, except for amounts disclosed as non-current. Included in these balances are year-end amounts of €8,562,000 (2010: €4,809,000) which are subject to an average interest rate of 4.75% (2010: 4.40%). Other balances within amounts due from subsidiaries and jointly-controlled entities are interest free.

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

13. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Cash at bank and in hand	**808**	789	**449**	464
Bank overdrafts	**(4,392)**	(7,729)	**(2,704)**	(2,721)
	(3,584)	(6,940)	**(2,255)**	(2,257)

14. SHARE CAPITAL

	Company	
	2011	2010
	€'000	€'000
Authorised:		
30,000,000 ordinary shares of €0.30 each	**9,000**	9,000
21,000,000 preference shares of €1.00 each	**21,000**	21,000
	30,000	30,000
Issued and fully paid:		
30,000,000 ordinary shares of €0.30 each	**9,000**	9,000
	9,000	9,000

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

15. DIVIDENDS PAID

	Company	
	2011	2010
	€'000	€'000
Interim dividend	**400**	300
Final dividend	**1,500**	800
Total net dividend	**1,900**	1,100
Euro per share (net)	**€0.063**	€0.037

The final dividend of €1,500,000 in respect of the year ended 31 January 2010 was announced to the ordinary shareholders on 25 June 2010. These final dividends were paid out of tax exempt profits.

A net interim dividend of €400,000 in respect of the year ended 31 January 2011 was announced on 30 September 2010, and paid to the ordinary shareholders on 22 October 2010. At the forthcoming Annual General Meeting, a final net dividend of €1,600,000 in respect of the financial year ended 31 January 2011 is to be proposed.

These financial statements do not reflect the final dividend for 2011 of €1,600,000 which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 January 2012.

16. REVALUATION RESERVE

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Property, plant and equipment				
At beginning of year, before deferred tax	**54,009**	55,523	**46,677**	48,191
Transferred to share capital (note 14)	**-**	(1,514)	**-**	(1,514)
	54,009	54,009	**46,677**	46,677
Deferred taxation (note 19)	**(11,151)**	(11,151)	**(5,782)**	(5,782)
At 31 January	**42,858**	42,858	**40,895**	40,895

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

17. OTHER RESERVES

	Share premium €'000	Unrealised fair value gains reserve €'000	Incentives and benefits reserve €'000	Capital redemption reserve €'000	Total €'000
Group					
At 1 February 2010	2,078	4,144	2,515	7,463	16,200
Fair value losses	-	(661)	-	-	(661)
Deferred tax	-	24	-	-	24
At 31 January 2011	**2,078**	**3,507**	**2,515**	**7,463**	**15,563**
Company					
At 1 February 2010	2,078	-	2,515	7,463	12,056
Fair value gains	-	238	-	-	238
Deferred tax	-	(28)	-	-	(28)
At 31 January 2011	**2,078**	**210**	**2,515**	**7,463**	**12,266**

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

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

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

Notes to the Consolidated Financial Statements continued

18. BORROWINGS

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Non-current				
6.0% Bonds 2017-2020	**14,670**	-	**14,670**	-
Bank loans	**10,823**	16,799	**9,717**	14,198
	25,493	16,799	**24,387**	14,198
Current				
6.6% Bonds 2010-2012	**-**	9,302	**-**	9,302
Bank overdrafts	**4,392**	7,729	**2,704**	2,721
Bank loans	**1,963**	4,654	**1,750**	4,293
	6,355	21,685	**4,454**	16,316
Total borrowings	**31,848**	38,484	**28,841**	30,514

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

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Face value of bonds				
6.0% Bonds 2017-2020	**15,000**	-	**15,000**	-
6.6% Bonds 2010-2012	**-**	9,317	**-**	9,317
	15,000	9,317	**15,000**	9,317
Issue costs	**(384)**	(149)	**(384)**	(149)
Accumulated amortisation	**54**	134	**54**	134
Net book amount	**(330)**	(15)	**(330)**	(15)
Amortised cost	**14,670**	9,302	**14,670**	9,302

During the financial year ended 31 January 2011, the 6.6% Bonds 2010-2012 were redeemed in full after the company exercised its early redemption option for 2010. Following the board decision taken on 1 April 2010, the company issued an aggregate principal amount of €15 million Bonds (2017-2020), having a nominal value of €100 each, bearing interest at the rate of 6.0% per annum. These bonds are unsecured pursuant and subject to the terms and conditions in the prospectus dated 10 May 2010. The quoted market price as at 31 January 2011 for the 6.0% Bonds 2017-2020 was 103.6, whilst the quoted market price as at 31 January 2010 for the 6.6% Bonds 2010-2012 was 101.51.

Bondholders holding 6.6% bonds for a total amount of €7,568,000 exercised the bond exchange programme option set in the 6.0% bond prospectus dated 10 May 2010.

The group's and company's banking facilities as at 31 January 2011 and 2010 amounted to €35,615,625 and €40,918,605 for the group, and €25,652,800 and €29,401,243 for the company respectively.

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

Interest rate exposure:

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
At floating rates	**15,211**	29,182	**12,204**	21,212
At fixed rates	**16,637**	9,302	**16,637**	9,302
Total borrowings	**31,848**	38,484	**28,841**	30,514

Borrowings at floating rates mainly comprise a loan entered into by the company during the financial year ended 31 January 2008, whose interest rate is computed using a margin over the three month Euribor rate. During the financial year ended 31 January 2011, the company entered into a receive floating, pay fixed interest rate swap arrangement with a notional amount of €9.5 million matching the principal amount of a specific loan. The company has designated this derivative contract as a hedging instrument in a cash flow hedge with the hedged risk being the company's exposure to cash flow interest rate risk arising on the variable interest amounts payable with respect to this loan. Under the interest rate swap arrangement, the company will at three monthly intervals exchange fixed interest amounts payable determined at the fixed interest rate of 2.74% with variable interest amounts receivable based on the three month floating Euribor rate. The derivative expires in 2020, thus matching with the terms of loan. Fair values changes arising on this instrument are recognised in other comprehensive income directly in the cash flow hedging reserve. The fair value of these derivative financial instruments held at the end of the reporting date were not deemed material by the directors for recognition and disclosure purposes.

18. BORROWINGS continued

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

	Group		Company	
	2011	2010	**2011**	2010
	%	%	**%**	%
Bank overdrafts	**4.64**	4.35	**4.75**	4.75
Bank loans	**4.92**	4.75	**5.03**	4.78
Bonds 2017-2020	**6.00**	-	**6.00**	-
Bonds 2010-2012	**-**	6.60	**-**	6.60

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

19. DEFERRED TAXATION

The movement in the deferred tax account is as follows:

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
At beginning of year	**11,043**	10,975	**5,782**	5,782
Charged to income statement (note 28)	**33**	68	**-**	-
At end of year	**11,076**	11,043	**5,782**	5,782

Deferred taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35.0% (2010: 35.0%), with the exception of deferred taxation on the fair valuation of non-depreciable property which is computed on the basis applicable to disposals of immovable property i.e. tax effect of 12.0% of the transfer value.

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 2009	2,339	(2,360)	741	(92)	11,151	(804)	10,975
Income statement	612	(800)	(295)	63	-	488	68
At 31 January 2010	2,951	(3,160)	446	(29)	11,151	(316)	11,043
At 1 February 2010	2,951	(3,160)	446	(29)	11,151	(316)	11,043
Income statement	692	(375)	(24)	61	-	(321)	33
At 31 January 2011	**3,643**	**(3,535)**	**422**	**32**	**11,151**	**(637)**	**11,076**
Company							
At 1 February 2009	2,972	(2,360)	-	93	5,782	(705)	5,782
Income statement	619	(800)	-	-	-	181	-
At 31 January 2010	3,591	(3,160)	-	93	5,782	(524)	5,782
At 1 February 2010	3,591	(3,160)	-	93	5,782	(524)	5,782
Income statement	636	(375)	28	-	-	(289)	-
At 31 January 2011	**4,227**	**(3,535)**	**28**	**93**	**5,782**	**(813)**	**5,782**

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

At 31 January 2011, the group and the company had unrecognised deferred tax assets consisting of unutilised tax credits arising from:

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Unutilised investment tax credits	**17,000**	17,249	**17,000**	17,249
Unabsorbed tax losses	**18**	25	**-**	-
Unabsorbed capital allowances	**631**	624	**-**	-
	17,649	17,898	**17,000**	17,249

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. OTHER PROVISIONS

Termination benefit provisions	Group 2011 €'000	Group 2010 €'000	Company 2011 €'000	Company 2010 €'000
At 1 February	**264**	393	**264**	393
Charged to profit and loss	**124**	132	**124**	132
Utilised during the year	**(213)**	(261)	**(213)**	(261)
At 31 January	**175**	264	**175**	264

The company has offered early retirement in exchange for a termination benefit to selected employees. This has been communicated to the selected employees, together with the amounts payable. The staff restructuring costs charged for 2011 total €124,000 while for 2010 total €132,000 (note 24). It is anticipated that €114,141 (2010: €212,969) of the provision will be paid during the financial year ending 31 January 2012.

21. TRADE AND OTHER PAYABLES

	Group 2011 €'000	Group 2010 €'000	Company 2011 €'000	Company 2010 €'000
Current				
Trade payables	**5,374**	4,259	**3,044**	2,107
Amounts owed to subsidiaries	**-**	-	**3,270**	6,458
Capital and other payables	**2,461**	1,918	**1,810**	1,353
Indirect taxes and social security	**1,635**	609	**1,209**	315
Accruals and deferred income	**6,312**	5,104	**4,545**	3,435
	15,782	11,890	**13,878**	13,668

Amounts due to subsidiaries are unsecured, repayable on demand and are subject to an average interest rate of 3.8% (2010: 4.2%).

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

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

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

An analysis of the results of the related discontinued operations, and the results recognised on the re-measurement of assets, including the related non-current assets and liabilities held for sale is as follows:

Discontinued operations	Group 2011 €'000	Group 2010 €'000
Other operating costs	-	(16)
Gain on disposal of subsidiary	-	94
Profit for the year from discontinued operations	-	78
Operating cash flows	-	68

Non-current assets held for sale	Group 2011 €'000	Group 2010 €'000
Trade and other receivables	-	77

23. EXPENSES BY NATURE

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Depreciation of property, plant and equipment (note 5)	**4,227**	4,331	**3,506**	3,619
Employee benefit expense (note 24)	**13,902**	14,037	**8,370**	8,509
Termination benefits (note 24)	**124**	132	**124**	132
Raw materials, imported goods and consumables	**30,268**	31,271	**9,649**	11,289
Changes in inventories of finished goods and work in progress (note 11)	**(209)**	(911)	**(327)**	(664)
Impairment charges (note 5)	**-**	566	**-**	350
Impairment provisions for trade and other receivables (note 12)	**191**	(182)	**(30)**	(86)
Write-off of trade receivables	**161**	74	**161**	-
Amortisation of intangible assets (note 7)	**261**	330	**240**	240
Operating motor vehicles lease rentals payable	**187**	252	**187**	252
Other expenses	**11,942**	10,297	**12,614**	11,623
Total cost of sales, selling and distribution costs and administrative expenses	**61,054**	60,197	**34,494**	35,264

Auditor's fees
Fees charged by the auditor for services rendered during the financial periods ended 31 January 2011 and 2010 relate to the following:

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Annual statutory audit	**96**	93	**41**	35
Other assurance services	**12**	14	**12**	14
Tax advisory and compliance services	**5**	6	**2**	2
Other non-audit services	**39**	-	**39**	-
	152	113	**94**	51

24. EMPLOYEE BENEFIT EXPENSE

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Wages and salaries	**12,899**	13,040	**8,661**	8,697
Social security costs	**960**	954	**651**	645
Other pension costs	**43**	43	**43**	43
	13,902	14,037	**9,355**	9,385
Recharged to subsidiaries	**-**	-	**(985)**	(876)
	13,902	14,037	**8,370**	8,509
Termination benefits	**124**	132	**124**	132
	14,026	14,169	**8,494**	8,641

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

	Group		Company	
	2011	2010	**2011**	2010
Brewing, production and sale of branded beers and beverages	**436**	456	**416**	436
Importation, wholesale and retail of food and beverages, including wines and spirits	**86**	90	**-**	-
Operation of franchised food retailing establishments	**197**	190	**-**	-
	719	736	**416**	436

The above employee benefit expense excludes capitalised payroll expenses in relation to the new brewhouse project amounting to €160,000 (2010: €80,000), included in property, plant and equipment.

25. NET FOREIGN EXCHANGE (LOSSES)/GAINS

The net exchange differences charged and credited to the statement of comprehensive income include:

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Foreign exchange differences	**(80)**	26	**(72)**	18
Fair value gains on derivative instruments:				
- Foreign exchange forward contracts	**74**	65	**74**	65
	(6)	91	**2**	83

Notes to the Consolidated Financial Statements continued

26. INVESTMENT (LOSSES)/GAINS

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Interest on loans and receivables	**43**	63	**-**	-
Interest on amounts owed by subsidiaries	**-**	-	**161**	155
Fair value (losses)/gains on investment property	**(661)**	-	**238**	-
Dividends from subsidiary	**-**	-	**1,200**	-
	(618)	63	**1,599**	155

27. FINANCE COSTS

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Bank loans and overdrafts	**766**	1,135	**613**	872
Bonds	**865**	615	**865**	615
Other finance costs	**-**	101	**-**	-
Interest on amounts owed to subsidiaries	**-**	-	**53**	123
	1,631	1,851	**1,531**	1,610

During the year ended 31 January 2011, borrowing costs amounting to €19,000 (2010: €Nil) arising on the financing of the new brewhouse project, were capitalised and included in assets in course of construction (note 5). The respective net capitalisation rate was 5.2% (2010: Nil%).

During the year ended 31 January 2011, the company received interest subsidy amounting to €187,000 (2010: €232,000) from Malta Enterprise related to approved investment loans of €9.5 million (2010: €11.4 million). A net effective interest rate of 2.70% (2010: 2.70%) [after taking into account an interest rate subsidy provided by Malta Enterprise of 2.50%] was applied, representing the borrowing cost of the loans utilised to finance the new soft drinks factory and distribution centre project.

28. TAX EXPENSE

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Current tax expense	**274**	386	**420**	-
Deferred tax expense (note 19)	**33**	68	**-**	-
Tax expense	**307**	454	**420**	-

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

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Profit from continuing operations	**4,051**	3,126	**2,736**	2,041
Profit from discontinued operations (note 22)	**-**	78	**-**	-
Profit before tax	**4,051**	3,204	**2,736**	2,041
Tax on profit at 35%	**1,417**	1,122	**957**	714
Tax effect of:				
Benefits available under the Business Promotion Act, comprising investment tax credits and allowances	**(1,002)**	(2,597)	**(1,002)**	(2,597)
Differences attributable to tax rules applicable to immovable property	**207**	-	**(55)**	-
Unrecognised deferred tax assets	**(249)**	1,569	**(249)**	1,590
Differences related to termination benefits	**77**	91	**77**	91
Impairment of subsidiary related amounts	**-**	-	**980**	149
Over provision in deferred tax related to prior years	**(387)**	-	**(421)**	-
Non allowable expenses and other differences	**244**	269	**133**	53
Tax expense	**307**	454	**420**	-

29. DIRECTORS' EMOLUMENTS

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Directors' fees	**103**	96	**103**	96
Directors' other emoluments	**216**	194	**216**	194
	319	290	**319**	290

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

30. EARNINGS PER SHARE

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

	Group	
	2011	2010
Profit attributable to shareholders on continuing operations (€'000)	**3,744**	2,672
Profit attributable to shareholders on discontinued operations (€'000)	**-**	78
Total profit attributable to shareholders (€'000)	**3,744**	2,750
Weighted average number of ordinary shares in issue (thousands)	**30,000**	30,000
Earnings per share on profit from continuing operations	**€0.125**	€0.089
Earnings per share on profit from discontinued operations	**-**	€0.003

31. CASH GENERATED FROM OPERATIONS

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Operating profit from continuing operations	**6,300**	4,914	**5,468**	3,496
Operating profit from discontinuing operations (note 22)	**-**	78	**-**	-
Operating profit	**6,300**	4,992	**5,468**	3,496
Adjustments for:				
Depreciation of property, plant and equipment (note 5)	**4,227**	4,331	**3,506**	3,619
Impairment of property, plant and equipment (note 5)	**-**	566	**-**	350
Profit on disposal of property, plant and equipment	**(116)**	(15)	**(148)**	(1)
Amortisation of intangible assets (note 7)	**261**	330	**240**	240
Amortisation of bond issue costs (note 18)	**54**	18	**54**	18
Provision for termination benefits (note 20)	**124**	132	**124**	132
	10,850	10,354	**9,244**	7,854
Changes in working capital:				
Inventories	**1,191**	1,816	**1,250**	1,233
Trade and other receivables	**(482)**	2,293	**(2,943)**	(3,608)
Trade and other payables	**3,679**	(1,610)	**(3)**	4,434
Cash generated from operations	**15,238**	12,853	**7,548**	9,913

Notes to the Consolidated Financial Statements continued

32. COMMITMENTS

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

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Authorised but not contracted	**10,594**	4,454	**9,030**	3,604
Contracted but not provided for	**6,133**	-	**6,133**	-
	16,727	4,454	**15,163**	3,604

On 24 February 2010, the board of directors approved an investment of €14 million in a new brewhouse and water treatment facility which will be completed by the financial year ended 31 January 2013.

Operating lease commitments - where a group company is a lessee
The future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**441**	597	**107**	213
Later than 1 year and not later than 5 years	**1,255**	1,155	**-**	107
Later than 5 years and not later than 30 years	**6,701**	5,952	**-**	-
Later than 30 years	**16,445**	16,682	**-**	-
	24,842	24,386	**107**	320

Non-cancellable operating lease payments disclosed above as 'Later than 30 years' expire within 74 years. This commitment relates to a non-cancellable property operating lease that expires in 2085. On 20 April 2011, the group terminated this non-cancellable operating lease after fulfilling the set terms and conditions which have been agreed with the respective landlord during the initial part of 2012.

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	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**384**	349	**-**	-
Later than 1 year and not later than 5 years	**1,554**	1,548	**-**	-
Later than 5 years	**3,320**	3,709	**-**	-
	5,258	5,606	**-**	-

33. CONTINGENT LIABILITIES

At 31 January 2011, the group and the company had contingent liabilities amounting to €2,145,000 (2010: €1,772,000) and €938,000 (2010: €562,000) respectively, with regards to guarantees mainly in favour of the Comptroller of Customs issued by the bank on behalf of the group and company in the ordinary course of business and capital expenditure.

At 31 January 2011, guarantees amounting to €6,683,000 (2010: €6,497,000) were given by the company with regards to bank facilities of subsidiaries.

34. RELATED PARTY TRANSACTIONS

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

	Percentage of shares held	
	2011	2010
Farrugia Investments Limited	**26.50**	26.50
M.S.M. Investments Limited	**26.50**	26.50
Sciclunas Estates Limited	**26.32**	26.32

The remaining 20.68% (2010: 20.68%) of the shares are widely held. The following transactions were carried out with related parties:

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Income from goods and services				
- Sales of goods to subsidiaries	-	-	**1,132**	1,134
- Recharge of costs to subsidiaries	-	-	**969**	867
- Recharge of payroll costs to subsidiaries	-	-	**1,178**	1,186
- Finance income on loans to subsidiaries	-	-	**160**	154
	-	-	**3,439**	3,341

	Group		Company	
	2011	2010	**2011**	2010
	€'000	€'000	**€'000**	€'000
Expenditure for goods and services				
- Purchases of goods from subsidiaries	**-**	-	**1,354**	1,657
- Purchases of goods and services from related parties	**1,169**	1,080	**1,141**	828
	1,169	1,080	**2,495**	2,485

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

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

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

35. STATUTORY INFORMATION

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

36. COMPARATIVE INFORMATION

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

Notes to the Consolidated Financial Statements continued

37. SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITIES

The principal subsidiaries at 31 January 2011 are shown below:

	Registered office	Principal activities	Percentage of shares held 2011	2010
Burger Operations Limited	The Brewery, Mdina Road, Mriehel	Operation of franchised food retailing establishments	**100**	100
EcoPure Limited (formerly EcoPure Premium Water Company Limited)	The Brewery, Mdina Road, Mriehel	Sale and distribution of bottled water	**100**	100
Farsons Italia S.r.l. (in liquidation)	Via del Concilio 17, 20045 Lissone, Milan - Italy	Non-operating	**100**	100
Farsons (Sales & Marketing) Limited	The Brewery, Mdina Road, Mriehel	Non-operating	**100**	100
Food Chain (Holdings) Limited	The Brewery, Mdina Road, Mriehel	Intermediate investment management and property holding	**100**	100
Galleria Management Limited	The Brewery, Mdina Road, Mriehel	Non-operating	**100**	100
Kentucky Operations Limited	The Brewery, Mdina Road, Mriehel	Operation of franchised food retailing establishments	**100**	100
Mensija Catering Company Limited	The Brewery, Mdina Road, Mriehel	Property leasing	**100**	100
Pizza Operations Limited	The Brewery, Mdina Road, Mriehel	Operation of franchised food retailing establishments	**100**	100
Portanier Warehouses Limited	The Brewery, Mdina Road, Mriehel	Property leasing	**100**	100
Quintano Foods Limited	303, Qormi Road, Marsa	Importation and wholesale of food products	**100**	100
Sliema Fort Company Limited	The Brewery, Mdina Road, Mriehel	Property leasing	**100**	100
Trident Developments Limited	The Brewery, Mdina Road, Mriehel	Intermediate investment management and property holding	**100**	100
Farsons Beverage Imports Company Limited	The Brewery, Mdina Road, Mriehel	Importation and wholesale of beverages, wines and spirits	**100**	100

The principal jointly-controlled entities at 31 January 2011 are shown below:

	Registered office	Principal activities	Percentage of shares held 2011	2010
FSG Company Limited	The Brewery, Mdina Road, Mriehel	Investment holding	**50**	50
Malta Deposit and Return System Limited (in liquidation)	Mizzi House, National Road, Blata l-Bajda	Waste management activities	**56**	56
Travel Stores Company Limited	Miller House, Airport Way, Tarxien Road, Luqa	Retailing	**-**	25
Food-Serv Limited (in liquidation)	The Brewery, Mdina Road, Mriehel	Non-operating	**22.5**	22.5

Shareholder Information

Directors' interests in the share capital of the company

	Ordinary shares held as at 31 January 2011	Ordinary shares held as at 18 April 2011
Bryan A. Gera	93,840	93,840
Vincent Curmi	6,067	6,067
Louis A. Farrugia	22,764	22,764
Marquis Marcus John Scicluna Marshall	5,857	5,857
Marina Hogg	12,698	12,698

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

Mr. Marcantonio Stagno d'Alcontres has a beneficial interest in M.S.M. Investments Limited. Besides having a beneficial interest in Farrugia Investments Limited, Mr. Louis A. Farrugia has a beneficial interest in a further 42,916 Ordinary shares registered in the name of Farrugia Holdings Limited. Marquis Marcus John Scicluna Marshall has a beneficial interest in Sciclunas Estates Limited. Mr. Vincent Curmi has a beneficial interest in a further 5,250 Ordinary shares registered in the name of the Estate of the late Marquis John Scicluna. There has been no movement in the above stated shareholdings during the period from 31 January 2011 to 18 April 2011.

Shareholders holding 5% or more of the equity share capital as at 18 April 2011
Ordinary shares

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

Shareholding details
As at 18 April 2011, the company's issued share capital was held by the following shareholders:

	Number of shareholders
Ordinary shares of €0.30 each	1,773

The holders of the Ordinary shares have equal voting rights.
Number of shareholders as at 18 April 2011

	Number of shareholders	Number of shares	Percentage holding
Ordinary shares of €0.30 each			
Up to 500 shares	541	127,496	0.42
501 - 1,000 shares	324	228,590	0.76
1,001 - 5,000 shares	679	1,553,201	5.18
More than 5,000 shares	229	28,090,713	93.64
	1,773	30,000,000	100.00

Arthur Muscat
Company Secretary

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Five Year Summarised Group Results

		2011 €'000	2010 €'000	2009 €'000	2008 €'000	2007 €'000
Turnover		**67,354**	65,111	66,825	66,109	62,355
Operating costs		**(61,054)**	(60,119)	(64,512)	(61,807)	(59,464)
Operating profit		**6,300**	4,992	2,313	4,302	2,891
Changes in fair value of investment property		**(661)**	-	-	208	862
Profit on disposal of land and buildings		**-**	-	505	1,102	-
Net finance costs		**(1,588)**	(1,788)	(2,013)	(1,610)	(1,529)
Share of results of associated undertakings		**-**	-	-	-	(100)
Profit before taxation		**4,051**	3,204	805	4,002	2,124
Tax		**(307)**	(454)	(354)	(948)	(102)
Profit attributable to Ordinary shareholders		**3,744**	2,750	451	3,054	2,022
Net dividends paid on Ordinary shares		**1,900**	1,100	1,567	1,398	699
Shareholders' funds		**85,760**	83,916	82,266	83,382	37,338
Borrowings		**31,848**	38,484	43,962	44,523	38,259
Total capital employed		**117,608**	122,400	126,228	127,905	75,597
Fixed Assets		**113,414**	113,682	114,790	117,560	57,186
Non-current Assets		**3,337**	2,480	3,880	4,282	2,357
Current assets		**28,221**	29,749	32,206	31,492	29,458
Assets held for sale		**-**	77	263	739	3,883
Liabilities (excluding borrowings)		**(27,364)**	(23,588)	(24,911)	(26,168)	(17,287)
Total assets less current liabilities		**117,608**	122,400	126,228	127,905	75,597
Shares in issue during the financial year:						
- Ordinary shares	**'000**	**30,000**	25,714	25,714	25,714	25,714
Number of Ordinary shareholders		**1,773**	1,756	1,676	1,676	1,729
Earnings per Ordinary share (reference note 30)		**€0.125**	€0.092	€0.015	€0.102	€0.067
Return on average capital employed	**percentage**	**4.7**	4.0	2.2	5.5	5.0
Dividend cover	**times**	**1.97**	2.50	0.29	2.18	2.89
Dividends per Ordinary share (net of tax)		**€0.063**	€0.037	€0.052	€0.047	€0.023
Net asset value per Ordinary share		**€2.86**	€2.80	€2.74	€2.78	€1.24
Gearing	**percentage**	**27.1**	31.4	34.8	34.8	50.6

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

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

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

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

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

Gearing is calculated by dividing total borrowings by total capital employed.

Earnings per Ordinary share, dividends per Ordinary share and **net asset value per Ordinary share** have been restated in 2009 to reflect the increase in the number of shares brought about through a bonus issue made in 2010.