SIMONDS FARSONS CISK plc ANNUAL REPORT 2012 for the year ended 31 January 2012

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

"Whilst we endeavour to be the best performing group within the fast moving consumer goods category, we are proud of our highly impressive brand portfolio and our ability to maximise the potential of each and every brand. We do this as a result of our group's structures which allow us to focus on brand governance".

FARSONS GROUP
Farsons

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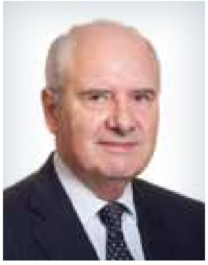
The Board of Directors



Louis A. Farrugia
Managing Director
(up to 23 June 2011)
Chairman *(as from 23 June 2011)*

Vincent Curmi
Vice-Chairman

Roderick Chalmers

Bryan A. Gera – Chairman and Board Member *(up to 23 June 2011)*

Arthur Muscat – Company Secretary *(up to 31 August 2011)*

Michael Farrugia
(as from 23 June 2011)

Dr Max Ganado

Marina Hogg

Marquis Marcus John Scicluna Marshall

Marcantonio Stagno d'Alcontres

Antoinette Caruana
Company Secretary
(as from 01 September 2011)

Board Committees, Group Executives & Senior Management

Group Executive Board

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

Corporate Governance Committee

Bryan A. Gera – Chairman and Committee Member (up to 23 June 2011)
Marcantonio Stagno d'Alcontres – Chairman (as from 27 July 2011)
Marquis Marcus John Scicluna Marshall
Vincent Curmi (up to 27 July 2011)

Related Party Transactions Committee

Bryan A. Gera – Chairman and Committee Member (up to 23 June 2011)
Vincent Curmi – Chairman (as from 27 July 2011)
Dr Max Ganado
Marquis Marcus John Scicluna Marshall

New Ventures/Acquisitions/Mergers Committee

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

Board Performance Evaluation Committee

Marcantonio Stagno d'Alcontres – Chairman (as from 27 July 2011)
Roderick Chalmers – Chairman (up to 27 July 2011)
Michael Farrugia (as from 27 July 2011)
Dr Max Ganado (as from 27 July 2011)
Marquis Marcus John Scicluna Marshall (as from 27 July 2011)
Vincent Curmi (up to 27 July 2011)
Bryan A. Gera (up to 23 June 2011)

Remuneration Committee

Louis A. Farrugia – Chairman (as from 27 July 2011)
Bryan A. Gera – Chairman and Committee Member (up to 23 June 2011)
Roderick Chalmers
Vincent Curmi
Marina Hogg
Dr Max Ganado (up to 27 July 2011)

Audit Committee

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

Farsons Group Management Team

Norman Aquilina – Group Chief Executive
John Bonello Ghio – General Manager Food Chain (Holdings) Limited
Chris Borg Cardona – Head of Logistics
Stefania Calleja – Head of Sales and Customer Relations
Antoinette Caruana – Group HR Manager
Michael Farrugia – Head of Business Support
Philip Farrugia – General Manager Quintano Foods Limited
Ray Sciberras – Chief Operations Officer
Pierre Stafrace – General Manager Farsons Beverage Imports Company Limited
Stephen Sultana – Head of International Business Development
Susan Weenink – Head of Marketing and Communications
Charles Xuereb – Chief Financial Officer

Farsons Foundation Board of Trustees

Bryan A. Gera – Chairman
Antoinette Caruana (as from 1 February 2012)
The late Chev. Dr Vincent Depasquale (up to 31 January 2012)
Franco Masini
Michael Farrugia (as from 1 February 2012)
Mark Miceli-Farrugia
Arthur Muscat
Chev. Joseph Sammut
Kenneth Pullicino - Secretary

Chairman's Statement

It is my pleasure and honour to present to you the results for the Farsons Group for the year ending 31 January 2012 for the first time as your Chairman. I am honoured because after serving for 31 years as the group's Managing Director, I feel privileged to be able to continue to offer my services in a different role and from a different perspective - that of Chairman of the board of directors, whilst retaining my post as Chairman of the Group Executive Board. The Group Executive Board is a management board, so through this structure, I am able to follow at close quarters management's operational decisions.

I start by stating how grateful I am to my colleague directors, the group management team, and all group employees for the confidence and encouragement that I have received from them all. I shall endeavour to fulfil the post with dedication and attention, in the interests of all stakeholders. I succeed Bryan Gera who served this group on the board for 16 years. His commitment, loyalty and dedication to service were second to none, and known to you all. I served as Managing Director whilst he was Chairman, and I can vouch for his meticulous attention to his responsibilities in this role - something which you all witnessed over the years as shareholders. I do have a hard act to follow, and I am aware that chairing this year's AGM will be my first test as your Chairman. We are very fortunate that Bryan Gera has accepted the honorary office of President of the Farsons Group, and that he has also accepted to continue in his role as Chairman of the Farsons Foundation. On your behalf, I wish to thank him most sincerely for his many years of dedicated service to the group.

I am pleased to report that during the year under review group turnover reached €70.9 million, a record figure for the group, and representing a 5% increase over last year. Group profit before tax increased by 25% from €4.05 million to €5.08 million - also a record figure. This is a significant increase, and is mainly due to the absence in this year's results of any fair value losses on investment property, as well as the reduction in our finance costs. Group operating profit for the year was at the same level of last year at €6.39 million. Earnings before interest, tax, depreciation and amortisation (EBITDA – and representing the cash generated by the group) increased from €11.16 million to €11.45 million - an increase of 3% over the year.

Your board is pleased to recommend an increase in net dividend of €100,000, bringing the total for the year to €2,100,000. Your board maintains a prudent but steady dividend policy, seeking to balance a fair distribution to shareholders with the need to provide for the continuing capital investment requirements of the group.

You will see from the photographs presented in this Annual Report that the €12.5 million investment in our new state of the art brewhouse is nearing completion as we publish our results. We are extremely proud of this important and essential investment. You will all have the opportunity of visiting this site following the official inauguration which will take place this September. The new brewhouse replaces the existing brewhouse, which was built on the Mriehel site in 1948. It is the third brewhouse built by Farsons in its 84 year history, and the fourth if we include Malta Export Brewery of 1928. This new brewhouse investment completes the original master plan, which was initiated in 1989 when the process block was built as the first step in the substantial modernisation of our production facilities. Over these past 20 years the company has invested no less than €44 million in plant and machinery. This investment programme has been essential to ensure that your group survived the post liberalisation period of the business sectors in which we operate.

As you read through our Annual Report you will note that your group is now well diversified in its businesses. We produce beer and beverages, import others, export increasing quantities to 17 different countries, manage quick service franchisees, and import a vast range of world renowned food products. The Farsons Group is deploying its formidable marketing and organisational skills to expand its businesses in new markets. In fact, this is now our greatest challenge. We need to grow in new markets in order to expand. It will not be easy. However, we have many strengths, and we need to build solidly in this manner.

Your board is pleased with the performance of the group in what has been a difficult market environment, and congratulates the management team led by Norman Aquilina, our group CEO, on this success. You will see from the Annual Report that the results have been achieved despite a keenly competitive environment. I would like to take this opportunity to thank all our group employees for their contribution. Our employees represent the most important strength that we have. We are paying particular attention to improving our communication with all our employees. Seminars are being held where management explains the main factors affecting our performance, and where it is believed that improvements can be made. This all adds to a more united team working together – something that is essential in this tough competitive world.

I am pleased to inform you that detailed consultancy work has started on the planning for the redevelopment of the façade of the brewery. As you will recall, some years back we announced that once new production facilities were completed to the south of the premises, land and buildings on the Notabile Road would be released for redevelopment. Your board is now being presented with a range of plans of how this redevelopment can materialise. We envisage that by this time next year we will be able to present you with a possible road map of how these plans could develop. In terms of timing, much will depend on the outstanding production investments still needed to ensure that the group is adequately equipped with the right technologies to compete in the market place. More work will also be needed to ensure that any development plans are feasible and can provide an attractive return on investment.

All in all, despite the turbulence in surrounding economies and some signs of stress in various sectors of our own economy, the Farsons Group has done well. The outlook for the coming year will depend on the performance of our tourism industry - and on general consumer confidence. Inflationary pressures are continuing to manifest themselves and will squeeze margins further. We shall continue to face these challenges as we have done throughout our 84 year history. I am confident that your group has the strengths and resilience necessary to face these challenges – and convert them to opportunities.

Finally I wish to thank our legal advisors Mamo TCV and our auditors PricewaterhouseCoopers for their continued valid advice.

Louis Farrugia

Louis A. Farrugia - Chairman

The Farsons Brewery Facade, designed by Lewis V. Farrugia and inaugurated in 1950, will be re-deployed strategically over the coming years.

Investing in Quality

New €12.5 Million Brewhouse

The new state-of-the-art Brewhouse, on schedule to be operational this year, now completes the set master plan of investment, which included the completion in 2008 of the €24 Million Soft Drinks Packaging Hall & Logistics Centre.

This modern building has a copper cladding, and incorporates a natural ventilation system, rain water harvesting and temperature insulation. Apart from the brewing equipment, the building also houses a malt-handling and storage system, a laboratory and offices.

This new, energy-efficient, Brewhouse has been designed to cope with Farsons' future brewing requirements with further improved quality, productive capabilities and cost efficiencies.

Group Chief Executive's Review

"...we maintained our drive for further operational efficiencies, while ensuring improvements in cost management across the group. We also continued to re-dimension and adopt a more effective sales and marketing approach, delivering that competitive added value along with our profitable growth."

Investment, Efficiency, Innovation & Strategic Focus

The year under review was not without its challenges, both on the macro level, where the international economic climate remains uncertain, as well as in our main domestic market, which is naturally susceptible to the changing world around it. As in many other markets, Malta is experiencing ever-more intense competitive pressures and this is surely evident across all the business sectors in which the group operates, with such pressures on traditional market channels and structures that are almost unprecedented.

Undeterred by such a backdrop, we maintained our drive for further operational efficiencies, while ensuring improvements in cost management across the group. We also continued to adopt a more effective sales and marketing approach, delivering that competitive added value, along with our profitable growth. All this has been achieved along with the continued focus on innovation, whilst remaining committed to our long-term export strategy. Meanwhile we approach a milestone in our master-plan of investment through the completion of the new brewhouse.

Maintaining our strategic focus within a highly demanding and growingly competitive environment can be very challenging, particularly as we pursue our efforts for balanced value/ volume growth, keeping sight on our bottom line.

Nonetheless, the Farsons Group has ensured the right strategic response and adopted the required tactical measures. We also maintained the necessary focus by targeting and tapping arising opportunities of growth, while securing improved results.

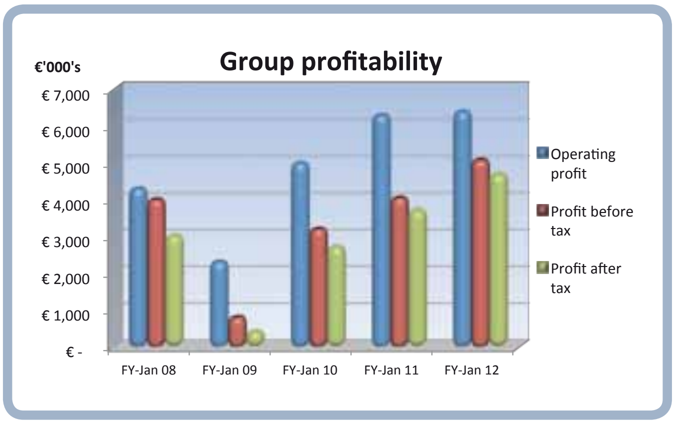
While local organic growth becomes more challenging, we have continued to pursue growth opportunities and new markets. As mentioned, exports have now become a strategic priority for our group; the year on year increase in our export sales is therefore encouraging and vindicates our persistence on focussing on this challenging - but potentially rewarding - front.

IMPROVED RESULTS As we continue to further strengthen our objectives based management approach across the group, it is encouraging to see that we are reporting improved results.

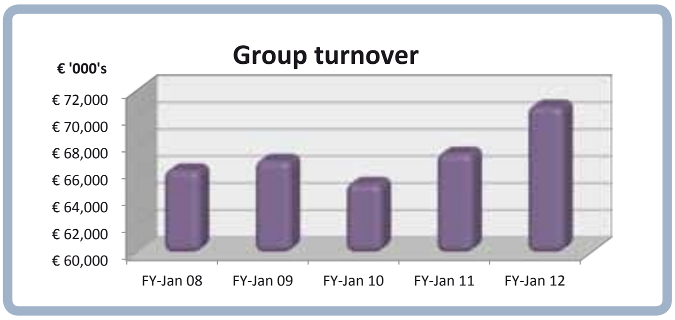
Despite all the competitive pressures, we have managed to increase our turnover by over €3 million or 5%, over the previous year, in part attributable to a notable increase in our group exports. The group's turnover now exceeds the €70 million mark. More importantly, we also improved our pre-tax profit by 25% to a figure just over €5 million. Both turnover and profitability significantly exceed last year's record results.

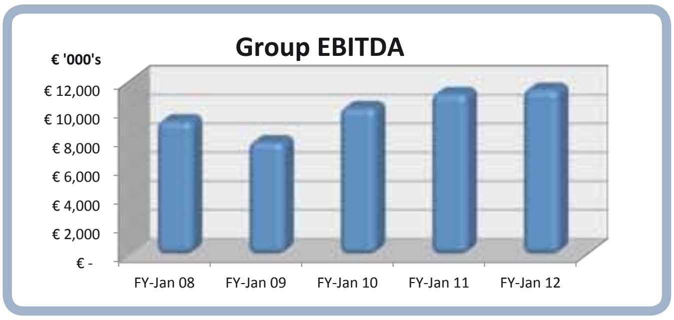
Intense competition is putting pressure on our gross margins. This, together with the rising costs of our raw materials has eroded our group gross margin by 1 percentage point. However, on the other hand, we managed to effectively reduce marginally our selling, distribution and administrative cost ratio to turnover.

In spite of market liberalisation during financial year ended January 2009, group results show a 7% increase in turnover and 55% improvement in post-tax profits over the past five years.



Group Chief Executive's Review





"...we increased turnover by over €3 million....to now exceeding the €70 million mark.... we also improved our pre-tax profit by 25% to just over €5 million. Both turnover and profitability significantly exceed last year's record results."

It is encouraging to note that in absolute terms, we still managed to maintain last year's group operating profit which now stands at €6,394,000. Last year's one-off investment loss amounting to €661,000 was also not repeated this year. Moreover, with an EBITDA (earnings before interest, tax, depreciation and amortisation) exceeding €11 million, we have managed to reduce our interest costs by 18%. Effective credit management remains a critical function for the group which also impacts our group indebtedness, and despite market challenges, our days sales outstanding have remained at acceptable levels. Gearing (expressed as a percentage of debt on debt and equity) remains strong at 27.22%.

QUALITY STANDARDS AND ENERGY EFFICIENCY With growing utility costs and environmental sensitivities, we are in the process of formulating an 'Energy Efficiency & Environmental Improvement Roadmap'. In fact, a sustained programme of resource optimisation is in place, to reduce energy and water consumption as much as possible. As a result, energy consumption per litre of product has been reduced by a third over the last three years. The amount of water used per litre of product has also reduced by a quarter over the last two years. This is being achieved by a reduction in the amount of water required in the processes and by continuous maintenance which ensures that our plant is operating at optimal efficiency.

During the year we maintained that added focus in our efforts to improve our quality standards and accreditations – namely ISO 9001 - 2008, BRC along with audits and quality checks from our major production partners – Carlsberg, AB InBev and PepsiCo. Additionally, we undertook further investment to upgrade our existing operations, and in June we commissioned a new combined wrap-around case packer/shrink wrapper for cans. In parallel with substantial investments of this nature, we also continue to pursue operational efficiency in all areas.

What we referred to in last year's Report as our group's 'resilient commitment to the future' has, once again, underpinned all our efforts and enabled us to maintain our momentum. It is a momentum that is only possible because of the combined dedication and effort of our human resources at all levels. Here I wish to recognise the vital role which our people play in delivering the desired improvements.

The investment in new plant facilities and ICT has also been complemented by an equally important investment in our human resources, with training both in Malta and overseas.

SUSTAINED EFFORT TOWARDS GROWTH

From the outset, it is fitting to underline the importance of all our group subsidiaries which have continued to contribute towards our growth. This has come about as a result of our ongoing business reviews which have brought about a number of changes within their structures and operational set-ups. Of notable significance in our achievements is the continued successful portfolio extension within Farsons Beverage Imports Company Limited, as we consolidated our brand representation with the Campari Group in January 2011 and, more recently, with the Pernod Ricard Group.

This sustained effort towards growth and improved profitability across the group will continue to be spearheaded by further investment whether in new plant facilities, quality standards or human resources.

This will be complemented by selectively identified initiatives along with the tapping of new opportunities for additional business development. Also, we will continue to pursue initiatives which will render our group's operations more efficient, and ultimately more competitive. By following this strategic path, we will not only adapt to being more and more in line with evolving market trends, along with ensuring our improved competitiveness , but also achieve our long-term vision for this group's prosperity.

A major upgrading exercise for cisk branding was also extended to include the company's truck livery. This dynamic 40 foot trailer sporting a stunning Cisk visual keeps our Gozo depot well-stocked on a regular basis.

The logistic centre continues to play a leading role in our efficiency drive and extended market reach to better service all our customers.

Ongoing investment in our logistics operation: a new fleet of vehicles, suitably branded, keeps our sales force on the move whilst ensuring maximum visibility.

Served with pride

Served with Pride: Malta's leading quality beer, Cisk Lager is available on draught at numerous outlets in Malta and Gozo.

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

BEERS 2010 was an active year for the beer market, buoyed by the recovery of tourism, the resultant positive effect on the on-premise sector, and the FIFA World Cup. Matching such a year was always going to be challenging for all market players. In the event, 2011 saw aggressive price-based competition, rising raw material costs and a shift in package preferences from bottles to cans, from both trade and consumers alike. These factors all put further pressure on the performance of the group's multi-brand beer portfolio.

However, as a result of the on-going commitment and focus on our brands at all levels, the results for the financial year were, once again, encouraging for a number of beer brands and packages in our portfolio. Such a result is attributable to consistent and relentless attention given to effective sales and marketing programmes, striking advertising campaigns, and engaging consumer promotions, with product innovation also playing an important role.

Cisk Lager, our flagship brand, did not disappoint and registered very solid results in almost every package type and market segment. Following the upgrading of the bottle labels in 2010, focus was shifted to upgrading the 33cl and 50cl cans, in this way completing a total revamp of the packaging, resulting in a more streamlined and premium presentation across all the variants in this brand's portfolio.

The impactful and innovative 'Cisk Is…' advertising campaign, launched in 2010, was further extended in 2011 with a series of visuals which portrayed the ease with which Cisk, unlike any other brand, forms an integral part of everyday life of the Maltese consumer.

Cisk Excel once again posted double-digit sales growth and continues to consolidate its position as one of the fastest-growing and most sought after beers on the local market. After partnering with up-coming Maltese sailors Ben and Seb, known as "the 49'ers", in their quest to reach the London 2012 Olympic Games, it was only natural that this association was used as a platform to further emphasise the 'Excel and Enjoy' campaign implemented across the various media.

Innovation played a key role in the results achieved for our beers this year. After many months of research and development, Cisk Chill, a lemon-flavoured lager beer, was launched in the summer of 2011. Easily distinguishable by its clear bottle, vibrant packaging and advertising, the brand delivered results which surpassed all expectations.

Carlsberg, a beer of international repute and part of the Farsons portfolio for over 30 years, also underwent a global rebranding exercise which has resulted in a clearer and more defined positioning of the brand not only in the local market, but also in the over 175 countries where it is present.

Carlsberg, brewed and packaged by Farsons for over 30 years, underwent a global rebranding exercise in 2011.

One must also mention the very positive performance of Skol, brewed under license by Farsons. For yet another year, Skol has managed to post significant increases in sales, despite very fierce price-based competition from the many imported beer brands which are available locally throughout the year.

With consumer preferences leaning more towards lager type beers, it is satisfying to note good results for Blue Label Ale, one of the founding brands in the history of Farsons.

All this clearly demonstrates the heritage and resilience of our brands, as well as our ability to satisfy consumer expectations, and deliver value and quality beers, at all levels and sectors of the market.

The whole range of Cisk Lager cans takes on a new look, with stronger and more appealing graphics.

Time to Chill: a lemon-flavoured variant joins the Cisk portfolio, attracting new consumers, particularly in the hot summer months.

Group Chief Executive's Review continued

NON-ALCOHOLIC BEVERAGES This segment also continues to be intensely competitive and has seen significant changes since the market was totally liberalised in 2008.

The introduction of value brands and the presence of international discount stores and the increasing awareness of health-related issues amongst Maltese consumers have collectively transformed a previously straight-forward landscape. Brands now have to compete effectively not only on price, but more importantly on value-added initiatives in order to successfully engage with consumers in a sustainable and profitable manner.

During 2011 a number of brands in our soft drink portfolio underwent rebranding programmes, the most significant of which was the rebranding of Kinnie.

After many months of intensive research, design and planning, a new look was unveiled in early summer. The rebranding exercise covered not only the packaging, but was also extended to a new advertising campaign, new truck and car livery together with new signage. The campaign peaked with the launch of the new look 'sleek' cans for Kinnie and Diet Kinnie.

Early in the year, Kinnie, together with Cisk Lager, was also successfully introduced in the Lidl range of discount stores in Malta. Naturally in such a retail environment, our brands have to compete head-on against a range of low priced alternative products. The satisfactory sales results achieved during the year are therefore another confirmation that Kinnie truly remains 'Malta's favourite soft drink'.

Innovation remains vital for longer-term growth in this segment. Fizzee, an all-natural, almond-flavoured, sugar-free carbonated soft drink, was launched earlier on in the year and proved to be popular with consumers, especially in the hot summer months.

Back-to-back promotional activities, coupled with effective sales and marketing initiatives, resulted in a good performance all round for the non-alcoholic beverage portfolio.

Our value brand Like Cola, once again competed very effectively in the all-important low-cost segment of the market, satisfying demand for those consumers who are more price-sensitive and yet rightly expect good value and quality.

WATER The water market is one of the most volatile segments of the beverage market. It is an extremely price-sensitive sector and many brands, both local and imported, are constantly jostling each other to gain competitive edge and market share.

We compete effectively in this segment, with a number of brands and packaging formats, and are thus able to offer a vast range of products at varying prices to suit the different consumer needs.

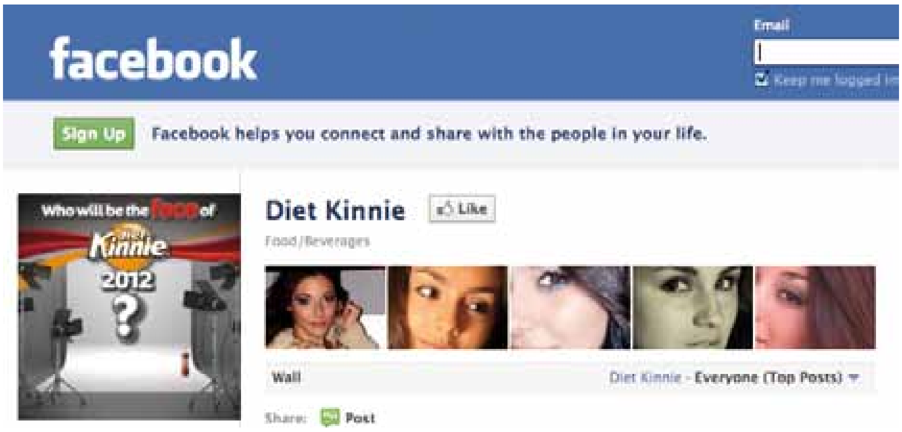
Leading brand San Michel, the official water of the Malta Marathon for a number of years now, continues to deliver value to consumers and, despite the fiercely competitive scenario outlined, has registered very positive results throughout the year.

The non-alcoholic segment is intensely competitive and brands need to continously invest in innovative and striking campaigns to stand out of this crowded market.

Kinnie, Malta's own favourite soft drink, is now sporting attractive new graphics following a major rebranding exercise implemented in 2011.

Group Chief Executive's Review continued

Farsons brands in the Digital world



Innovation is also very relevant when it comes to marketing our brands, and embracing the digital world, where many of our target consumers spend their time.

Apart from using web banners to advertise our brands, a variety of activities, competitions, games and 'digital happenings' are now an integral, and increasingly strategic, part of our marketing mix.

EXPORTS Despite the well-documented economic difficulties in several key markets, Farsons maintained the positive momentum we have built up in previous years and made substantial headway. In view of the strategic importance of exports to our group's future, we are delighted that our export sales exceeded those of the previous year to reach their highest-ever levels. As a result, exports now represent a noteworthy portion of the group's manufactured beverage business.

Our Cisk stand during the Pianeta Birra Fair in Rimini, Italy.

Our products are now exported to more than a dozen markets in Europe, North Africa, Asia and Australia, an indication of the appeal of our brands across cultures and climates.

Our performance was boosted by a marked increase in sales to Asia and North Africa, coupled with a double-digit increase in the production, under our licence, of Kinnie in Australia.

As part of our export drive, we also participated in Sial - China.

Other flagship brands like Cisk Lager and Cisk Export continued to show strong growth in new markets such as China, Hong Kong and Japan. Exports of our beers to more established markets, such as Italy, also exhibited resilience and growth this year which is quite remarkable in the face of the recessionary situation currently being experienced there.

Despite ongoing pressures both within the Eurozone and elsewhere, we will continue to pursue further growth. Discussions with several high-profile retail chains with Europe-wide operations continue to take place, while Kinnie now also consistently features as one of the category's best sellers on amazon.co.uk, one of the world's top on-line ordering sites. Cisk is also successfully being featured within amazon.co.uk.

Such a positive export performance stems from our three-tiered approach to international business development, consisting of growth through product innovation and export driven brand adaptation, the introduction of new modes of doing business including overseas production, and the focus on a selected number of strategic export markets for critical mass. Naturally, these efforts will be further enhanced by the on-going investments in the new brewhouse.

A Cisk display highlighting our Guanzhou Award in China.

Group Chief Executive's Review continued

"Extending our business through our existing partners, whether through consolidation or otherwise, remains a strategic objective."

FBIC Despite a difficult market and cross-border trading which impact negatively on our pricing, we achieved good results within this business segment. This was notably driven by the expansion of our represented brands together with a marked improvement in our brand portfolio performance.

In January 2011, Gruppo Campari with whom we have collaborated for almost 60 years, entrusted us with the representation of Aperol, Cinzano and its sparkling wines. Aperol has grown rapidly in many markets, through the increasing demand for Aperol Spritz, for which several promotions were organised, and which is proving to be ideal for Malta's climate.

Monin, world leaders in the production of syrups and purées used in cocktails and other beverages, decided to move their representation in Malta to FBIC. The brand was re-launched through a well-attended seminar for members of the bar trade.

We also diversified into a different product category, taking over the representation of Caffè Kimbo from Quintano Foods; the synergies achieved through the association with our wine and water portfolio gave the brand a new dimension in the market.

Organic growth was achieved in most of our beverage sectors through specific sales and marketing programmes. The Famous Grouse continued to perform well, supported by an advertising campaign at Christmas, featuring the Snow Grouse and the Black Grouse, apart from The Finest.

Important brands from Pernod Ricard now join our portfolio. This portfolio is supported by dedicated structures to ensure the necessary focus on all beverage categories and specific brands.

FARSONS GROUP FBIC BEVERAGE IMPORTERS

In the rum sector, promotions on Havana Club focused on its Cuban heritage. This has steadily become the bartenders' rum of choice for mojitos – a popular summer cocktail.

Absolut continued to attract a wider range of followers, as its strong international image becomes more well-known. The special edition bottle this year was on a theme of Illusions, while we also launched a new flavour – Berri Acai – during a special Absolut Masterclass for bartenders.

Havana Club and Absolut are owned by Pernod-Ricard which we have represented for many years. In February 2012, Pernod-Ricard consolidated all of its portfolio with us and we now also represent internationally renowned brands like Chivas Regal, Malibu, Jameson's and Glenlivet.

In the energy drink sector, Red Bull performed very positively in 2011, with increased demand and a wider availability achieved throughout Malta and Gozo, in spite of increased competition in this sector.

Several events and promotions were organised for our beers. Corona once again emphasised its Mexican heritage with Cinco de Mayo celebrations. Budweiser was active with a consumer promotion related to Silverstone together with the Badger Karting go kart track. Beck's strengthened its international link to music by sponsoring some major concerts.

Ciders featured strongly in our promotions, with a Cider Festival in key outlets in May. The distinctive black and yellow colours of Strongbow are becoming more widely recognisable while Bulmer's continues to grow in pubs throughout Malta.

Considering the scale and strength of our wine portfolio, a more focussed strategy to better develop the potential of our wines is being adopted. Led by a dedicated wine manager, we held regular promotions at supermarkets and other retail outlets, focusing on key wine brands which offer good value to customers. We also achieved better availability of our brands. In the on-trade sector, apart from securing a better presence of our wines within wine lists across the majority of restaurants and we organised wine-tasting events, emphasising the quality and international renown of our higher-end wines.

During the year, our Farsonsdirect outlet in Mriehel has continued to see an increase in both consumer traffic and sales and the outlet is growingly becoming a leading shopping destination with a wide selection of fine wines, a full range of other beverages along with some food items.

Our website is also proving its worth to an increasing number of customers who prefer to shop electronically.

"Considering the scale and strength of our wine portfolio, a more focussed strategy to better develop the potential of our wines is being adopted."

Budweiser, which has recently announced its partnership with the prestigious English FA Cup, has been part of the group's portfolio for many years.

Red Bull continues to fly taking sales to higher heights.

Farsonsdirect continues to play an important role as an extended sales arm with growingly encouraging results.

Group Chief Executive's Review continued

QUINTANO FOODS Quintano Foods achieved satisfactory profitability and increased its turnover, despite growing competitive pressures and the on-going evolution in consumer's preferences along with consumption patterns and trends.

The alliance of major supermarkets with international branded chains and higher presence of private label products and hard discount stores has continued to challenge and change parts of the retail landscape and ways of operation.

Through our specialised sales business unit structures, we have ensured that all the represented products benefit from the arising food category and group synergies along with giving us the necessary brand focus and results.

Whilst the stated strategy of Quintano Foods remains that of building further and investing in our core food business, we will also adapt in line with market and consumption trends. We are therefore seeking ways to extend into other food segments which can complement our core business, thereby further consolidating our strong position in the market, whilst retaining our focus of being a food only company.

We have responded to the market realities and adopted an approach which ensured we maintained a good presence and performance. During 2011, we resumed advertising for Danone,

The range of quality snacks and food products imported and distributed by Quintano Foods is well positioned to meet changing lifestyles and evolving consumption patterns.

"Through our specialised sales structures, we have ensured that all the represented products benefit from the arising food category and group synergies along with giving us the necessary brand focus and results".

Quintano Foods' relocation to Trident House resulted in a more efficient warehousing and distribution set-up, while also offering the necessary storage capacity for further growth.

FARSONS GROUP
Quintano
FOOD IMPORTERS

both on national television and via a high-profile outdoor campaign during the summer months. Danone's Activia, which registered the major growth, featured in all these campaigns. Our objective is now to place the whole range on a further growth trend, and we aim to achieve this by implementing a variety of market tactics.

The PepsiCo food brand portfolio which we handle comprises Tropicana chilled juices, Quaker oats and cereals and Walkers crisps and snacks. Once again, this portfolio has registered year-on-year growth and it is our intention to maintain this momentum by enhancing the product range with innovative products and investing in effective marketing support.

Quintano Foods remains the fastest growing company within the group since its acquisition back in 2004 and we are committed to investing and growing this business further. The company has benefitted from considerable group leverage and various synergies. The potential for growth in the food segment is considerable and one can expect to continue to see the rapid development of this business within our group.

It is therefore of no surprise why we are placing added resources and planning to invest further to ensure we retain the right level of focus and continue to drive this business along with all its represented brand portfolio to their full potential.

"Quintano Foods remains the fastest growing company within the group since its acquisition back in 2004 and we are committed to investing and growing this business further."

Danone maintained its position as one of our flagship brands supported by an efficient logistical set-up.

Group Chief Executive's Review continued

"The added management focus within Food Chain is growingly delivering improved results."

FOOD CHAIN Food Chain had a good year, increasing its turnover and profitability. This is a credible achievement given the building works being undertaken in close proximity to two of our outlets. The added management focus within Food Chain is growingly delivering improved results.

PIZZA HUT Various initiatives were undertaken to maintain consumer interest and stimulate demand. New-look menus in line with Pizza Hut guidelines were launched, with a wider range of dishes and a more user friendly format to facilitate choice. The Buffet Lunch at Valletta and Sliema was re-launched to increase ticket counts during the week, and this was maintained throughout the year. The Crown Crust Pizza, a premium product with a cream cheese crust, was also launched as a limited offer. This was well received and helped increase the average check. A 'buy one get one free' offer was also available on weekdays.

Pizza Hut maintained its drive on product innovation. The crown crust was a limited edition pizza.

The delivery zones for our delivery service were increased. The Qormi unit, which registered year-on-year sales growth, now also delivers to Balzan, Attard and Lija and we have extended our delivery service to cover Birkirkara. To achieve this, we have increased and strengthened our motorbike fleet operation. Our delivery menus were sent out to all households within our delivery zones.

Burger King continues to show potential for growth, driven by the popularity of its products such as it's flagship burger...The Double Whopper.

BURGER KING In our continued effort to enhance the dining experience of our patrons, Burger King Sliema was refurbished and a Coffee Bar was introduced with the new '20/20' concept. Following re-opening, we saw a significant increase in both turnover as well as number of tickets. Our plan is to have all our restaurants with this new 20/20 design, and we are planning to refurbish the Valletta restaurant next. In March we launched new more modern menus, which group similar products in each category together for more clarity and ease of choice.

The XXL Big King was introduced as a limited offer but was kept on permanently, due to high demand. Several promotions were organised in summer, such as a gift promotion in conjunction with Pepsi in which we gave a free cooler bag with every two meals. Other promotions highlighted our range of ice-creams and desserts. Internal incentive competitions were also offered to our own crew.

During the year we launched a campaign highlighting our 'Flame Grilled Not Fried' burgers and their excellent taste. We ended the year with the launch of the Texas Whopper limited time offer, in conjunction with Pepsi Cola.

KFC We delivered a positive performance, with year-on-year growth registered at both KFC outlets, particularly the Gzira unit. We launched a series of Box Meals offering a large meal at a reasonable price, including Hot Rod Box as a limited time offer. We also launched a value layer range known as Smartchoice, consisting of 9 value layer products below the €1.90 price point.

With regard to deliveries, KFC also extended delivery zones, and delivery menu mail shots were also organised, including one in conjunction with the Malta International Airport for our MIA outlet.

2011 saw KFC celebrate it's 15th Anniversary in Malta during which a special meal deal was launched to celebrate the occasion.

Sardinella The effort and resources required to operate Sardinella were disproportionate to the size of the business. Therefore Sardinella was leased off to a 3rd party operator under a management agreement contract for a number of years.

TRIDENT DEVELOPMENTS Our landmark 1950s brewhouse will no longer be required for our brewery operations once the new brewhouse is commissioned, and we therefore plan to give the building a new lease of life by converting it to a visitors' centre.

Trident Developments are being briefed to take this project forward along with exploring all feasible options as to how to make best use of the now virtually vacated facade. Developments in this regard are expected shortly.

The vacant building previously used by Quintano Foods is now being rented out to third parties and likewise the unutilised part of Centrija, previously occupied by Ecopure – now housed within the Logistics Centre.

While we continue to upgrade our restaurants, Burger King Sliema underwent refurbishment works during April.

FARSONS GROUP
EcoPure
BEVERAGE SERVICES

ECOPURE Ecopure has undergone major changes in management, operational and reporting structures. Sales and distribution have moved to the Logistics Centre, with a view towards attaining more focus, improved efficiencies in warehousing and distribution along with synergies in resources.

Though our household customer base has registered an increase, there is stiff competition within the commercial sector.

Sales of both 19 litre and 10 litre bottled water have continued to increase, while we respond to market pressures by tailoring offers suited to customers' requirements and consumption levels.

Though there are a number of changes still underway to ensure we take full advantage of the market potential and continue to strive to further improve our delivery service, we are confident that through the newly appointed management team this company will continue to improve and result in further profitable growth.

Continuing to push forward, with determination

In spite of the challenges ahead, the potential for profitable growth across the group remains. We need to continue to realign our resources wherever necessary and push forward with added determination to further strengthen our position as leaders within the fast moving consumer goods business; predominantly within the beverage sector, but also, increasingly, within the food sector.

From a strategic point of view, it is imperative that we do not restrict our outlook to only our bottom line results, no matter how important this certainly is, but also keep a vigilant eye on the horizon.

In spite of the growingly challenging environment we operate in, we must maintain the positive progression within our bottom line results, along with the necessary investments, to constantly strengthen the overall resilience and competitiveness of our group business model – which, in return, will continue to support our drive towards further future profitable growth.

We need to maintain our strategic focus with the ongoing business process reengineering to ensure we constantly strive to strengthen our competitive edge within all segments, improve performance, take on any arising business opportunities, whether local or overseas and continue to deliver the desired results.

It therefore gives me great satisfaction to be able to close off my second year as Group Chief Executive with another set of encouraging results, not only to satisfy our shareholders and give the necessary confidence to pursue any additional investments that can further contribute towards our profitable growth, but also because it gives all management and staff that added motivation to continue with our efforts to further grow the potential and ultimately results of our group.

Before signing off, I would like to conclude by thanking all the directors, most notably our Chairman, Louis Farrugia, for his continued availability and support throughout the year. I would also like to express my appreciation for all the hard work and enthusiasm I have found from all management and everyone within our group, which, as a result of this collective effort, has translated into the results we are hereby presenting.

Norman Aquilina - Group Chief Executive

SIMONDS FARSONS CISK plc ANNUAL REPORT 2012 for the year ended 31 January 2012

Financial Statements

Directors' Report

The directors present their report and the audited consolidated financial statements for the year ended 31 January 2012.

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 profit before tax registered by the Farsons Group for the year ended 31 January 2012 amounts to €5,080,000, representing a significant increase of over 25% when compared to the profit before tax achieved during the previous financial year of €4,051,000.

Group turnover increased by 5% to reach €70,851,000, also as a result of an increase in exports' turnover whilst the group's operating profit improved marginally to €6,394,000 from €6,300,000. Inflationary pressures in commodity prices, most notably malt and hops (the prime raw materials used to produce beer) as well as sugar, PET preforms and fuel oil, eroded margins. However, the group managed to effectively reduce marginally its selling, distribution and administrative cost ratio to turnover.

The group's statement of financial position remains strong and the net asset base continued to improve by €2,426,000 to reach €88,186,000. Shareholders' funds finance 59.6% (2011: 59.3%) of the group's total assets while EBITDA (earnings before interest, tax, depreciation and amortisation) increased to €11,453,000, representing an improvement of 3% over the previous year.

Construction of the new state of the art €12,500,000 brewhouse is nearing completion and will be commissioned over the forthcoming summer months.

Outlook for financial year ending 31 January 2013

The group's business is highly dependent on local consumer confidence and the state of the tourism industry. Much therefore depends on the performance of our economy which is forecasted to grow modestly in the financial year ending January 2013.

The group's diversified businesses continue to face inflationary pressures, particularly resulting from increased fuel oil prices, directly impacting energy costs, together with continued increases in imported products and raw materials which are derived from agricultural commodities.

The board of directors remains confident that the group's robust business model can face these challenges.

Dividends and reserves

The income statements are set out on page 32.

The directors declared a net interim dividend of €400,000, which was paid on 21 October 2011 to the ordinary shareholders, and will recommend the payment of a final dividend to the ordinary shareholders of €1,700,000 at the Annual General Meeting scheduled for 20 June 2012. The interim dividend was paid out of tax exempt profits. If approved at the Annual General Meeting, the final dividend will be paid on 21 June 2012 (out of tax exempt profits) to the shareholders who will be on the register of members of the company on 21 May 2012. As a result, total declared dividends relating to the financial year ending January 2012 would equate to €2,100,000 compared to €2,000,000 relating to the previous financial year.

Dividends to the ordinary shareholders paid during the year ended 31 January 2012 amounted to €2,000,000 (2011: €1,900,000).

Retained profits carried forward at the reporting date amounted to €21,061,000 (2011: €18,339,000) for the group and €20,564,000 (2011: €18,250,000) for the company.

Directors

The directors who held office during the year were:

Mr. Louis A. Farrugia F.C.A. - *Managing Director* up to 23 June 2011 and *Chairman* as from 23 June 2011
Mr. Bryan A. Gera D.B.A. - *Chairman and board member* up to 23 June 2011
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
Mr. Michael Farrugia M.A. (Edin.) - as from 23 June 2011

Mr. Roderick Chalmers 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 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 2012 are included in this annual report, which is published in hard-copy printed form and is 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 2012, 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 53.

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 and such shareholder may remove, withdraw or replace such director at any time. Any appointment, removal, withdrawal or replacement of a director to or from the board of directors shall take effect upon receipt by the board of directors or the company secretary of a notice in writing to that effect from the shareholder owning twelve and a half per cent (12.5%) of the ordinary issued share capital of the company or more. Any remaining fractions will be disregarded in the appointment of the said directors but may be used in the election of further directors at an Annual General Meeting. The Chairman is appointed by the directors from amongst the directors appointed or elected to the board.

The rules governing the appointment, election or removal of directors are contained in the company's Articles of Association, Articles 93 to 101. An extraordinary resolution approved by the shareholders in the general meeting is required to amend the Articles of Association.

The powers and duties of directors are outlined in Articles 84 to 91 of the company's Articles of Association. In terms of Article 12 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 2012, the company is not party to any significant agreement pursuant to Listing Rules 5.64.10.

Furthermore, the board declares that the information required under Listing Rules 5.64.5 and 5.64.7 is not applicable to the company.

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

Louis A. Farrugia
Chairman

Vincent Curmi
Vice-Chairman

Registered address:
The Brewery, Mdina Road, Mriehel BKR 3000, Malta.
Telephone (+356) 2381 4172

Antoinette Caruana – *Company Secretary* – 25 April 2012

Corporate Governance Statement

A. INTRODUCTION

This statement is being made by Simonds Farsons Cisk plc (SFC) pursuant to Listing Rules 5.94 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 (the code) contained in Appendix 5.1 to Chapter 5 of the said rules. In terms of Listing Rule 5.94, SFC is obliged to prepare a report explaining how it has complied with the code. For the purposes of the Listing Rules, SFC is hereby reporting on the extent of its adoption of the code.

SFC acknowledges that the code does not prescribe mandatory rules but recommends principles so as to provide proper incentives for the board of directors (the board) and SFC's management to pursue objectives that are in the interests of the company and its shareholders. 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.

As demonstrated by the information set out in this Statement, together with the information contained in the Remuneration Report, SFC believes that it has, save as indicated herein the section entitled Non-Compliance with code, throughout the accounting period under review, applied the principles and complied with the provisions of the code. In the Non-Compliance Section, the board indicates and explains the instances where it has departed from or where it has not applied the code, as allowed by the code.

B. COMPLIANCE WITH THE CODE

Principle 1: The Board

The board's role and responsibility is to provide the necessary leadership, to set strategy and to exercise good oversight and stewardship. In terms of the Memorandum of Association of SFC, the affairs of the company are managed and administered by a board composed of eight directors.

The board is in regular contact with the Group Chief Executive in order to ensure that the board is in receipt of timely and appropriate information in relation to the business of SFC and management performance. This enables the board to contribute effectively to the decision making process, whilst at the same time exercising prudent and effective controls.

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.

The board delegates specific responsibilities to a number of committees, notably the Corporate Governance Committee, the Related Party Transactions Committee, the Audit Committee, the Board Performance Evaluation Committee, the New Ventures/Acquisitions/Mergers Committee and the Remuneration Committee, each of which operates under formal terms of reference approved by the board. Further detail in relation to the committees and the responsibilities of the board is found in Principles 4 and 5 of this statement.

Principle 2: Chairman and Chief Executive

The statute of SFC provides for the board to appoint from amongst its directors a Chairman and a Vice-Chairman.

The Chairman is responsible to lead the board and set its agenda, ensure that the directors of the board receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the company, ensure effective communication with shareholders, encourage active engagement by all members of the board for discussion of complex or contentious issues.

In December 2001, the board established a Group Executive Board (GEB) 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 Group Executive Board is responsible:

1. for the formulation and implementation of policies as approved by the board;
2. to achieve the objectives of the group as determined by the board; and accordingly
3. 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.

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

The company's current organisational structure includes a Chairman of the Group Executive Board and a Group Chief Executive, two positions which are occupied by Mr. Louis Farrugia and Mr. Norman Aquilina respectively.

The Group Chief Executive reports regularly to the board on the business and affairs of the group and the commercial, economic and other challenges 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 Chief Executive 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. The organisational structure ensures that decision making powers are spread wide enough to allow proper control and reporting systems to be in place and maintained in such a way that no one individual or small group of individuals actually has unfettered powers of decision.

Principle 3: Composition of the Board

The board is composed of a Chairman who also acts as Chairman of the Group Executive Board, a non-executive Vice-Chairman and six other non-executive directors.

Executive Directors

Mr. Louis A. Farrugia – *Managing Director* up to 23 June 2011 and *Chairman* as from 23 June 2011

Non-Executive Directors

Mr. Bryan A. Gera D.B.A. – *Chairman and board member* up to 23 June 2011
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
Mr. Michael Farrugia M.A. (Edin.) - as from 23 June 2011

The Group Chief Executive attends all board meetings, albeit without a vote, in order to ensure his full understanding and appreciation of the board's policy and strategy, and so that he can provide direct input to the board's deliberations.

The board considers that the size of the board, whilst not being large as to be unwieldy, is appropriate, taking into account the size of the company and its operations. The combined and varied knowledge, experience and skills of the board members provide a balance of competences that are required, and add value to the functioning of the board and its direction to the company.

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.

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

The board has taken the view that the length of service on the board and the close family ties between board members who undertake an executive or senior management role in the company do not undermine any of the directors' ability to consider appropriately the issues which are brought before the board. Apart from possessing valuable experience and wide knowledge of the company and its operations, the board feels that the directors in question are able to exercise independent judgement and are free from any relationship which can hinder their objectivity. On the other hand, the board believes that by definition, employment with the company renders a director non-independent from the institution. This should not however, in any manner, detract from the non-independent director's ability to maintain independence of analysis, decision and action.

Principles 4 and 5: The Responsibilities of the Board and Board Meetings

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.

Meetings held:	**13**
Members Attended	
Mr. Louis A. Farrugia - *Managing Director/Chairman*	13
Mr. Bryan A. Gera - *Chairman*	7 (out of 7)
Mr. Vincent Curmi - *Vice-Chairman*	12
Marquis Marcus John Scicluna Marshall	11
Mr. Marcantonio Stagno d'Alcontres	9
Dr. Max Ganado	9
Mr. Roderick Chalmers	12
Ms. Marina Hogg	13
Mr. Michael Farrugia	6 (out of 6)

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 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. The strategy, processes and policies adopted for implementation are regularly reviewed by the board using key performance indicators. To assist it in fulfilling its obligations, the board has delegated responsibility to the Chairman of the Group Executive Board.

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 was presided over by the non-executive Chairman up to 23 June 2011 and by a non-executive director since 27 July 2011. 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 was presided over by the non-executive Chairman up to 23 June 2011 and by the non-executive Vice-Chairman since 27 July 2011 and 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 5.118 in view that he is a Certified Public Accountant and holder of a practising certificate in auditing.

Throughout the year ended 31 January 2012, 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'

Corporate Governance Statement continued

audit plan, the six-monthly financial results and the annual financial statements.

The Group Internal Auditor, who also acts as secretary to the Audit Committee, is present at Audit Committee meetings. 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 Group 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.

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.

The Board Performance Evaluation Committee is dealt with under Principle 7 whilst the Remuneration Committee is dealt with under the Remuneration Report, which also includes the Remuneration Statement in terms of Code Provisions 8.A.3 and 8.A.4.

Principle 6: Information and Professional Development

The Group Chief Executive is appointed by the board and enjoys the full confidence of the board. The Group Chief Executive, although responsible for the recruitment and selection of senior management, consults with the board on the appointment of, and on a succession plan for, senior management.

Training (both internal and external) of management and employees is a priority, including through the company's Human Resources Department.

On joining the board, a director is provided with briefings by the Chairman and the Group Chief Executive on the activities of the company's business areas. Furthermore, all new directors are offered a tailored induction programme which incorporates the company's Memorandum and Articles of Association.

Directors may, where they judge it necessary to discharge their duties as directors, take independent professional advice on any matter at the company's expense.

Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the board and its committees and between senior management and non-executive directors, as well as facilitating induction and assisting with professional development as required.

Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring adherence to board procedures as well as good information flows within the board and its committees.

The Chairman ensures that board members continually update their skills and the knowledge and familiarity with the company required to fulfill their role both on the board and on board committees. The company provides the necessary resources for developing and updating its directors' knowledge and capabilities.

The Company Secretary is responsible for advising the board through the Chairman on all governance matters.

Principle 7: Evaluation of the Board's Performance

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.

A meeting was scheduled after the year end to review the performance of the board and that of its committees. The evaluation exercise was conducted through a Board Effectiveness Questionnaire prepared by the Company Secretary in liaison with the Chairman of the Committee. The non-executive directors were responsible for the evaluation of the Chairman of the Board.

The Board Performance Evaluation Committee subsequently reported the outcome of this performance evaluation process directly to the Chairman.

Principle 8: Committees

The Remuneration Committee is dealt with under the Remuneration Report, which also includes the Remuneration Statement in terms of Code Provisions 8.A.3 and 8.A.4. The Company has opted not to set up a Nomination Committee. Further explanation is provided under the section entitled Non-Compliance with the code of this statement.

Principles 9 and 10: Relations with Shareholders and with the Market, and Institutional Shareholders

The company recognises the importance of maintaining a dialogue with its shareholders and of keeping the market informed to ensure that its strategies and performance are well understood. The board is of the view that during the period under review the company has communicated effectively with the market through a number of company announcements and press releases.

The board endeavours to protect and enhance the interests of both the company and its shareholders, present and future. The Chairman ensures that the views of shareholders are communicated to the board as a whole.

The board always ensures that all holders of each class of capital are treated fairly and equally. The board also acts in the context that its shareholders are constantly changing and, consequently, decisions take into account the interests of future shareholders as well.

Shareholders appreciate the significance of participation in the general meetings of the company and particularly in the election of directors. They hold directors to account for their actions, their stewardship of the company's assets and the performance of the company.

The agenda for general meetings of shareholders and the conduct of such meetings is arranged in such a manner to encourage valid discussion and decision-taking.

The Chairman and the Group Chief Executive also ensure that sufficient contact is maintained with major shareholders to understand issues and concerns.

The company also communicates with its shareholders through the company's Annual General Meeting (AGM) (further detail is provided under the section entitled General Meetings).

The Chairman makes arrangements for the Chairmen of the Audit and Remuneration Committees to be available to answer questions, if necessary.

Apart from the AGM, SFC communicates with its shareholders by way of the Annual Report and Financial Statements, by publishing and sending to the shareholders its results on an annual basis.

The company's website (www.farsons.com) also contains information about the company and its business, including an Investor Relations section.

In addition, the company holds a meeting for stockbrokers and financial intermediaries once a year to coincide with the publication of its financial statements.

The Company Secretary maintains two-way communication between the company and its investors. Individual shareholders can raise matters relating to their shareholdings and the business of the group at any time throughout the year, and are given the opportunity to ask questions at the AGM or submit written questions in advance.

In terms of Article 51 of the Articles of Association of the company and Article 129 of the Maltese Companies Act, 1995, the board may call an extraordinary general meeting on the requisition of shareholders holding not less than one tenth (1/10) of the paid up share capital of the company. Minority shareholders are allowed to formally present an issue to the board of directors.

In the event of conflicts arising between minority shareholders and the three major shareholders, who are also the original promoters of the company, every effort shall be made to seek mediation.

Principle 11: Conflicts of Interest

The directors are strongly aware of their responsibility to act at all times in the interest of the company and its shareholders as a whole and of their obligation to avoid conflicts of interest. The latter may, and do arise on specific matters. In such instances:

- a director is obliged to make full and frank disclosure with respect to any matter where there is a potential or actual conflict, whether such conflict arises from personal interests or the interests of the companies in which such person is a director or officer;
- the said director is excused from the meeting and accordingly is not involved in the company's board discussion on the matter; and
- the said director does not vote on any such matter.

A director having a continuing material interest that conflicts with the interests of the company is obliged to take effective steps to eliminate the grounds for conflict. In the event that such steps do not eliminate the grounds for conflict then the director should consider resigning.

On joining the board and regularly thereafter, the directors are informed of their obligations on dealing in securities of the company within the parameters of law, including the Listing Rules.

The directors' interests in the share capital of the company as at 31 January 2012 and as at 23 April 2012 are disclosed in the Shareholder Information on page 23.

Principle 12: Corporate Social Responsibility

The principle objective of the company's commitment to Corporate Social Responsibility (CSR) is to provide support where possible in aspects that include social, occupational, financial, cultural and historical values. Having been in existence for more than 80 years, the company is very much rooted in local culture and as a company it endeavours to meet the expectations of the community by engaging in the following:

- Corporate Social Responsibility (CSR) Day initiative - Together with other sponsoring companies employees volunteer to carry out turnkey projects involving one day's work during a public holiday;
- Sponsorships of major charitable events on a national level;
- Participation in recognised national student-exchange programmes for the benefit of local and foreign students;
- Waste and energy conservation initiatives and policies;
- Liaising with NGOs and the provision of employment opportunity for groups of people with a disability on a yearly basis;
- Assisting employees encountering medical problems with obtaining overseas medical treatment;
- Supporting employees with a home loan interest subsidy scheme;
- Employee Assistance Programmes for employees needing support, rehabilitation, counselling and advice;
- The Farsons Foundation which was established in 1995 promotes and supports local initiatives and considers requests from a social, cultural and historical perspective at no commercial gain for the company. The Foundation is entirely funded by subventions authorised by the SFC board. The aims of the Foundation are to:
    - promote and assist the development and public manifestation of Maltese culture especially in the fields of art, music, literature and drama;
    - contribute research projects and assist in the publication of studies undertaken by any duly qualified person or persons, regarding Maltese disciplines relating to art, music and drama;
    - provide assistance to talented Maltese to enable them to obtain higher professional standard than those that can be obtained locally in disciplines relating to art, music and drama;
    - contribute by means of financial assistance towards the work of any private, voluntary and non-profit organisation or religious body engaged principally in fostering social solidarity.

C. NON-COMPLIANCE WITH THE CODE

Principle 4 (Code Provision 4.2.7):

This Code Provision recommends "the development of a succession policy for the future composition of the board of directors and particularly the executive component thereof, for which the Chairman should hold key responsibility".

In the context of the appointment of directors being a matter reserved exclusively to SFC's shareholders (except where the need arises to fill a casual vacancy) as explained under Principle 3 in Section B, considering that every director retires from office at the AGM and on the basis of the directors non-executive role, the company does not consider it feasible to have in place such a succession policy. However, the recommendation to have in place such a policy will be kept under review. An active succession policy is however in place for senior executive positions in the company including that of the Group Chief Executive.

Principle 4 (Code Provision 4.2.3):

This Code Provision requires that "the board should establish an Audit Committee in terms of Listing Rules 5.117 - 5.134". Listing Rule 5.117 requires that at least one member of the audit committee shall be independent and shall be competent in accounting and/or auditing.

The board notes that the non-executive Vice-Chairman of the Audit Committee has been Chairman of the Audit Committee for a period of 6 years. Although the length of service on the board of the Chairman of the Audit Committee may appear to impair his independence, the board is of the opinion that since the non-executive Vice-Chairman is free from any business, family, or other relationship with the company and its management there are no conflicts of interest which may impair his judgement.

Principle 8B (Nomination Committee):

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 62), 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.

Corporate Governance Statement continued

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.

D. INTERNAL CONTROL AND RISK MANAGEMENT

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.

E. GENERAL MEETINGS

The manner in which the general meeting is conducted is outlined in Articles 49 to 52 of the company's Articles of Association, subject to the provisions of the Maltese Companies Act, 1995.

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

Apart from the above, the 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 23 June 2011, Mr. Louis A. Farrugia succeeded Mr. Bryan Gera as Chairman following the latter's retirement from the board. On this date, the company also announced the appointment of Mr. Michael Farrugia as director.

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.

All shareholders registered in the Shareholders' Register on the Record Date as defined in the Listing Rules, have the right to attend, participate and vote in the general meeting. A shareholder or shareholders holding not less than 5% of the voting issued share capital may request the company to include items on the agenda of a general meeting and/or table draft resolutions for items included in the agenda of a general meeting. Such requests are to be received by the company at least forty six (46) days before the date set for the relative general meeting.

A shareholder who cannot participate in the general meeting can appoint a proxy by written or electronic notification to the company. Every shareholder represented in person or by proxy is entitled to ask questions which are pertinent and related to items on the agenda of the general meeting and to have such questions answered by the directors or such persons as the directors may delegate for that purpose.

Approved by the board of directors on 25 April 2012 and signed on its behalf by:

Louis Farrugia

Louis A. Farrugia
Chairman

Vincent Curmi
Vice-Chairman

Remuneration Report

1. TERMS OF REFERENCE AND MEMBERSHIP

The Remuneration Committee is presided over by the 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, Group Chief Executive and Senior Management and consideration of requests for early retirements. In the case of the Chairman or of any remuneration to an individual director for extra services, the interested director concerned including the Chairman, 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.

2. MEETINGS

The Remuneration Committee met three times during the financial year ended 31 January 2012.

3. REMUNERATION STATEMENT

3.1 Senior Executives

For the purposes of this Remuneration Statement, references to "Senior Executives" shall mean the members of the Group Executive Board.

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.

The Remuneration Committee is 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 committee considers that the current Executive Management remuneration packages are based upon the appropriate local market equivalents, and are fair and reasonable for the responsibilities involved. The committee also believes that the remuneration packages are such as to enable the company to attract, retain and motivate executives having the appropriate skills and qualities to ensure the proper management of the organisation.

The committee is also charged with considering and determining any recommendations from management on requests for early retirement.

The terms and conditions of employment of Senior Executives are set out in their respective contracts of employment with the company. As a general rule, such contracts, with the exception of that pertaining to the Group Chief Executive, do not contain provisions for termination payments and other payments linked to early termination.

Senior Management is eligible for an annual performance bonus which is linked to agreed performance targets and their achievement.

In the case of the Group Chief Executive, the Remuneration Committee is of the view that the linkage between fixed remuneration and performance bonus is reasonable and appropriate.

There are no profit sharing, share options or pension benefit arrangements.

The Group Chief Executive is eligible for an annual bonus entitlement by reference to the attainment of pre-established objectives and targets as approved by the Remuneration Committee.

Non-cash benefits to which Senior Executives are entitled are principally the use of a company car and health insurance.

3.2 Directors

The board is composed exclusively of executive and non-executive directors. The determination of remuneration arrangements for board members is a reserved matter for the board as a whole, following the submission of recommendations by the Committee.

The Chairman 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.

Except for the Chairman and for Mr. Michael Farrugia 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.

There is no linkage between the remuneration and the performance of directors.

No director (including the Chairman) 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.

In terms of non-cash benefits, directors are entitled principally to health insurance and the use of a company car or equivalent.

3.3 Total Emoluments

The maximum annual aggregate emoluments that may be paid to the directors is approved by the shareholders in the Annual General Meeting in terms of Article 81(i) of the company's Articles of Association. This amount was fixed at an aggregate sum of €500,000 per annum at the 64th Annual General Meeting held on 23 June 2011.

The following is an outline of the directors' remuneration for the financial year under review:

Directors' fees €174,000
Directors' other emoluments €198,000
Directors' one-time payments €232,000

Variable and Non Variable Emoluments of Directors and Senior Management

	Fixed Remuneration	Variable Remuneration	One-time Payments	Share Options	Others
Senior Management	€435,000	€118,000	None	None	Non-cash benefits referred to above under 3.3
Directors	€347,000	€25,000	€232,000	None	Non-cash benefits referred to above under 3.3

Following his retirement from the board, Mr. Bryan Gera received an ex-gratia payment amounting to €82,000. The board also approved the granting of a one time gratuity payment of €150,000 to the former Managing Director after the completion of 31 years of valid service in the post. This amount will only be paid following its ratification at the forthcoming Annual General Meeting.

pwc

Independent Auditor's Report

To the shareholders of Simonds Farsons Cisk plc

Report on the Financial Statements for the year ended 31 January 2012

We have audited the consolidated and stand-alone parent company financial statements of Simonds Farsons Cisk plc (together the "financial statements") on pages 31 to 63, which comprise the consolidated and parent company statements of financial position as at 31 January 2012, and the consolidated and parent company statements of income, 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 is 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 2012, 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 28 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

We also read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement and 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*
25 April 2012

Statements of Financial Position

		As at 31 January			
		Group		Company	
	Notes	**2012 €'000**	2011 €'000	**2012 €'000**	2011 €'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	**71,250**	66,971	**55,566**	51,537
Investment property	6	**45,176**	45,121	**32,926**	32,926
Intangible assets	7	**1,130**	1,322	**-**	233
Investments in subsidiaries	8	**-**	-	**13,706**	13,706
Investments in jointly-controlled entities	9	**12**	12	**2**	2
Loans and receivables	10	**203**	303	**-**	-
Trade and other receivables	12	**1,893**	2,977	**3,307**	4,868
Total non-current assets		**119,664**	116,706	**105,507**	103,272
Current assets					
Inventories	11	**10,804**	11,989	**7,546**	8,624
Loans and receivables	10	**337**	451	**-**	-
Trade and other receivables	12	**16,282**	14,522	**16,601**	16,742
Current tax assets		**223**	140	**-**	-
Cash and cash equivalents	13	**563**	808	**162**	449
Total current assets		**28,209**	27,910	**24,309**	25,815
Total assets		**147,873**	144,616	**129,816**	129,087
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**	58,421	**53,161**	53,161
Hedging reserve	18	**(296)**	-	**(296)**	-
Retained earnings		**21,061**	18,339	**20,564**	18,250
Total equity		**88,186**	85,760	**82,429**	80,411
Non-current liabilities					
Provisions for other liabilities and charges	21, 22	**11,275**	11,251	**5,811**	5,957
Derivative financial instruments	19	**350**	-	**350**	-
Borrowings	20	**27,634**	25,493	**27,634**	24,387
Total non-current liabilities		**39,259**	36,744	**33,795**	30,344
Current liabilities					
Trade and other payables	23	**14,789**	15,426	**9,888**	13,878
Current tax liabilities		**180**	331	**-**	-
Derivative financial instruments	19	**105**	-	**105**	-
Borrowings	20	**5,354**	6,355	**3,599**	4,454
Total current liabilities		**20,428**	22,112	**13,592**	18,332
Total liabilities		**59,687**	58,856	**47,387**	48,676
Total equity and liabilities		**147,873**	144,616	**129,816**	129,087

The notes on pages 35 to 63 are an integral part of these consolidated financial statements.

The financial statements on pages 31 to 63 were authorised for issue by the board of directors on 25 April 2012 and were signed on its behalf by:

Louis Farrugia

Louis A. Farrugia
Chairman

Vincent Curmi
Vice-Chairman

Norman Aquilina
Group Chief Executive

Income Statements

		Year ended 31 January			
		Group		Company	
		2012	2011	**2012**	2011
	Notes	**€'000**	€'000	**€'000**	€'000
Revenue	4	**70,851**	67,354	**41,689**	39,962
Cost of sales	24	**(45,131)**	(42,245)	**(23,342)**	(21,885)
Gross profit		**25,720**	25,109	**18,347**	18,077
Selling and distribution costs	24	**(9,165)**	(9,098)	**(7,118)**	(7,068)
Administrative expenses	24	**(10,161)**	(9,711)	**(5,769)**	(5,541)
Operating profit		**6,394**	6,300	**5,460**	5,468
Impairment of investment in subsidiary	8	**-**	-	**-**	(2,800)
Investment gains/(losses)	27	**24**	(618)	**160**	1,599
Finance costs	28	**(1,338)**	(1,631)	**(1,306)**	(1,531)
Profit before tax		**5,080**	4,051	**4,314**	2,736
Tax expense	29	**(358)**	(307)	**-**	(420)
Profit for the year		**4,722**	3,744	**4,314**	2,316
Earnings per share for profit during the year	31	**€0.157**	€0.125		

Statements of comprehensive income

		Year ended 31 January			
		Group		Company	
		2012	2011	**2012**	2011
	Note	**€'000**	€'000	**€'000**	€'000
Profit for the year		**4,722**	3,744	**4,314**	2,316
Other comprehensive income:					
Cash flow hedges net of deferred tax	18	**(296)**	-	**(296)**	-
Other comprehensive income for the year		**(296)**	-	**(296)**	-
Total comprehensive income for the year		**4,426**	3,744	**4,018**	2,316

The notes on pages 35 to 63 are an integral part of these consolidated financial statements.

Statements of Changes in Equity

	Notes	Share Capital €'000	Hedging reserve €'000	Revaluation and other reserves €'000	Retained earnings €'000	Total equity €'000
Group						
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**
Balance at 1 February 2011		9,000	-	58,421	18,339	85,760
Comprehensive income						
Profit for the year		-	-	-	4,722	4,722
Other comprehensive income:						
Cash flow hedges net of deferred tax	18	-	(296)	-	-	(296)
Total comprehensive income		-	(296)	-	4,722	4,426
Transactions with owners						
Dividends relating to 2011 and 2012	15	-	-	-	(2,000)	(2,000)
Balance at 31 January 2012		**9,000**	**(296)**	**58,421**	**21,061**	**88,186**
Company						
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 losses 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**
Balance at 1 February 2011		9,000	-	53,161	18,250	80,411
Comprehensive income						
Profit for the year		-	-	-	4,314	4,314
Other comprehensive income:						
Cash flow hedges net of deferred tax	18	-	(296)	-	-	(296)
Total comprehensive income		-	(296)	-	4,314	4,018
Transactions with owners						
Dividends relating to 2011 and 2012	15	-	-	-	(2,000)	(2,000)
Balance at 31 January 2012		**9,000**	**(296)**	**53,161**	**20,564**	**82,429**

The notes on pages 35 to 63 are an integral part of these consolidated financial statements.

Statements of Cash Flows

		Year ended 31 January			
		Group		Company	
		2012	2011	**2012**	2011
	Notes	**€'000**	€'000	**€'000**	€'000
Cash flows from operating activities					
Cash generated from operations	32	**11,059**	15,238	**7,511**	7,548
Interest received		**24**	43	**160**	161
Interest paid		**(1,338)**	(1,631)	**(1,306)**	(1,531)
Income tax (paid)/refunded		**(422)**	(276)	**-**	7
Net cash from operating activities		**9,323**	13,374	**6,365**	6,185
Cash flows from investing activities					
Dividend received		**-**	-	**-**	780
Purchase of property, plant and equipment		**(8,770)**	(4,072)	**(7,529)**	(3,557)
Additions to investment property		**(55)**	(902)	**-**	(845)
Additions to intangible assets		**(64)**	-	**-**	-
Proceeds from disposal of property, plant and equipment and assets held for sale		**207**	209	**32**	158
Movements in loans to subsidiaries		**-**	-	**479**	891
Net cash used in investing activities		**(8,682)**	(4,765)	**(7,018)**	(2,573)
Cash flows from financing activities					
Proceeds from current and non-current borrowings		**4,970**	2,530	**4,970**	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 current and non-current borrowings		**(3,068)**	(11,197)	**(1,749)**	(9,554)
Dividends paid		**(2,000)**	(1,900)	**(2,000)**	(1,900)
Net cash (used in)/from financing activities		**(98)**	(5,253)	**1,221**	(3,610)
Net movement in cash and cash equivalents		**543**	3,356	**568**	2
Cash and cash equivalents at beginning of year		**(3,584)**	(6,940)	**(2,255)**	(2,257)
Cash and cash equivalents at end of year	13	**(3,041)**	(3,584)	**(1,687)**	(2,255)

The notes on pages 35 to 63 are an integral part of these consolidated 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 2012

In 2012, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 February 2011. With the exception of IFRS 3 (Revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', 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.

IFRS 3 (Revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

IAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (Revised) has had no impact on the current period and there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

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 2011. 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, with the exception of IFRS 9, 'Financial instruments', there are no requirements that will have a possible significant impact on the group's financial statements in the period of initial application.

IFRS 9, 'Financial instruments', addresses the classification and measurement of financial assets, and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the reporting entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9, 'Financial instruments', also addresses the classification and measurement of financial liabilities, and retains the majority of the requirements in IAS 39 in relation to financial liabilities. Subject to adoption by the EU, IFRS 9 is effective for financial periods beginning on, or after, 1 January 2015. The group is considering the implications of the standard and its impact on the group's financial results and position, together with the timing of its adoption taking cognisance of the endorsement process by the European Commission.

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 group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group, plus costs directly attributable to the acquisition. The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss (note 1.8).

Notes to the Consolidated Financial Statements continued

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.

As disclosed in note 1.1, the group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control (or significant influence) from 1 February 2011 when IAS 27 (Revised), 'Consolidated and separate financial statements', became effective. The revision to IAS 27 contained consequential amendments to IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures'.

A listing of the subsidiaries is set out in note 38 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. In the consolidated financial statements, investments in jointly-controlled entities are accounted for using 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 income statement, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. 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.

In the company's separate financial statements, investments in associates are accounted for by the cost method of accounting, that is at cost less impairment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of associates are reflected in the company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

A listing of the group's jointly-controlled entities is set out in note 38 to the financial statements.

1.3 Foreign currency translation

(a Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro which is the company's functional currency and the group's presentation policy.

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

All foreign exchange gains and losses are presented in the income statements within 'administrative expenses'.

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 1.27).

(c) Group companies
On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are taken to other comprehensive income. On disposal of a foreign entity, such translation differences are recognised in profit or loss 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;

(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
All property, plant and equipment is initially recorded at historical cost. Land and buildings are subsequently shown at fair value based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are carried out on a regular basis, 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. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

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. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts 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.

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

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

1.6 Investment property
Property that is held for long-term rental yields or for capital appreciation or both, and 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 which are 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 representing open market value determined annually. 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 the 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 annually by professional valuers. 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. The fair value of investment property reflects, among other things, 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 capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Notes to the Consolidated Financial Statements continued

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of the reclassification becomes its cost for subsequent accounting purposes. When the group decides to dispose of an investment property without development, the group continues to treat the property as an investment property. Similarly, if the group begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment.

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 recognised separately within intangible assets, and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. 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 allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. The recoverable amount is the higher of fair value less costs to sell and value in use.

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 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.

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 income statement in the accounting year in which the company's rights to receive payment of any dividend is established. The company gathers objective evidence that an investment is impaired using the same process disclosed in note 1.10.3. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

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.

1.10 Financial assets

1.10.1 Classification

The group classifies its financial assets, (other than investments in jointly-controlled entities and, only in the company's case, investments in subsidiaries) in the loans and receivables category. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the 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 (notes 1.12 and 1.14).

1.10.2 Recognition and measurement

The group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the company. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Loans and receivables are initially recognised at fair value plus transaction costs and 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.

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 comprise 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 (note 1.10.3). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

1.13 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statements 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 and derivative contracts. 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 income statement.

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

Deferred 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 statements of financial position at face value. In the statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statements of financial position.

Notes to the Consolidated Financial Statements continued

1.15 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.

1.16 Borrowings
Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss 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.

1.17 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 finance cost.

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

1.19 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.

1.20 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. The group's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss 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, cancelled or expired.

1.21 Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the statements 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.

1.22 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.

1.23 Operating leases

Where a group company is a lessee
Leases of assets where a significant portion of the risk and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

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

1.24 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.

1.25 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.

1.26 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.

1.27 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.

Notes to the Consolidated Financial Statements continued

(a) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statements 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 income statements.

Amounts accumulated in equity are recycled in the income statements 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 income statements. 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 income statements.

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 and more recently into interest rate swap agreements 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.

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

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

The group hedges certain major contracted purchases that are made in foreign currency and are payable in a future period by entering into foreign exchange forward contracts covering the cash flow exposure arising from these transactions. Accordingly, the group meets the criteria for hedge accounting in accordance with the requirements of IAS 39.

At 31 January 2012 the settlement dates on open contracts ranged between two and twelve months. These derivatives contracts have a notional amount of €2,043,000 (2011: €2,834,000). 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 2012. 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 20), and 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 loans which are carried at amortised cost (refer to note 20), 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 €8.5 million (2011: €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	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Carrying amounts				
Loans and receivables	**540**	754	**-**	-
Trade and other receivables	**18,175**	17,499	**19,908**	21,610
Cash and cash equivalents	**563**	808	**162**	449
	19,278	19,061	**20,070**	22,059

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
At group level, impairment provisions of €1,716,000 (2011: €1,717,000) were in existence at the 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 €871,000 (2011: €555,000). These unsecured overdue amounts consisted of €723,000 (2011: €465,000) that were less than three months overdue and €148,000 (2011: €90,000) that were greater than three months overdue.

At company level impairment provisions of €619,000 (2011: €594,000) were in existence at the 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 €272,000 (2011: €149,000). These unsecured overdue amounts consisted of €272,000 (2011: €149,000) that were less than three months overdue.

Other receivables
As at year end, impairment provisions of €823,000 (2011: €845,000) for the group and the company were in existence at year end in respect of trade loans (disclosed under other receivables) that were overdue and that were not expected to be recovered. Other overdue trade loans that were not impaired amounted to €1,673,000 (2011: €2,579,000) for the group and the company. The group and company hold security of €1,123,000 (2011: €1,032,000) 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	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Balance as at 1 February	**2,338**	2,147	**1,215**	1,245
Impairment charge/(release)	**258**	191	**228**	(30)
Balance as at 31 January	**2,596**	2,338	**1,443**	1,215

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 jointly-controlled entities on which no credit risk is considered to arise.

Notes to the Consolidated Financial Statements continued

Derivative financial instruments

Credit risk arising from derivative financial instruments lies in the insolvency of the contracting party and as a consequence, in the amount of the sum, on balance, of positive market values vis-à-vis the respective derivative counterparties. Derivative transactions are concluded with first rate local banking institutions.

(c) Liquidity risk

The group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally borrowings and trade and other payables (refer to notes 20 and 23). 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 non-derivative 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 2012					
Borrowings	**32,988**	**36,394**	**6,050**	**9,042**	**21,302**
Trade and other payables	**14,789**	**14,789**	**14,789**	**-**	**-**
	47,777	**51,183**	**20,839**	**9,042**	**21,302**
31 January 2011					
Borrowings	31,848	40,666	7,819	11,314	21,533
Trade and other payables	15,426	15,426	15,426	-	-
	47,274	56,092	23,245	11,314	21,533
Company					
31 January 2012					
Borrowings	**31,233**	**34,656**	**4,312**	**9,042**	**21,302**
Trade and other payables	**9,888**	**9,888**	**9,888**	**-**	**-**
	41,121	**44,544**	**14,200**	**9,042**	**21,302**
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

The table below analyses the group's principal derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at 31 January to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Within one year €'000	One to five years €'000	Over five years €'000	**Total €'000**
Group and Company				
31 January 2012				
Interest rate swap derivatives	105	280	70	**455**

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 2012 and 2011 were as follows:

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Total borrowings (note 20)	**32,988**	31,848	**31,233**	28,841
Total equity	**88,186**	85,760	**82,429**	80,411
Total capital	**121,174**	117,608	**113,662**	109,252
Gearing	**27.22%**	27.08%	**27.48%**	26.40%

2.3 Fair values

Fair values of instruments not carried at fair value

At 31 January 2012 and 2011 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.

Fair values estimation in relation to financial instruments carried at fair value

The group's financial instruments which are carried at fair value include derivative financial instruments designated as hedging instruments (note 19).

The group is required to disclose fair value measurements by level of the following fair value measurement hierarchy for financial instruments that are measured in the statement of financial position at fair value:

• Quoted prices (unadjusted) in active markets for identical assets (level 1).

• Inputs other than quoted prices included within level 1 that are observable for the asset either directly i.e. as prices, or indirectly i.e. derived from prices (level 2).

• Inputs for the asset that are not based on observable market data i.e. unobservable inputs (level 3).

	2012
	Level 2
	€'000
Group and Company	
Liabilities	
Derivative financial instruments	**455**

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.

Notes to the Consolidated Financial Statements continued

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 income statements.

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.

	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**
2012					
Revenue	42,854	23,932	9,157	918	**76,861**
Less: inter-segmental sales	(1,275)	(4,134)	-	(601)	**(6,010)**
	41,579	19,798	9,157	317	**70,851**
Segment results	4,666	1,312	308	108	**6,394**
Net finance costs					**(1,314)**
Profit before tax					**5,080**
Tax expense					**(358)**
Profit for the financial year					**4,722**
Segment assets	79,562	11,238	9,847	46,991	**147,638**
Jointly-controlled entities	-	-	-	12	**12**
Unallocated assets					**223**
Total assets					**147,873**
Segment liabilities	11,088	2,483	1,546	310	**15,427**
Unallocated liabilities					**44,360**
Total liabilities					**59,787**
Additions to non-current assets	7,698	681	447	63	**8,889**
Depreciation	3,558	199	506	96	**4,359**
Amortisation	259	-	23	-	**282**
Impairment provision for trade receivables	343	42	(127)	-	**258**
Restructuring costs	159	-	-	-	**159**

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	77,063	9,899	9,662	47,840	**144,464**
Jointly-controlled entities	-	-	-	12	**12**
Unallocated assets					**140**
Total assets					**144,616**
Segment liabilities	11,708	2,261	1,707	373	**16,049**
Unallocated liabilities					**42,807**
Total liabilities					**58,856**
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**

5. PROPERTY, PLANT AND EQUIPMENT

Group	Land & buildings €'000	Assets in course of construction €'000	Plant, machinery & equipment €'000	Total €'000
At 1 February 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
Year ended 31 January 2012				
Opening net book amount	44,879	1,902	20,190	66,971
Additions	8	5,295	3,467	8,770
Disposals	(17)	-	(701)	(718)
Depreciation	(695)	-	(3,664)	(4,359)
Depreciation released on disposals	17	-	569	586
Closing net book amount	**44,192**	**7,197**	**19,861**	**71,250**
At 31 January 2012				
Cost or valuation	47,001	7,197	100,982	155,180
Accumulated depreciation and impairment	(2,809)	-	(81,121)	(83,930)
Net book amount	44,192	7,197	19,861	71,250

Notes to the Consolidated Financial Statements continued

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 2010				
Cost or valuation	32,362	230	77,807	110,399
Accumulated depreciation	(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
Year ended 31 January 2012				
Opening net book amount	31,446	1,902	18,189	51,537
Additions	-	5,296	2,233	7,529
Disposals	-	-	(102)	(102)
Depreciation	(505)	-	(2,991)	(3,496)
Depreciation released on disposals	-	-	98	98
Closing net book amount	**30,941**	**7,198**	**17,427**	**55,566**
At 31 January 2012				
Cost or valuation	32,392	7,198	80,528	120,118
Accumulated depreciation and impairment	(1,451)	-	(63,101)	(64,552)
Net book amount	30,941	7,198	17,427	55,566

Bank borrowings are secured by the group's and company's property, plant and equipment (note 20).

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 2012.

Assets in course of construction mainly relate to works carried out as at 31 January 2012 on the development on the new brewhouse situated within the group's manufacturing and distribution complex in Mriehel.

As at 31 January 2012, the carrying amount of land and buildings would have been €17,017,000 (2011: €17,704,000) had these assets been included in the financial statements at historical cost less depreciation.

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

	Group		Company	
	2012 €'000	2011 €'000	**2012 €'000**	2011 €'000
Cost of sales	**2,396**	2,401	**1,805**	1,872
Selling and distribution costs	**1,315**	1,162	**1,163**	1,093
Administration expenses	**648**	664	**528**	541
	4,359	4,227	**3,496**	3,506

6. INVESTMENT PROPERTY

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Year ended 31 January				
Opening net book amount	**45,121**	44,880	**32,926**	31,843
Additions	**55**	902	**-**	845
Fair value (losses)/gains	**-**	(661)	**-**	238
Closing net book amount	**45,176**	45,121	**32,926**	32,926
At 31 January				
Cost	**40,951**	40,896	**32,688**	32,688
Fair value gains	**4,225**	4,225	**238**	238
Net book amount	**45,176**	45,121	**32,926**	32,926

As at 1 February 2010, the cost and fair value gains attributable to the group's investment property amounted to €39,994,000 and €4,886,000 respectively.

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 (2011: €1,094,000). Bank borrowings are secured by the group's and company's investment property (note 20). Investment property comprises a number of commercial properties that are leased to third parties and land held for capital appreciation. The following amounts have been recognised in the income statements:

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Rental income	**258**	378	**-**	-
Direct operating expenses	**(165)**	(249)	**-**	-

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

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
At 31 January				
Cost	**12,028**	11,973	**4,456**	4,456
Accumulated depreciation	**(281)**	(254)	**-**	-
Net book amount	**11,747**	11,719	**4,456**	4,456

Notes to the Consolidated Financial Statements continued

7. INTANGIBLE ASSETS

Group	Goodwill €'000	Franchise & agency rights €'000	Total €'000
At 1 February 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
Year ended 31 January 2012			
Opening net book amount	930	392	1,322
Additions	-	64	64
Amortisation	-	(256)	(256)
Closing net book amount	**930**	**200**	**1,130**
At 31 January 2012			
Cost	1,058	4,698	5,756
Accumulated amortisation and impairment	(128)	(4,498)	(4,626)
Net book amount	930	200	1,130

Amortisation of €256,000 (2011: €261,000) is included in cost of sales within the income statements.

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:

	2012 €'000	2011 €'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	**2012 €'000**	2011 €'000
Year ended 31 January		
Opening net book amount	**233**	473
Amortisation	**(233)**	(240)
Closing net book amount	-	233
At 31 January		
Cost	**2,402**	2,402
Accumulated amortisation	**(2,402)**	(2,169)
Net book amount	-	233

As at 1 February 2010, the cost and accumulated amortisation of the company's franchise rights amounted to €2,402,000 and €1,929,000 respectively. Amortisation charge for the year is included in cost of sales.

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012	2011
	€'000	€'000
Year ended 31 January		
Opening net book amount	**13,706**	16,506
Impairment provision	**-**	(2,800)
Closing net book amount	**13,706**	13,706
At 31 January		
Cost	**17,787**	17,787
Impairment provision for investments	**(4,081)**	(4,081)
Net book amount	**13,706**	13,706

The principal subsidiaries at 31 January 2012 all of which are unlisted, are disclosed in note 38 to these financial statements.

9. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2012	2011	**2012**	2011
	€'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 2012 all of which are unlisted, are disclosed in note 38 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 2011	914	929	(252)
Movements	(1)	1	(2)
At 31 January 2012	**913**	**930**	**(254)**

Notes to the Consolidated Financial Statements continued

10. LOANS AND RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Year ended 31 January				
Opening net book amount	**754**	1,214	**-**	-
Additions	**172**	-	**-**	-
Repayments	**(386)**	(460)	**-**	-
Closing net book amount	**540**	754	**-**	-
At 31 January				
Cost and net book amount	**540**	754	**-**	-

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

As at 31 January 2012, the weighted average effective interest rate for the group at the end of the reporting period was 4.3% (2011: 5.0%).

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

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Non-current				
Between 1 and 2 years	**147**	146	**-**	-
Between 2 and 5 years	**56**	157	**-**	-
	203	303	**-**	-
Current	**337**	451	**-**	-
	540	754	**-**	-

The group's exposure to credit and liquidity rate risks related to these loans and receivables is disclosed in note 2. As at 31 January 2012, these financial assets were fully performing and hence do not contain impaired assets.

11. INVENTORIES

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Raw materials and consumables	**3,121**	3,192	**2,911**	2,963
Finished goods and goods for resale	**4,483**	5,018	**1,718**	2,069
Containers and other stocks	**3,200**	3,779	**2,917**	3,592
	10,804	11,989	**7,546**	8,624

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

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Cost of sales	**403**	354	**264**	158
Selling, distribution and administrative expenses	**121**	185	**121**	185
	524	539	**385**	343

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Non-current				
Amounts due from subsidiaries	**-**	-	**1,414**	1,891
Other receivables	**1,893**	2,977	**1,893**	2,977
	1,893	2,977	**3,307**	4,868
Current				
Trade receivables	**10,806**	9,640	**6,190**	5,584
Amounts due from subsidiaries	**-**	-	**5,807**	7,175
Amounts due from jointly-controlled entities	**464**	464	**463**	464
Indirect taxation	**68**	66	**-**	-
Other receivables	**3,608**	2,997	**3,344**	2,737
Prepayments and accrued income	**1,336**	1,355	**797**	782
	16,282	14,522	**16,601**	16,742
Total trade and other receivables	**18,175**	17,499	**19,908**	21,610

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

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Trade and other receivables	**2,596**	2,338	**1,443**	1,215

The impairment provision for trade and other receivables is disclosed in note 24 and is included under selling and distribution costs in the income statements.

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 €6,182,000 (2011: €8,562,000) which are subject to an average interest rate of 4.75% (2011: 4.75%). 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 statements of cash flows, the cash and cash equivalents at the end of the year comprise the following:

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Cash at bank and in hand	**563**	808	**162**	449
Bank overdrafts	**(3,604)**	(4,392)	**(1,849)**	(2,704)
	(3,041)	(3,584)	**(1,687)**	(2,255)

14. SHARE CAPITAL

	Company	
	2012	2011
	€'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

Notes to the Consolidated Financial Statements continued

15. DIVIDENDS PAID

	Company	
	2012	2011
	€'000	€'000
Interim dividend	**400**	400
Final dividend	**1,600**	1,500
Total net dividend	**2,000**	1,900
Euro per share (net)	**€0.067**	€0.063

The final dividend of €1,600,000 in respect of the year ended 31 January 2011 was announced to the ordinary shareholders on 23 June 2011. 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 2012 was announced on 28 September 2011, and paid to the ordinary shareholders on 21 October 2011. At the forthcoming Annual General Meeting, a final net dividend of €1,700,000 in respect of the financial year ended 31 January 2012 is to be proposed.

These financial statements do not reflect the final dividend for 2012 of €1,700,000 which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 January 2013.

16. REVALUATION RESERVE

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Property, plant and equipment				
At beginning of year, before deferred tax	**54,009**	54,009	**46,677**	48,191
Transferred to share capital (note 14)	**-**	-	**-**	(1,514)
	54,009	54,009	**46,677**	46,677
Deferred taxation (note 21)	**(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 2011 and 31 January 2012	**2,078**	**3,507**	**2,515**	**7,463**	**15,563**
Company					
At 1 February 2011 and 31 January 2012	**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.

18. HEDGING RESERVE

The changes in fair values of hedging instruments qualifying as cash flow hedges are recorded in a separate category of equity in the hedging reserve as shown below:

Interest rate swap	Group and Company €'000
Movement for the year ended 31 January 2012	
Losses from changes in fair value	576
Deferred income taxes (note 21)	(202)
	374
Transferred to income statements (note 28)	121
Deferred income taxes (note 21)	(43)
	78
At 31 January 2012	
Gross amounts of losses	455
Deferred income taxes (note 21)	(159)
	296

The net fair value losses recognised in equity at 31 January 2012 on the interest-rate swap contract will be transferred from the hedging reserve to the income statements during the remaining term of the contract up to June 2020. As at the reporting period date, this contract is designated as hedging anticipated variable interest payments which will also accrue over the term of the derivative contract.

19. DERIVATIVE FINANCIAL INSTRUMENTS

The fair values of derivative financial instruments held for hedging at the end of the reporting period are as follows:

Fair values liabilities	Group and Company €'000
At 31 January 2012	
Interest rate derivative - interest-rate swap	455
Total recognised derivative liabilities	**455**

The above are included in the statement of financial position under the following classifications:

	2012 €'000
Derivatives financial liabilities	
Non-current	**350**
Current	**105**
	455

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 €10 million matching the principal amount of this 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 3 month floating Euribor rate. The derivative expires in 2020, thus matching with the terms of loan. Fair value changes arising on this instrument are recognised in other comprehensive income directly in the cash flow hedging reserve.

Gains and losses recognised in the hedging reserve in equity (note 18) on the interest rate swap contracts as of 31 January 2012 will be released to the income statements over the period until maturity of the contracts.

The swap has been designated as a cash flow hedge for the interest rate risk relating to variable interest outflows on the borrowings.

The terms of the interest rate swap agreements provide a continuation of the cash flow hedging relationship in respect of variability of future floating interest payments. Accordingly, this instrument has been treated as a cash flow hedge instrument in terms of the hedge accounting rules as prescribed by IAS 39.

Notes to the Consolidated Financial Statements continued

20. BORROWINGS

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Non-current				
6.0% Bonds 2017-2020	**14,696**	14,670	**14,696**	14,670
Bank loans	**12,938**	10,823	**12,938**	9,717
	27,634	25,493	**27,634**	24,387
Current				
Bank overdrafts	**3,604**	4,392	**1,849**	2,704
Bank loans	**1,750**	1,963	**1,750**	1,750
	5,354	6,355	**3,599**	4,454
Total borrowings	**32,988**	31,848	**31,233**	28,841

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

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Face value of bonds				
6.0% Bonds 2017-2020	**15,000**	15,000	**15,000**	15,000
	15,000	15,000	**15,000**	15,000
Issue costs	**384**	384	**384**	384
Accumulated amortisation	**(80)**	(54)	**(80)**	(54)
Net book amount	**304**	330	**304**	330
Amortised cost	**14,696**	14,670	**14,696**	14,670

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 in 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 2012 for the 6.0% Bonds 2017-2020 was 103.5 (2011: 103.6).

The group's and the company's banking facilities as at 31 January 2012 and 2011 amounted to €32,165,800 and €35,615,625 for the group, and €23,902,800 and €25,652,800 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	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
At floating rates	**12,105**	15,211	**10,350**	12,204
At fixed rates	**20,883**	16,637	**20,883**	16,637
Total borrowings	**32,988**	31,848	**31,233**	28,841

Borrowings at floating rates mainly comprise a loan entered into by the group and the company during the financial year ended 31 January 2008, which interest rate is computed using a margin over the three month Euribor rate. Interest rates on this loan are hedged through an interest rate swap agreement entered into during the financial year ended 31 January 2011 (note 19).

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

	Group		Company	
	2012	2011	**2012**	2011
	%	%	**%**	%
Bank overdrafts	**4.58**	4.64	**4.75**	4.75
Bank loans	**4.30**	3.94	**4.30**	3.94
Bonds 2017-2020	**6.00**	6.00	**6.00**	6.00

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.

21. DEFERRED TAXATION

The movement in the deferred tax account is as follows:

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
At beginning of year	**11,076**	11,043	**5,782**	5,782
Charged to income statements (note 29)	**170**	33	**-**	-
Net tax effect of re-measurement of derivatives	**(159)**	-	**(159)**	-
At end of year	**11,087**	11,076	**5,623**	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% (2011: 35%), 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% 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)/losses €'000	Net tax losses €'000	Revaluation surplus €'000	Provisions on assets €'000	**Total €'000**
Group							
At 1 February 2010	2,951	(3,160)	446	(29)	11,151	(316)	11,043
Income statements	692	(375)	(24)	61	-	(321)	33
At 31 January 2011	3,643	(3,535)	422	32	11,151	(637)	11,076
At 1 February 2011	3,643	(3,535)	422	32	11,151	(637)	11,076
Income statements	725	(516)	85	27	-	(151)	170
Equity	-	-	(159)	-	-	-	(159)
At 31 January 2012	**4,368**	**(4,051)**	**348**	**59**	**11,151**	**(788)**	**11,087**
Company							
At 1 February 2010	3,591	(3,160)	-	93	5,782	(524)	5,782
Income statements	636	(375)	28	-	-	(289)	-
At 31 January 2011	4,227	(3,535)	28	93	5,782	(813)	5,782
At 1 February 2011	4,227	(3,535)	28	93	5,782	(813)	5,782
Income statements	613	(516)	-	-	-	(97)	-
Equity	-	-	(159)	-	-	-	(159)
At 31 January 2012	**4,840**	**(4,051)**	**(131)**	**93**	**5,782**	**(910)**	**5,623**

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 2012, the group and the company had unrecognised deferred tax assets consisting of unutilised tax credits arising from:

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Unutilised investment tax credits	**16,513**	17,000	**16,513**	17,000
Unabsorbed tax losses	**18**	18	**-**	-
Unabsorbed capital allowances	**631**	631	**-**	-
	17,162	17,649	**16,513**	17,000

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

22. OTHER PROVISIONS

Termination benefit provisions	Group 2012 €'000	Group 2011 €'000	Company 2012 €'000	Company 2011 €'000
At 1 February	**175**	264	**175**	264
Charged to profit and loss	**159**	124	**159**	124
Utilised during the year	**(146)**	(213)	**(146)**	(213)
At 31 January	**188**	175	**188**	175

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 2012 total €159,000 while for 2011 total €124,000 (note 25). It is anticipated that €108,000 (2011: €114,141) of the provision will be paid during the financial year ending 31 January 2013.

23. TRADE AND OTHER PAYABLES

	Group 2012 €'000	Group 2011 €'000	Company 2012 €'000	Company 2011 €'000
Current				
Trade payables	**4,036**	5,374	**1,665**	3,044
Amounts owed to subsidiaries	**-**	-	**-**	3,270
Capital and other payables	**2,120**	2,500	**1,451**	1,810
Indirect taxes and social security	**1,586**	1,635	**1,035**	1,209
Accruals and deferred income	**7,047**	5,917	**5,737**	4,545
	14,789	15,426	**9,888**	13,878

Amounts due to subsidiaries are unsecured, repayable on demand and are subject to an average interest rate of Nil% (2011: 3.8%).

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

24. EXPENSES BY NATURE

	Group 2012 €'000	Group 2011 €'000	Company 2012 €'000	Company 2011 €'000
Depreciation of property, plant and equipment (note 5)	**4,359**	4,227	**3,496**	3,506
Employee benefit expense (note 25)	**14,030**	13,902	**8,150**	8,370
Termination benefits (note 25)	**159**	124	**159**	124
Raw materials, imported goods and consumables	**32,406**	30,268	**10,413**	9,649
Changes in inventories of finished goods and work in progress (note 11)	**(535)**	(209)	**(351)**	(327)
Impairment provisions for trade and other receivables (note 12)	**258**	191	**228**	(30)
Write-off of trade receivables	**43**	161	**12**	161
Amortisation of intangible assets (note 7)	**256**	261	**233**	240
Operating motor vehicles lease rentals payable	**90**	187	**90**	187
Other expenses	**13,391**	11,942	**13,799**	12,614
Total cost of sales, selling and distribution costs and administrative expenses	**64,457**	61,054	**36,229**	34,494

Auditor's fees
Fees charged by the auditor for services rendered during the financial periods ended 31 January 2012 and 2011 relate to the following:

	Group 2012 €'000	Group 2011 €'000	Company 2012 €'000	Company 2011 €'000
Annual statutory audit	**97**	96	**41**	41
Other assurance services	**12**	12	**12**	12
Tax advisory and compliance services	**5**	5	**2**	2
Other non-audit services	**10**	39	**10**	39
	124	152	**65**	94

25. EMPLOYEE BENEFIT EXPENSE

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Wages and salaries	**13,051**	12,899	**8,604**	8,661
Social security costs	**936**	960	**634**	651
Other pension costs	**43**	43	**43**	43
	14,030	13,902	**9,281**	9,355
Recharged to subsidiaries	**-**	-	**(1,131)**	(985)
	14,030	13,902	**8,150**	8,370
Termination benefits	**159**	124	**159**	124
	14,189	14,026	**8,309**	8,494

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

	Group		Company	
	2012	2011	**2012**	2011
Brewing, production and sale of branded beers and beverages	**461**	469	**442**	450
Importation, wholesale and retail of food and beverages, including wines and spirits	**80**	86	**-**	-
Operation of franchised food retailing establishments	**176**	168	**-**	-
	717	723	**442**	450

The above employee benefit expense excludes capitalised payroll expenses in relation to the new brewhouse project amounting to €170,000 (2011: €160,000), which are included in property, plant and equipment.

26. NET FOREIGN EXCHANGE GAINS/(LOSSES)

The net exchange differences charged and credited to the income statements include:

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Foreign exchange differences	**9**	(62)	**(7)**	(72)
Fair value gains on derivative instruments:				
- Foreign exchange forward contracts	**51**	74	**32**	74
	60	12	**25**	2

27. INVESTMENT GAINS/(LOSSES)

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Interest on loans and receivables	**24**	43	**-**	-
Interest on amounts owed by subsidiaries	**-**	-	**160**	161
Fair value (losses)/gains on investment property	**-**	(661)	**-**	238
Dividends from subsidiary	**-**	-	**-**	1,200
	24	(618)	**160**	1,599

28. FINANCE COSTS

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Bank loans and overdrafts	**317**	766	**256**	613
Bonds	**900**	865	**900**	865
Interest on amounts owed to subsidiaries	**-**	-	**29**	53
Fair value loss on derivative financial instruments	**121**	-	**121**	-
	1,338	1,631	**1,306**	1,531

During the year ended 31 January 2012, borrowing costs amounting to €208,000 (2011: €19,000) 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% (2011: 5.2%).

During the year ended 31 January 2012, the company received interest subsidy amounting to €178,000 (2011: €187,000) from Malta Enterprise related to approved investment loans of €9.5 million (2011: €9.5 million). A net effective interest rate of 2.70% (2011: 2.70%) was applied, representing the borrowing cost of the loans utilised to finance capital projects. This rate is net of an interest rate subsidy provided by Malta Enterprise.

Notes to the Consolidated Financial Statements continued

29. TAX EXPENSE

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Current tax expense	**188**	274	**-**	420
Deferred tax expense (note 21)	**170**	33	**-**	-
Tax expense	**358**	307	**-**	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	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Profit before tax	**5,080**	4,051	**4,314**	2,736
Tax on profit at 35%	**1,778**	1,417	**1,510**	957
Tax effect of:				
Benefits available under the Business Promotion Act, comprising investment tax credits and allowances	**(1,096)**	(1,002)	**(1,096)**	(1,002)
Differences attributable to tax rules applicable to immovable property	**-**	207	**-**	(55)
Unrecognised deferred tax assets	**(487)**	(249)	**(487)**	(249)
Differences related to termination benefits	**55**	77	**55**	77
Impairment of subsidiary related amounts	**-**	-	**-**	980
Under/(over) provision in deferred tax related to prior years	**89**	(387)	**-**	(421)
Non allowable expenses and other differences	**19**	244	**18**	133
Tax expense	**358**	307	**-**	420

30. DIRECTORS' EMOLUMENTS

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Amounts paid				
Fees	**174**	103	**174**	103
Salaries	**23**	-	**23**	-
Ex-gratia one-time gratuity	**82**	-	**82**	-
Other emoluments	**175**	216	**175**	216
	454	319	**454**	319
Amounts provided for				
One-time gratuity	**150**	-	**150**	-
Total directors remuneration	**604**	319	**604**	319

A number of directors availed themselves of an allowance for 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.

Included above is an ex-gratia payment paid to the former Chairman following his retirement at the last Annual General Meeting.

The board also approved the granting of a one-time gratuity payable to the former Managing Director after the completion of 31 years of valid service in the post. This amount will only be paid following its ratification at the forthcoming Annual General Meeting.

31. 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	
	2012	2011
Profit attributable to shareholders on continuing operations (€'000)	**4,722**	3,744
Weighted average number of ordinary shares in issue (thousands)	**30,000**	30,000
Earnings per share on profit from continuing operations	**€0.157**	€0.125

32. CASH GENERATED FROM OPERATIONS

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Operating profit	**6,394**	6,300	**5,460**	5,468
Adjustments for:				
Depreciation of property, plant and equipment (note 5)	**4,359**	4,227	**3,496**	3,506
Profit on disposal of property, plant and equipment	**(75)**	(116)	**(28)**	(148)
Amortisation of intangible assets (note 7)	**256**	261	**233**	240
Amortisation of bond issue costs (note 20)	**26**	54	**26**	54
Increase/(decrease) in provision for impairment of trade and other receivables (note 12)	**258**	191	**228**	(30)
Provision for termination benefits (note 22)	**160**	124	**160**	124
	11,378	11,041	**9,575**	9,214
Changes in working capital:				
Inventories	**1,185**	1,191	**1,078**	1,250
Trade and other receivables	**(720)**	(673)	**995**	(2,913)
Trade and other payables	**(784)**	3,679	**(4,137)**	(3)
Cash generated from operations	**11,059**	15,238	**7,511**	7,548

33. COMMITMENTS

Capital commitments

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

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Authorised but not contracted	**4,212**	10,594	**3,542**	9,030
Contracted but not provided for	**3,857**	6,133	**3,857**	6,133
	8,069	16,727	**7,399**	15,163

Operating lease commitments - where a group company is a lessee

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

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**232**	441	**-**	107
Later than 1 year and not later than 5 years	**821**	1,255	**-**	-
Later than 5 years and not later than 30 years	**1,745**	6,701	**-**	-
Later than 30 years	**-**	16,445	**-**	-
	2,798	24,842	**-**	107

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	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**430**	384	**-**	-
Later than 1 year and not later than 5 years	**1,378**	1,554	**-**	-
Later than 5 years	**2,036**	3,320	**-**	-
	3,844	5,258	**-**	-

34. CONTINGENT LIABILITIES

At 31 January 2012, the group and the company had contingent liabilities amounting to €1,746,000 (2011: €2,163,000) and €479,000 (2011: €938,000) 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 2012, guarantees amounting to €6,863,000 (2011: €6,863,000) were given by the company with regards to bank facilities of subsidiaries.

Notes to the Consolidated Financial Statements continued

35. 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	
	2012	2011
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% (2011: 20.68%) of the shares are widely held. The following transactions were carried out with related parties:

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Income from goods and services				
- Sales of goods to subsidiaries	**-**	-	**1,262**	1,132
- Recharge of costs to subsidiaries	**-**	-	**1,020**	969
- Recharge of payroll costs to subsidiaries	**-**	-	**1,351**	1,178
- Finance income on loans to subsidiaries	**-**	-	**137**	160
	-	-	**3,770**	3,439

	Group		Company	
	2012	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000
Expenditure for goods and services				
- Purchases of goods from subsidiaries	**-**	-	**1,230**	1,354
- Purchases of goods and services from related parties	**733**	1,169	**682**	1,141
	733	1,169	**1,912**	2,495

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in note 30 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 23 to these financial statements.

In the company's books, non-current and current amounts due from/to subsidiaries and jointly-controlled entities, in connection with group financing activities are disclosed within notes 12 and 23 to these financial statements.

36. STATUTORY INFORMATION

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

37. COMPARATIVE INFORMATION

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

38. SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITIES

The principal subsidiaries at 31 January 2012 are shown below:

	Registered office	Principal activities	Percentage of shares held 2012	2011
Burger Operations Limited	The Brewery, Mdina Road, Mriehel	Operation of franchised food retailing establishments	**100**	100
EcoPure 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 2012 are shown below:

	Registered office	Principal activities	Percentage of shares held 2012	2011
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
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 2012	Ordinary shares held as at 23 April 2012
Louis A. Farrugia	22,764	22,764
Vincent Curmi	6,067	6,067
Michael Farrugia	5,552	5,552
Marina Hogg	12,698	12,698
Marquis Marcus John Scicluna Marshall	5,857	5,857

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 2012 to 23 April 2012.

Shareholders holding 5% or more of the equity share capital as at 23 April 2012
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 23 April 2012, the company's issued share capital was held by the following shareholders:

	Number of shareholders
Ordinary shares of €0.30 each	1,781

The holders of the Ordinary shares have equal voting rights.

Number of shareholders as at 23 April 2012

	Number of shareholders	Number of shares	Percentage holding
Ordinary shares of €0.30 each			
Up to 500 shares	556	131,084	0.44
501 - 1,000 shares	332	234,458	0.78
1,001 - 5,000 shares	672	1,539,286	5.13
More than 5,000 shares	221	28,095,172	93.65
	1,781	30,000,000	100.00

Antoinette Caruana
Company Secretary

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Five Year Summarised Group Results

		2012 €'000	2011 €'000	2010 €'000	2009 €'000	2008 €'000
Turnover		**70,851**	67,354	65,111	66,825	66,109
Operating costs		**(64,457)**	(61,054)	(60,119)	(64,512)	(61,807)
Operating profit		**6,394**	6,300	4,992	2,313	4,302
Changes in fair value of investment property		**-**	(661)	-	-	208
Profit on disposal of land and buildings		**-**	-	-	505	1,102
Net finance costs		**(1,314)**	(1,588)	(1,788)	(2,013)	(1,610)
Profit before taxation		**5,080**	4,051	3,204	805	4,002
Tax		**(358)**	(307)	(454)	(354)	(948)
Profit attributable to Ordinary shareholders		**4,722**	3,744	2,750	451	3,054
Net dividends paid on Ordinary shares		**2,000**	1,900	1,100	1,567	1,398
Shareholders' funds		**88,186**	85,760	83,916	82,266	83,382
Borrowings		**32,988**	31,848	38,484	43,962	44,523
Total capital employed		**121,174**	117,608	122,400	126,228	127,905
Fixed Assets		**117,556**	113,414	113,682	114,790	117,560
Non-current Assets		**2,108**	3,337	2,480	3,880	4,282
Current assets		**28,209**	28,221	29,749	32,206	31,492
Assets held for sale		**-**	-	77	263	739
Liabilities (excluding borrowings)		**(26,699)**	(27,364)	(23,588)	(24,911)	(26,168)
Total assets less current liabilities		**121,174**	117,608	122,400	126,228	127,905
Shares in issue during the financial year:						
- Ordinary shares	**'000**	**30,000**	30,000	25,714	25,714	25,714
Number of Ordinary shareholders		**1,781**	1,773	1,756	1,676	1,676
Earnings per Ordinary share (reference note 31)		**€0.157**	€0.125	€0.092	€0.015	€0.102
Return on average capital employed	**percentage**	**5.4**	4.7	4.0	2.2	5.5
Dividend cover	**times**	**2.36**	1.97	2.50	0.29	2.18
Dividends per Ordinary share (net of tax)		**€0.067**	€0.063	€0.037	€0.052	€0.047
Net asset value per Ordinary share		**€2.94**	€2.86	€2.80	€2.74	€2.78
Gearing	**percentage**	**27.2**	27.1	31.4	34.8	34.8

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.

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