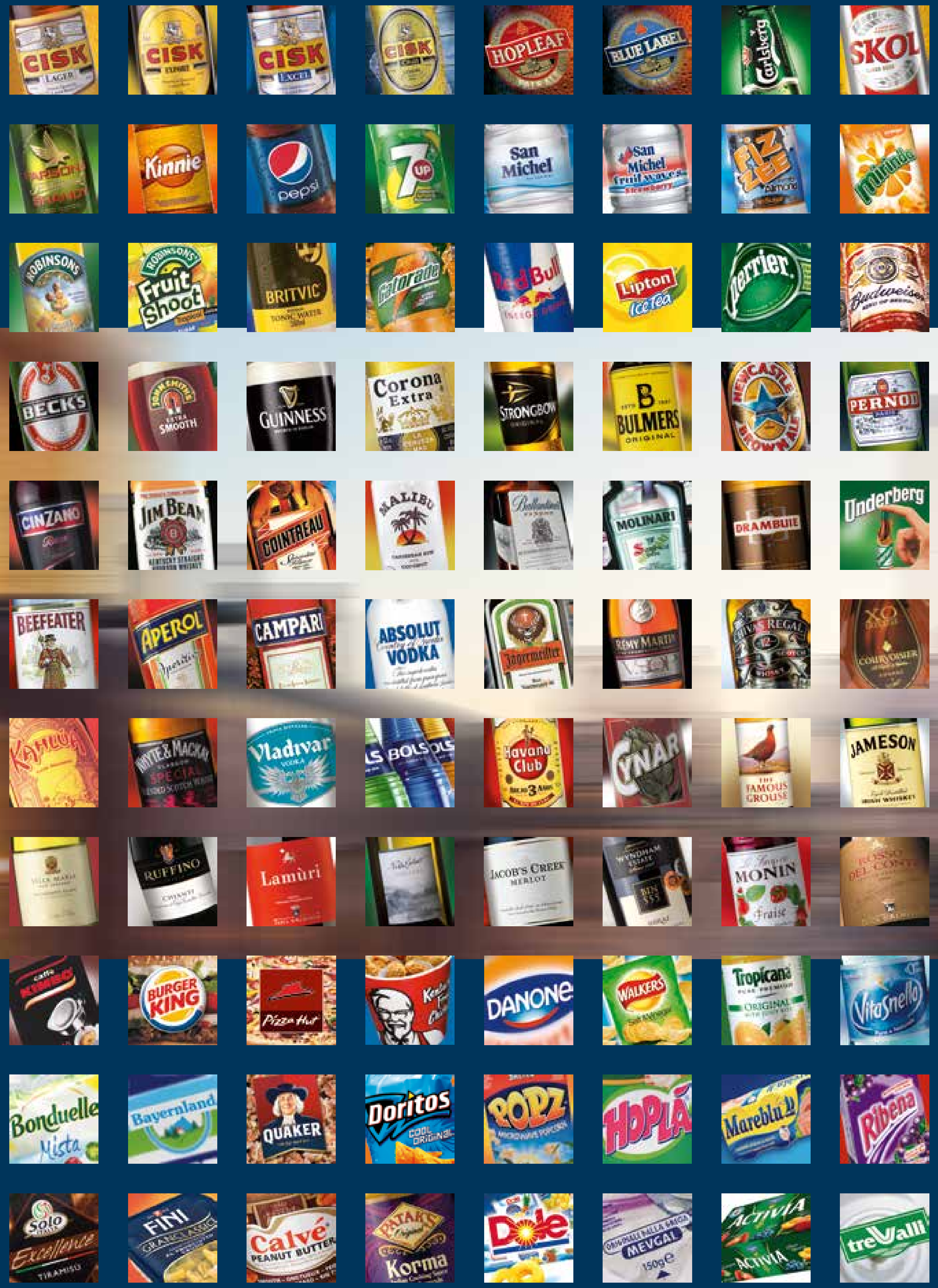

Heritage, Quality, Innovation

SIMONDS FARSONS CISK plc ANNUAL REPORT 2013 for the year ended 31 January 2013

To make great beers one needs quality production facilities such as our new brewhouse.

It is interesting to reflect that there are some compelling parallels between our new brewhouse and our group, and not just with respect to brewing.

In many ways, the brewhouse embodies, and mirrors, what we stand for:

- A modern structure resting on solid foundations;
- The ability to maximize efficiencies;
- Capability to achieve international standards;
- Respect for our past, whilst looking forward;
- Commitment underscored by significant investment;
- A scale suited to our domestic market size, with potential to meet increased demand.

Louis A. Farrugia, *Chairman*

FARSONS GROUP
Farsons

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 **Trident** PROPERTY MANAGEMENT

FARSONS GROUP **Farsonsdirect** BEVERAGES & MORE

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www.farsons.com

Contents

The New Brewhouse

1 Wort holding vessels and valve manifolds beneath the brewing vessels 2 The brewhouse control room 3 Malt silos capable of storing 900MT of malt 4 The main laboratory where all the chemical and microbiological tests are performed.

- **Total value of this project is €12.5 million.**
- **Construction started in July 2010 and was completed in twenty four months.**
- **Architects and site engineers - Architecture Project (AP).**
- **Project administration was entrusted to Farsons' in-house project team comprising brewers and engineers.**
- **Principal architectural components of the project:**
  – Brewhouse;
  – Malt handling tower;
  – Storage for raw materials;
  – Rain water reservoir;
  – Laboratory;
  – Offices.
- **Principal components of the new plant:**
  – 10 malt silos each with a capacity of 90MT and 4 unmalted cereal silos each with a capacity of 35MT;
  – Equipment for malt milling;
  – Five main brewing vessels and wort cooling vessels.
- **The brewhouse can handle up to 12 brews per day with each brew consisting of 200HL (20,000 Litres) of beer.**
- **Cost efficiencies will result from:**
  – Reduced shipping costs of bulk malt deliveries;
  – Automated malt handling;
  – Better yields and quality thanks to up-to-date technologies and automation;
  – Energy savings, more efficient equipment with a dedicated energy recovery system.
- **Saving energy, respecting the environment:**
  – Lower energy use per litre of beer by energy recovery from boiling process;
  – Low emissions from boiling process;
  – Reduced use of packaging material for brewing materials that will be bought in bulk;
  – Buildings designed with thermal insulation to conserve energy;
  – Use of natural ventilation;
  – Rain collection system.

Chairman's Statement

I am pleased to be able to report on an excellent set of results that your group of companies has achieved for the financial year ending 31 January 2013.

The year under review has seen group turnover increase by 9% from €70,851,000 to €77,180,000. This is a very satisfactory outcome given that this growth is totally organic in nature, and not the result of any new business acquisitions. Operating profit for the year before finance costs increased by 24% from €6,426,000 to €7,976,000, whilst profit after tax increased from €4,722,000 to €5,969,000, an improvement of 26%. I believe that these are a set of results which will please you all.

As discussed in this annual report, this year's performance was influenced by a number of key factors, namely good weather, record tourist arrivals and a stable economic climate. Equally, we are seeing the benefits of the efficiencies obtained from the significant capital expenditure programme embarked upon over recent years, and the continuous changes to business practices and management procedures. All sectors in our portfolio of businesses have reported an improved performance, with the exception of the food importation arm which is facing considerable challenges from 'own label' products imported directly by the various retail groups operating in our market. This business area is currently the subject of an in-depth management review.

The good results that we are able to report are the product of a combination of factors. A competent, trained and motivated workforce is essential to any business, and we have ensured through our long term capital programmes that the business and its management are equipped with the latest in technological improvement. To all our 709 employees go our appreciation, thanks and gratitude. At Farsons we can state unequivocally that the quality and dedication of our people has been a key factor in the growth and development of the group over the last 85 years.

This past year will also be well remembered for the impressive inauguration of our new €12,500,000 brewhouse which took place in September 2012. The main event was presided over by his Excellency the President of Malta Dr George Abela, and the new brewhouse was blessed by his Excellency the Archbishop of Malta, Monsignor Paul Cremona. The ceremony was attended by many distinguished visitors and guests. Within the same week all our shareholders were invited to visit the new investment, and I am glad to say that many of you came. This new brewhouse is an iconic building of a notable architectural design that builds on the legacy of the past

Farsons breweries. At the same time, it is a testament to the group's "green" credentials, being environmentally friendly, allowing for the optimal use of energy and waste. I am glad to be able to report that the new brewhouse is performing well and meeting our expectations. We are greatly indebted to the Farsons expert project management and technical teams who worked closely together to deliver the building on time and on budget.

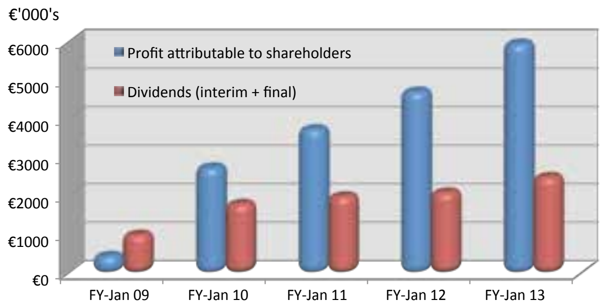
The brewhouse investment completes the last phase of the Master Plan that was initiated in the 1980's, the first phase of which comprised the tank farm and process block which were inaugurated in 1990. As a result of the implementation of the Master Plan, we have been able to respond well to the challenges of a rapidly changing and more competitive market place by improving our product quality through better technology and higher standards of care. The strategy adopted by your board, of investment in planned phases has served us well, and we now have state of the art production facilities which are constantly being updated with the latest equipment.

However, the changing demands of the market place are constant and relentless, and we are already working on planning our next phased investment - which will be a new beer packaging hall equipped to produce all the requirements for the local market, and added capacity for our increased export market opportunities. We believe that there exists potential to increase our export volumes and to further promote our now renowned brands such as Cisk in new markets. We intend to produce a well thought through and sustained development plan. At this stage we are engaging with international consultants to ensure that our plans are robust, and we envisage that this process will take another year. We shall, of course, keep shareholders updated on developments on this initiative.

For a number of years now we have been openly discussing the possibilities of redeploying the land and buildings that are to be released from operational use at the north facing façade of the brewery building. Once again, international consultants as well as local experts have been retained, and are working with us on how best to use this large area of land and to earn a return for shareholders.

Last year in my Chairman's Statement, I undertook that we would present you with a possible concept overview of how this development might be taken forward. I am pleased to inform you that at our forthcoming General Meeting we shall present a vision of the sort of real estate project we are envisaging. I wish to make it clear that no firm decision has been taken by your board on this investment at this stage, the studies of which are still work in progress. Much will depend on the assessed and evaluated market opportunities. What your board is committing to is that this sizeable investment will be studied in detail over the forthcoming months and years, and that shareholders will be kept informed of developments.

DECLARED DIVIDENDS OVER THE LAST 5 YEARS



In view of the very satisfactory performance registered by the group in the year under review, your board is pleased to propose an increase in the final dividend of €400,000 bringing the total declared for the year to €2,500,000. Although, as reported, your group has a healthy cash flow generation, it is imperative that we provide for our debt servicing requirements, and that we recognise the continuing heavy capital expenditure demands of the business.

I wish to thank our capable management team headed by our hard working CEO, Mr Norman Aquilina, who has proven his capabilities with these improved results; our workforce throughout the group for their dedication and focus, and last but not least, my fellow directors, for their commitment, wisdom, and valid direction over the past year.

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

Group Chief Executive's Review

Delivering results and a more competitive business model

KEY GROUP PERFORMANCE HIGHLIGHTS (vs Last Year)	€000's	Improvement vs Last Year
Turnover	**€ 77,180**	**9%**
Operating Profit	**€ 7,976**	**24%**
Pre-tax Profit	**€ 6,481**	**28%**
Post-tax Profit	**€ 5,969**	**26%**
EBITDA	**€ 13,983**	**22%**
Gearing	**24.4%**	**2.8points**

This past financial year ending 31 January 2013 will be remembered for a number of positives. It was a year of record-breaking tourist arrivals, favourable weather conditions, and a reasonably good macro-economic performance. The year was also characterised, however, by a degree of political uncertainty in Malta and fragile and unstable economies internationally.

Such factors certainly contributed to an increased demand and generally good business prospects, whilst also bringing about more sources of supply and further intensified levels of competition.

It was also a remarkable year for the Farsons Group. Not only did we inaugurate our new brewhouse and celebrate Kinnie's 60th anniversary, but we also continued to deliver an impressive year-end record growth in both turnover and net profitability.

Today, with more stream-lined operations across the group, we remain focussed on increased efficiencies and higher levels of productivity within all the businesses we operate in. Furthermore, our group sales force now benefit from a "cloud based" sales ordering system which processes and captures orders on a real-time basis. Such a system is not only resulting in a better performing sales force, but also improving our back-office and distribution efficiencies.

It is worth recording that these encouraging group results were delivered in a very challenging and competitive environment.

All this is significantly contributing towards strengthening our balance sheet and helping us improve our skills and our endeavours for further sustainable growth.

"It is worth recording that these encouraging group results were delivered in a very challenging and competitive environment. All this is significantly contributing towards strengthening our balance sheet and helping us improve our skills and our endeavours for further sustainable growth."

"This year's results follow last year's record results with another set of record figures. Turnover exceeded €77 million, representing an increase of around 9%, while pre-tax profits reached €6.5 million, a marked increase of 28%."

FINANCIAL RESULTS

This year's results follow last year's record results with another set of record figures. Turnover exceeded €77 million, representing an increase of around 9%, while pre-tax profits reached €6.5 million, a marked increase of 28%.

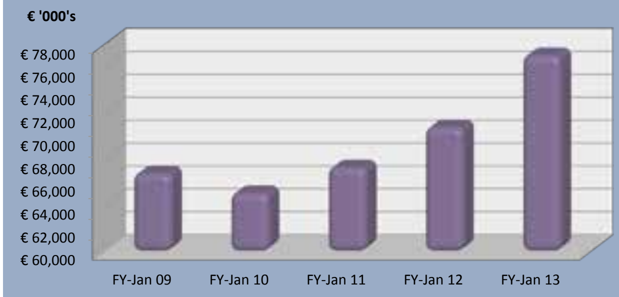
Gross profit now stands at €28 million, while the operating profit increased by just over €1.5 million to almost €8 million, an increase of 24%. Selling and distribution costs increased by 14%, due to a sizeable increase in provision for doubtful debts following a Group-wide decision to adopt a more prudent approach. We have however managed to reduce administrative costs by 2%.

EBITDA (earnings before interest, tax, depreciation and amortisation) has also reached record levels at €13.9 million, exceeding last year's figure by over €2.5 million. Our gearing also improved, from 27.2 % to 24.4% this year.

A segmental analysis of our businesses also reveals an overall positive result. Our brewing and bottling business continued to register improvements in both turnover and profitability. Our flagship brands, Cisk and Kinnie, posted strong results and contributed significantly to the overall success of the company's portfolio.

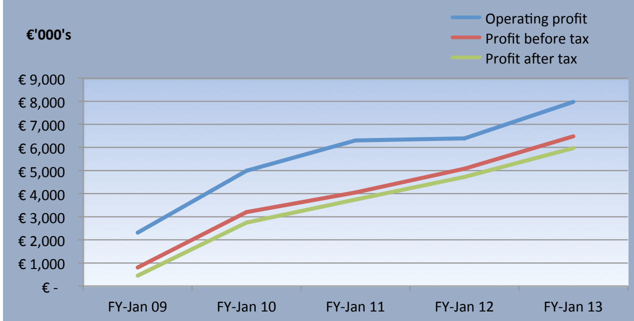
Our other businesses also continued to deliver, contributing significantly towards the overall group results. The beverage and food importation segment registered a sharp increase in turnover, whilst our fast food segment continued to register progress with a marked improvement in profitability. Our water-dispense business also registered an improvement in profitability.

GROUP TURNOVER



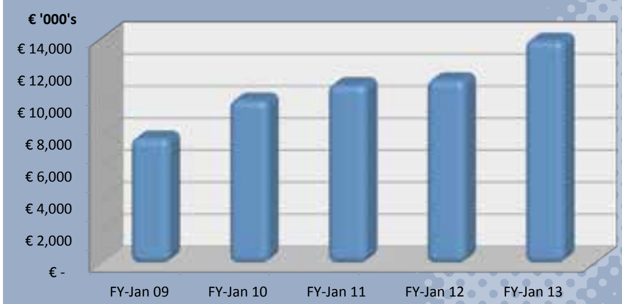
Turnover exceeded €77 million - an increase of €6.3 millon over the previous financial year.

GROUP PROFITABILITY



Consistent improvement in our profitability levels.

GROUP EBITDA



EBITDA increased to €13.9 million – a marked improvement over the previous financial year.

Group Chief Executive's Review continued

ENERGY EFFICIENCY

As one of our commitments for the year, we have formulated an 'Energy Efficiency & Environmental Improvement Roadmap'.

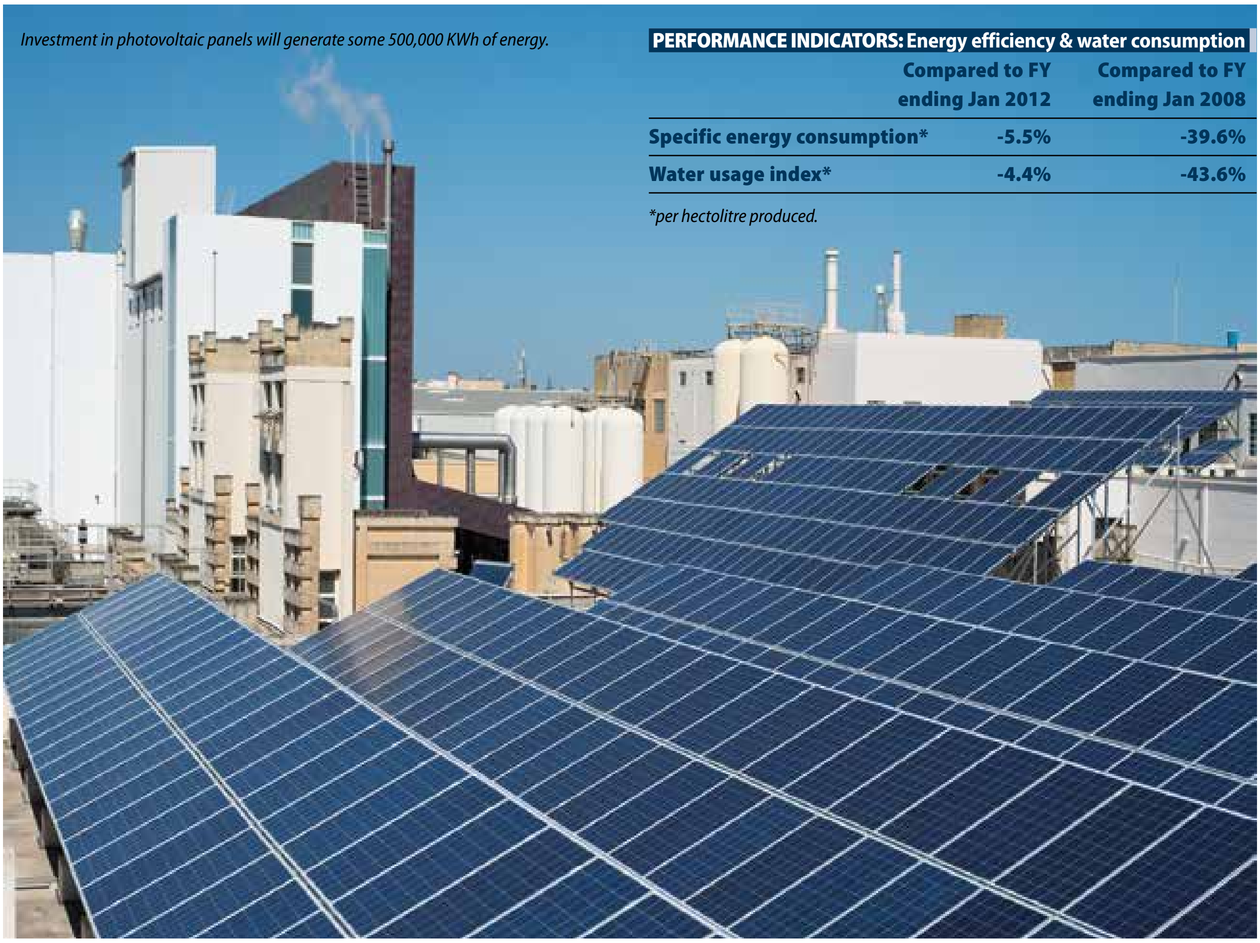
Here we have already achieved important progress. We have identified and committed ourselves to energy saving projects entailing a capital expenditure of around €3 million. These include the installation of photo voltaic panels, new refrigeration and water treatment plants, as well as a beer recovery and processing plant.

These investments will result in a reduction in energy consumption, and also generate some 500,000 KWh of energy from renewable sources for our requirements. They will also improve our capability in recovering reject water. This will lead to a marked reduction of our energy consumption and water usage per litre of product. In the case of brewing operations, there will also be improved productivity yields. Undoubtedly, these investments will contribute towards strengthening our competitiveness whilst also delivering environmental improvements in the way we operate.

MOVING FORWARD

Delivering year on year profitable growth is not a coincidence. This is the result of a clear and pragmatic strategy, a well-planned investment programme, and improved efficiency across our group's business. As we look ahead, though there is much more that needs to be done, we are now in a better position to perform more effectively and achieve our annual projections, without losing focus on the longer term strategic objectives.

"...we are now better structured to effectively perform and achieve our annually set projections, without losing focus on the longer term strategic objectives."



Investment in photovoltaic panels will generate some 500,000 KWh of energy.

PERFORMANCE INDICATORS: Energy efficiency & water consumption

	Compared to FY ending Jan 2012	Compared to FY ending Jan 2008
Specific energy consumption*	-5.5%	-39.6%
Water usage index*	-4.4%	-43.6%

**per hectolitre produced.*

HUMAN RESOURCES THAT FACILITATE CHANGE

Group management and employees have been at the forefront of the changes taking place across the group over the past years. As we make these changes, the group has striven to make efficiency improvements wherever possible, without compromising attention to detail and legal requirements.

Whilst the HR function, itself leaner and more flexible, has been instrumental in championing change, it is the employees themselves who have risen to the occasion. As a result of this, the group has successfully reduced headcount, whilst increasing output. Flexible working time and skills are the backbone of new and innovative collective agreements. The new brewhouse has also brought about the need for a flexible and multi-skilled team with state of the art competences, and adaptable working patterns. First time collective agreements were reached for EcoPure and Quintano Foods.

Our distribution system – now handled by Farsons Distributions Services Limited – has been overhauled and is now more efficient with tighter control and customer enhancements.

We have also successfully carried out various recruitment and selection exercises as well as various training and development programmes across all levels of the group, with both technical competences as well as soft skills development.

The group has embarked on a determined effort to improve its employee communication to create further understanding and commitment towards the group's vision and strategy.

Group employees have supported the group's CSR role and participated wholeheartedly together with their families in various initiatives including our CSR day on the 19th March, which has now become a regular feature in our calendar.

The National Commission for the Promotion of Equality (NCPE) has awarded Simonds Farsons Cisk plc and Food Chain Limited with its Equality Mark, confirming our approach to competence and professionalism strengthened by an increasingly diverse workforce.

Group Chief Executive's Review continued

BEERS

For a number of years now, the Maltese beer market has become truly liberalized and competitive, characterized by numerous international brands. Buoyant tourism, a prolonged hot summer and the UEFA's 2012 Euro Cup were therefore all positive factors which boosted increased demand in 2012.

Cisk Lager, our flagship brand has set the standard in terms of all-round excellence and quality, delivering a very strong set of results. Positive results were achieved across all packages and market segments confirming that the brand continues to evolve in line with consumers' tastes and expectations. The 'Cisk Is…' campaign, initiated in 2011, was taken to another level this year, with the 'Cisk Is… Cisk' tagline emphasizing that the brand delivers quality, excellence and value.

Cisk Excel, the low-carbohydrate version, continues to surpass expectations, registering double-digit growth for yet another year. The launch of the attractive 33cl 'Sleek' can, targeted at the more discerning beer consumer, has transformed the brand's profile and performance in this segment. Building on the successful campaign tagline 'Excel and Enjoy', the advertising campaign launched in 2012 further emphasized the aspect of balancing a healthy and active lifestyle with the ability to enjoy a refreshing, high-quality beer.

"Cisk Lager, our flagship brand, set the standard in terms of all-round excellence and quality".

The Farsons award-winning beer portfolio now includes an attractive Cisk Excel 33cl 'Sleek' can package.

FARSONS GROUP
Farsons
BREWERS & BOTTLERS

ENJOY RESPONSIBLY

drinkawaremalta.com
for the facts

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.

The resilient appeal of our flagship beer demonstrates that Cisk is truly Malta's freshest and finest beer.

Group Chief Executive's Review continued

Farsons range of beers includes world-renowned brands such as Carlsberg.

"As a result of the group's investment strategy, the company is now in a better position to face the future and this is evident in our new brewhouse and the potential it brings with it."

Innovation remains key to achieving growth in the beer market; successfully launched in 2011 the lemon-flavoured variant Cisk Chill enjoyed an equally-successful 2012. This innovative product has found favour with beer consumers who are seeking alternatives to the normal, main-stream lagers and who are prepared to experiment with new products and flavours.

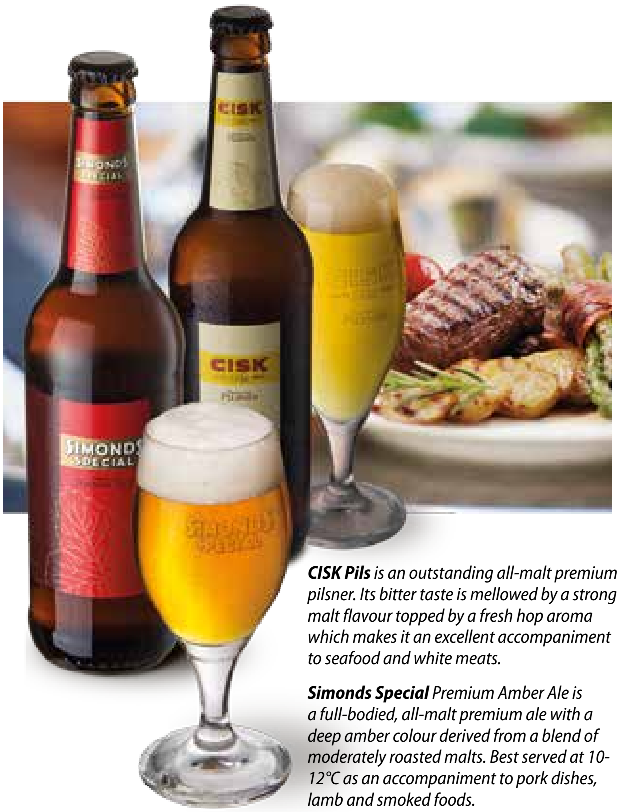
An equally important trend in the beer market is the shift to 'take-home' or 'off-trade' consumption, as more consumers choose to entertain and spend leisure time at home. This is leading to changes in Maltese consumers' beer drinking habits, and a shift in package preference from the previously dominant, familiar glass beer bottle, to the easier-to-dispose-of cans.

Skol, brewed and packaged by Farsons under licence from Carlsberg Breweries, posted yet another successful set of results in the year under review. Notwithstanding its lower-price positioning and consequent fierce price-based competition from a large number of value-brands, Skol's consistent and outstanding quality have made it one of the major players on the Maltese beer market.

As a result of the group's investment strategy, the company is now in a better position to face the future and this is evident in our new brewhouse and the potential it brings with it. Without doubt, the brewhouse was an opportunity for us to showcase our capabilities and develop new products. Cisk Pils, an all-malt premium pilsner, and Simonds Special Amber Ale, an all-malt premium ale were launched when the new brewhouse was inaugurated last September.

Notwithstanding these foregoing successful developments, beer portfolio management remains an area of high focus and development within the sales and marketing teams. The on-going positive performance of the Cisk brand variants have put pressure on brands like Hopleaf and Blue Label, traditionally enjoyed in the now-declining 'on premise' market. Realigning and redefining marketing and sales plans for these brands remains a priority.

Carlsberg, a key player in our beer portfolio for over 30 years, took centre-stage during this year's edition of the 2012 UEFA Euro Cup as the Official Beer of the tournament. Budweiser, another global brand in our portfolio, also played a significant role as the company is able to offer customers an unrivalled selection of high-quality beer brands.



***CISK Pils** is an outstanding all-malt premium pilsner. Its bitter taste is mellowed by a strong malt flavour topped by a fresh hop aroma which makes it an excellent accompaniment to seafood and white meats.*

***Simonds Special** Premium Amber Ale is a full-bodied, all-malt premium ale with a deep amber colour derived from a blend of moderately roasted malts. Best served at 10-12°C as an accompaniment to pork dishes, lamb and smoked foods.*

EXPORT

Export growth remains a key strategic objective, with overall results remaining buoyant and satisfactory. Notable improvements were actually registered in several overseas markets, particularly in Italy and the Far East where sales continued to grow year on year. In most other markets, the company was able to sustain the export momentum. Moreover, exports to North Africa were sustained throughout the year and some market inroads were achieved in various new markets in Eastern Europe.

It is particularly encouraging to note that the company's flagship beer brand Cisk continues to gain a foothold in our priority markets. This was also the case with our flagship soft drink, Kinnie. In view of these encouraging results, the company is considering strategies to strengthen export capabilities, thus consolidating the results achieved to date and taking advantage of significant growth potential.

Italy remains our main beer export market; Farsons' stand during the Pianeta Birra Fair in Rimini, Italy.

"Export growth remains a key strategic objective, with overall results remaining buoyant and satisfactory".

Year after year, the Farsons Great Beer Festival is a highly popular event in Malta's summer calendar.

Group Chief Executive's Review continued

NON-ALCOHOLIC BEVERAGES

This market segment has undergone significant transformation since it was fully-liberalised in 2008, which brought about not only parallel importation but also own label product through the opening of international discount stores in Malta.

In this truly liberalized environment, competition is aggressive and on-going. We are constantly implementing back-to-back promotions and offers, supported by a strong market presence.

Kinnie celebrated its 60th birthday in 2012 with the tagline 'Adding Taste Since 1952'. A series of back-to-back marketing initiatives comprised specially designed innovative packaging, striking and unique outdoor advertising, and an advertising campaign evoking nostalgia over the decades. On-going consumer promotions engaged consumers in this milestone throughout the year. All this contributed to making this year one of the most successful to date for Kinnie.

The listing of Kinnie (along with Cisk) on the online site Amazon.co.uk is evidence of the brands' broader appeal and export potential.

"Kinnie celebrated its 60th birthday in 2012 with the tagline 'Adding Taste Since 1952'. "

Part of Malta's heritage – Malta's iconic soft drink celebrates 60 years on the market in style.

Group Chief Executive's Review continued

Lionel Messi, Didier Drogba, Frank Lampard and Fernando Torres team up with renowned DJ and producer Calvin Harris for Pepsi's music-fuelled 'Kick in the mix' campaign.

"On-going sales and marketing initiatives around these brands enabled us to make the most of the favourable weather conditions."

The PepsiCo range of soft drinks, comprising of Pepsi-Cola, 7-Up and Mirinda, also posted positive results for 2012. On-going sales and marketing initiatives around these brands enabled us to make the most of the favourable weather conditions which prevailed throughout the peak months.

Britvic Mixers, present in our portfolio since 2008, also registered very positive results for 2012 and, despite being on the market for a relatively short time, are well-positioned to take advantage of the brand's global reputation in securing increasing market-share locally.

Like Cola, our value brand, also performed positively throughout the year.

Bottled water is one of the most competitive segments in the beverage market. Consumers are extremely price-sensitive and are spoilt for choice with a large number and variety of brands, both local and imported. In periods of prolonged heat, consumption of water typically increases at a faster rate than other beverages. The brands in the company's portfolio, ranging from leading brand San Michel, to value brand Aquadot, were well-positioned to take advantage of the favourable conditions and maximize sales opportunities. A key event in the marketing calendar of San Michel was the sponsorship of the Malta Marathon, a national event which has gone from strength to strength and which welcomed over 3500 competitors in the latest edition.

The great taste of Britvic mixers is behind every great spirit.

A special edition 50cl pack was launched to strengthen San Michel's association with the Malta Marathon.

FARSONS GROUP
EcoPure
BEVERAGE SERVICES

"Ecopure continues to offer considerable potential for growth with steady improvements being registered in sales growth and profitability".

ECOPURE

Ecopure continues to offer considerable potential for growth with steady improvements being registered in sales growth and profitability. Nevertheless price competition remains stiff, particularly on large corporate accounts and tenders.

Ecopure conducted a number of brand building campaigns aimed at the corporate and domestic markets, including free gift promotions and the launch of a Customer Incentive Plan aimed at attracting new client accounts whilst improving customer retention.

A PDA-based system was launched, leading to improved controls, increased route efficiencies and significantly reduced administration costs.

A third party contractor, operating from our Farsons Gozo Depot, has led to improved levels of service and focus, resulting in increased sales in Gozo.

Eco Pure San Michel water coolers have become a convenient and must have appliance for the office and home.

Group Chief Executive's Review continued

Aperol Spritz, a low alcohol digestive drink, continues to grow in popularity.

> "We managed to significantly increase the sales of the represented brands and our portfolio also benefitted from various new brands we have been entrusted with."

FARSONS BEVERAGE IMPORTS COMPANY

FBIC has registered a positive performance. We managed to significantly increase the sales of the represented brands and our portfolio also benefitted from various new brands we have been entrusted with.

For many years we successfully represented Pernod Ricard brands such as Absolut, Havana Club and Ballantines. Following their decision to consolidate the portfolio, we extended our representation with brands like Chivas Regal, Malibu, Jameson's and Glenlivet. This is in line with our key strategic objective for growth through consolidation with existing partners.

We have consolidated our relationship with Britvic for whom we have bottled their mixers under licence for a number of years by adding other product representation, namely Robinson's squashes, Fruit Shoot and J20.

Following last year's consolidation with Gruppo Campari , we have continued to build on the growing global phenomenon for Aperol Spritz, associated with the Milanese style aperitivo culture.

Jagermeister has continued to grow in popularity and has once again registered very encouraging results. Famous Grouse has also performed well, supported by an advertising campaign for The Black Grouse.

The well-known Malibu range was extended with the launch of pre-mixed Malibu variants in cans, which proved to be very popular, especially at beach clubs and parties. We also promoted the Cointreau Fizz, the latest series of refreshing cocktails from this perennial brand.

Red Bull has been an outstanding performer, in spite of increased competition in the energy drinks market. This recent addition to our portfolio continues to prove to be an extraordinary world success story.

Jägermeister maintained its consistent growth.

The Farsons portfolio also includes Australia's largest wine brand with over 160 years of winemaking expertise.

FARSONS GROUP
FBIC
BEVERAGE IMPORTERS

Our focused strategy on our extensive wine portfolio has also led to positive results with regular promotions at retail outlets. For restaurants, we organised wine-tasting events, led by a dedicated wine manager, often supported by wine-makers from our principals.

Imported beers benefitted from events and promotions throughout the year, such as St Patrick's Day for Guinness, the Mexican national day, Cinco de Mayo for Corona, and FA Cup promotions for Budweiser. Beck's strengthened its link to music by sponsoring top DJ Armin Van Buuren.

Our Cider Festival at supermarkets has now become a much–awaited event, and helps promote key brands such as Strongbow.

The Monin range of world-leading syrups and purees, celebrating its 100 years, grows steadily as more bartenders in Malta appreciate the quality and value which it brings to the cocktail culture.

FARSONSDIRECT

Our Farsonsdirect retail cash and carry outlet in Mriehel performed well and we have again managed to increase both consumer traffic and sales. Farsonsdirect has gained a wider awareness as a 'one-stop shop' where one can find a wide selection of wines, including fine wines, a full range of other beverages and also related food items. Our website is also appealing to a growing number of customers who prefer to shop on line.

Havana Club continued to take on a growing share of the rum market in Malta.

Farsonsdirect has played a successful key strategic role in extending our market reach.

Group Chief Executive's Review continued

QUINTANO FOODS

Quintano Foods registered an improved turnover but reduced profitability amid growing competitive pressures that characterized the year under review, mainly from "own label" products.

The private label concept that was first introduced in 2008 has now become widely accepted by Maltese consumers. Furthermore, all major supermarkets with franchise agreements with foreign chains have concentrated their efforts in increasing their private label offerings across all food categories.

Against such a backdrop, our strategy for Quintano Foods is that of building and investing in brands in this business whilst extending into other market segments that are complementary to our core food business. This will help to further strengthen our market share.

Danone advertising campaigns were conducted on national television stations while extensive promotions were also organized throughout the year in various outlets.

The year under review has seen a substantial increase in yoghurt offerings on the market which inevitably has driven the average prices in the yoghurt category down.

The PepsiCo food brand portfolio represented by Quintano Foods that comprises Tropicana chilled juices, Quaker oats and cereals and Walkers crisps and snacks, has once again registered growth levels over the previous year. The company aims to maintain this growth rate through extending the product ranges whilst implementing a comprehensive marketing and promotional plan for each brand to run throughout the year in different forms.

Throughout the year, Quintano Foods further fine-tuned its practices regarding handling, marketing and distribution of various frozen food categories, in order to identify and exploit any other opportunities in this particular market within the local context.

The company remains fully geared to further exploit and develop any new market opportunities, in spite of the highly intensive competitive environment.

Quintano Foods remains an important component within our group structure and will continue to be given the necessary strategic focus to ensure we further develop this business.

"Our strategy for Quintano Foods is that of building and investing in brands in this business whilst extending into other market segments that are complementary to our core food business."

Quintano Foods' brand portfolio has once again succeeded in achieving growth levels over the previous year.

FARSONS GROUP
Quintano
FOOD IMPORTERS

Group Chief Executive's Review continued

"We can report a very positive year for Food Chain with increased sales in all three franchises. The added management focus announced last year has continued to deliver improved operating results and profitability."

FOOD CHAIN

We can report a very positive year for Food Chain with increased sales in all three franchises. The added management focus announced last year has continued to deliver improved operating results and profitability. We now need to seek to consolidate operations amongst our existing eleven restaurants and to focus on identifying new opportunities for growth.

PIZZA HUT

Throughout the year various innovative products were launched on a limited time offer. These products increased consumer interest in the brand and further stimulated demand as many patrons visited our restaurant specifically to try these products. We have also seen the delivery arm of the business growing. In fact, both the number of transactions as well as the number of new customers continued to increase.

BURGER KING

Burger King had a rather encouraging year with growth in sales as well as an increase in average ticket and number of transactions. The re-modeling carried out in our units has definitely attracted more guests while the regular launch of numerous new meals and side items definitely intrigued customers to visit Burger King more often.

KFC

We have had yet another very positive performance from KFC outlets at Gzira and Malta International Airport. Throughout the year we launched a number of limited time offer items as well as a number of box meals which have now become a regular item on our menu. In terms of delivery, KFC also continued to increase its presence on the market and we managed to extend our delivery service to a significant number of new households.

Two new sandwich meals launched to entice consumers resulted in an immediate increase in ticket count.

Consistency in results and continued competitive drive

Although our group certainly has an impressive portfolio of brands, our people – our human capital – represent one of our greatest assets. I am particularly satisfied to see the quality, commitment and, most of all, results being achieved as a result of the collective effort of our management team and workforce in general.

We have achieved a management mind-set focused on three driving principles. Firstly, being strategic and informed, secondly, being ambitious and challenging and thirdly, being dynamic and results-driven. I believe we have made significant inroads in all these areas.

Here, I need to express a word of thanks to all our workforce within the Farsons Group. In particular the management team, whom I have most reliably depended on. I also need to thank the Board of Directors, most notably our Chairman, Louis A. Farrugia, for the confidence, guidance and support I have always found throughout the year.

We must strive to continue strengthening our competitive edge in order to maintain our drive for further profitable growth. This will continue to be based on our two key growth pillars – innovation and exports. This must be achieved without losing sight of other opportunities for organic growth or through representation of new brands which would fit strategically within our existing portfolio.

It is an on-going challenge and we shall continue to revise and update our strategic plans. We shall continue to review all areas of our business operations and make additional investments wherever these are justified.

We are determined to pursue our strategic vision of building a stronger business model which can grow both locally, and, more significantly overseas.

Norman Aquilina – Group Chief Executive

"We must strive to continue strengthening our competitive edge in order to maintain our drive for further profitable growth."

Directors, Board Committees, Group Executives & Senior Management

THE BOARD OF DIRECTORS

Louis A. Farrugia – *Chairman*

Vincent Curmi – *Vice Chairman*

Roderick Chalmers

Michael Farrugia

Dr Max Ganado

Marina Hogg

Marquis Marcus John Scicluna Marshall

Marcantonio Stagno d'Alcontres

Antoinette Caruana – *Company Secretary*

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 (up to 31 December 2012)*

Ray Sciberras – *Chief Operations Officer*

Charles Xuereb – *Chief Finance Officer*

Arthur Muscat – *Secretary*

CORPORATE GOVERNANCE COMMITTEE

Marcantonio Stagno d'Alcontres – *Chairman*

Marquis Marcus John Scicluna Marshall

Vincent Curmi

Dr Max Ganado

RELATED PARTY TRANSACTIONS COMMITTEE

Vincent Curmi – *Chairman*

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*

Michael Farrugia

Dr Max Ganado

Marquis Marcus John Scicluna Marshall

REMUNERATION COMMITTEE

Louis A. Farrugia – *Chairman*

Roderick Chalmers

Vincent Curmi

Marina Hogg

NOMINATION COMMITTEE

Louis A. Farrugia – *Chairman*

Dr Max Ganado

Marquis Marcus John Scicluna Marshall

Marcantonio Stagno d'Alcontres

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 Limited*

Chris Borg Cardona – *Head of Logistics*

Stefania Calleja – *Head of Sales and Customer Relations*

Antoinette Caruana – *Group HR Manager*

Eugenio Caruana – *Head of Production*

Claudio Farrugia – *General Manager Quintano Foods Limited (effective from 12 March 2013)*

Michael Farrugia – *Head of Business Support*

Philip Farrugia – *General Manager Quintano Foods Limited (up to 11 March 2013) and Head of IT (effective from 12 March 2013)*

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 Finance Officer*

FARSONS FOUNDATION BOARD OF TRUSTEES

Bryan A. Gera – *Chairman*

Antoinette Caruana

Franco Masini

Michael Farrugia

Mark Miceli-Farrugia

Arthur Muscat

The late Chev. Joseph Sammut *(up to 24 February 2013)*

Kenneth Pullicino – *Secretary*

SIMONDS FARSONS CISK plc ANNUAL REPORT 2013 for the year ended 31 January 2013

Financial Statements

Directors' Report

The directors present their report and the audited consolidated financial statements for the year ended 31 January 2013.

Principal activities

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

Review of the business

The group has registered a record performance during the financial year ending 31 January 2013, with profit before tax surpassing last year's comparative figure of €5,080,000 by 28% to reach €6,481,000.

Group turnover increased by 9% to reach €77,180,000, with increases being registered in all segments in which the group operates. In particular, the importation of food and beverages registered the highest growth in turnover, while the manufacturing operation registered the highest improvement in profitability. Whilst the gross profit for the group reached record levels at €28 million, exceeding last year by 10%, the group managed to contain its selling, distribution and administrative costs at 26% of its turnover compared to 27% attained during the previous financial year, despite a material increase in impairment provisions on receivables following a group-wide decision to adopt a more prudent approach.

Although competition remains intense, buoyant tourism, a prolonged hot summer and Euro Cup activities were all factors which helped boost demand. The performance of Cisk and Kinnie were instrumental to the increased turnover and profitability of the core segment. The excellence in quality coupled with focused marketing and sales initiatives continued to support the positive results from these brands.

The beverage importation division also posted an encouraging performance with notable increases in spirits and energy drinks. On the other hand, the food importation arm is going through a period of reorganisation and consolidation in the light of market realities, where the private label concept has become an acceptable alternative and has consolidated and expanded further.

The franchised foods retail establishments registered improved turnover and profitability with increased sales in all three franchises. Performance of the KFC brand surpassed expectations, and excelled both in terms of turnover and profitability.

The group's statement of financial position remains strong and the net asset base continued to improve by €3,739,000 to reach €91,925,000 (2012: €88,186,000). Shareholders' funds finance 61% (2012: 60%) of the group's total assets, while EBITDA (earnings before interest, tax, depreciation and amortisation) increased to €13,983,000, representing a marked improvement of 22% over the previous year.

Outlook for financial year ending 31 January 2014

The future outlook at Farsons is based on further growth, which will continue to be spearheaded through more innovation, along with added focus on the drive in export markets. The group's business also remains dependent on local consumer confidence and the state of the tourism industry.

The determined focus to reduce the group's energy consumption and water usage will remain a priority. Through energy saving investments, this will not only further strengthen competitiveness but also delivers environmental improvements beneficial to the common good.

The board remains determined to sustain the group's competitive advantage through continued change and investment, to ensure alignment to market developments, remaining well positioned to take on new challenges and opportunities. The recent completion of the investment in the new brewhouse, inaugurated in September 2012, is already rendering our beer production more competitive, this also in line with our declared strategy of growth through the export markets.

The board has ambitions to continue to grow, exploit and develop all segments of the group that offer potential and opportunity. With continued visionary foresight and the necessary strategic thinking, followed by the right decisions and successful implementation, the board is confident that it will face the challenges going forward with vigour and energy.

Dividends and reserves

The income statements are set out on page 36.

The directors declared a net interim dividend of €400,000, which was paid on 19 October 2012 to the ordinary shareholders, and will recommend the payment of a final dividend to the ordinary shareholders of €2,100,000 at the Annual General Meeting scheduled for 20 June 2013. 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 2013 (also out of tax exempt profits) to the shareholders who will be on the register of members of the company on 22 May 2013. As a result, total declared dividends relating to the financial year ending January 2013 would equate to €2,500,000 increasing by €400,000 over the previous financial year.

Dividends to the ordinary shareholders paid during the year ended 31 January 2013 amounted to €2,100,000 (2012: €2,000,000).

Retained profits carried forward at the reporting date amounted to €24,930,000 (2012: €21,061,000) for the group and €23,584,000 (2012: €20,564,000) for the company.

Directors

The directors who held office during the year were:

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

Mr. Roderick Chalmers and Dr. Max Ganado, whose terms of appointment expire, retire from the board and are eligible for re-election.

Statement of directors' responsibilities for the financial statements

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

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

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

The financial statements of Simonds Farsons Cisk plc for the year ended 31 January 2013 are included in the Annual Report 2013, 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 2013, 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 56.

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 2013, 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 Farrugia

Louis A. Farrugia
Chairman

Vincent Curmi
Vice-Chairman

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

Antoinette Caruana – *Company Secretary* – 24 April 2013

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 in the section entitled Non-compliance with the 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 through the Chairman 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 Nomination 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 and 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 GEB 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 GEB and a Group Chief Executive, two positions which are occupied by Mr. Louis A. 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 GEB, a Non-Executive Vice-Chairman and six other Non-Executive Directors.

Executive Director
Mr. Louis A. Farrugia F.C.A. – *Chairman*

Non-Executive Directors
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.)

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 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 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:	**12**
Members Attended	
Mr. Louis A. Farrugia – *(Chairman)*	12
Mr. Vincent Curmi – *(Vice-Chairman)*	10
Marquis Marcus John Scicluna Marshall	10
Mr. Marcantonio Stagno d'Alcontres	11
Dr. Max Ganado	11
Mr. Roderick Chalmers	10
Ms. Marina Hogg	11
Mr. Michael Farrugia	11

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 GEB.

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

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

Related Party Transactions Committee is presided over by the Non-Executive Vice-Chairman 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.

Corporate Governance Statement continued

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 2013, the Audit Committee held five meetings. Audit Committee meetings are held mainly to discuss formal reports remitted by the Group Internal Auditor but also to consider the external auditors' audit plan, the six-monthly financial results and the annual financial statements.

The Group Internal Auditor, who also acts as secretary to the Audit Committees, 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 GEB and the Chief Finance 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 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 and the Nomination Committee are dealt with under Principle 7 and Principle 8 respectively 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.

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 ensuring that 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 fulfil 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.

The evaluation exercise is conducted every two years through a Board Effectiveness Questionnaire prepared by the Company Secretary in liaison with the Chairman of the committee. The Company Secretary discusses the results with the Chairman of the committee who then presents the same to the board together with initiatives undertaken to improve the board's performance. During the intermediate year, the chairman undertakes to assess whether shortcomings identified during the board performance evaluation process have been addressed and reported accordingly to the board. The latest review has not resulted in any material changes in the company's internal organisation or in its governance structures. The non-executive directors are responsible for the evaluation of the Chairman of the board.

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 Nomination Committee, chaired by a non-executive director was set up in March 2013 with the objective of leading the process for board appointments and to make recommendations to it. Any proposal for the appointment of a director whether by the three major shareholders or by the general meeting of shareholders should be accompanied by a recommendation from the board, based on the advice of the 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 66), 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.

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, 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 2013 and as at 22 April 2013 are disclosed in the Shareholder Information on page 68.

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 amongst a host of other initiatives 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.

Corporate Governance Statement continued

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, 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 7 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.

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.

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 24 April 2013 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. 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 once during the financial year ended 31 January 2013.

3. REMUNERATION STATEMENT

3.1 Senior Executives

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

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 €192,000
Directors' other emoluments € 217,000

Variable and Non Variable Emoluments of Directors and Senior Management

	Fixed Remuneration	Variable Remuneration	Share Options	Others
Senior Management	€409,000	€134,000	None	Non-cash benefits referred to above under 3.2
Directors	€384,000	€25,000	None	Non-cash benefits referred to above under 3.2

Independent Auditor's Report

To the shareholders of Simonds Farsons Cisk plc

Report on the Financial Statements for the year ended 31 January 2013

We have audited the consolidated and stand-alone parent company financial statements of Simonds Farsons Cisk plc (together the "financial statements") on pages 35 to 67, which comprise the consolidated and parent company statements of financial position as at 31 January 2013, 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 pages 26 and 27, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion the financial statements:

- give a true and fair view of the financial position of the group and the parent company as at 31 January 2013, 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 28 to 32 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

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 27, 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
78 Mill Street, Qormi, Malta

Flynn

Simon Flynn - *Partner*
24 April 2013

Statements of Financial Position

		As at 31 January			
		GROUP		COMPANY	
		2013	2012	2013	2012
	Notes	€'000	€'000	€'000	€'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	**73,978**	71,250	**58,742**	55,566
Investment property	6	**45,189**	45,176	**32,926**	32,926
Intangible assets	7	**1,104**	1,130	**-**	-
Investments in subsidiaries	8	**-**	-	**13,706**	13,706
Investments in jointly-controlled entities	9	**12**	12	**2**	2
Loans and receivables	10	**56**	203	**-**	-
Trade and other receivables	12	**2,202**	1,893	**2,202**	1,893
Total non-current assets		**122,541**	119,664	**107,578**	104,093
Current assets					
Inventories	11	**11,090**	10,804	**7,780**	7,546
Loans and receivables	10	**118**	337	**-**	-
Trade and other receivables	12	**16,963**	16,282	**16,272**	18,015
Current tax assets		**286**	223	**-**	-
Cash and cash equivalents	13	**533**	563	**40**	162
Total current assets		**28,990**	28,209	**24,092**	25,723
Total assets		**151,531**	147,873	**131,670**	129,816
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	**(426)**	(296)	**(426)**	(296)
Retained earnings		**24,930**	21,061	**23,584**	20,564
Total equity		**91,925**	88,186	**85,319**	82,429
Non-current liabilities					
Provisions for other liabilities and charges	21, 22	**11,144**	11,275	**5,648**	5,811
Derivative financial instruments	19	**368**	350	**368**	350
Borrowings	20	**25,915**	27,634	**25,915**	27,634
Total non-current liabilities		**37,427**	39,259	**31,931**	33,795
Current liabilities					
Trade and other payables	23	**17,646**	14,789	**11,689**	9,888
Current tax liabilities		**457**	180	**-**	-
Derivative financial instruments	19	**288**	105	**288**	105
Borrowings	20	**3,788**	5,354	**2,443**	3,599
Total current liabilities		**22,179**	20,428	**14,420**	13,592
Total liabilities		**59,606**	59,687	**46,351**	47,387
Total equity and liabilities		**151,531**	147,873	**131,670**	129,816

The notes on pages 39 to 67 are an integral part of these consolidated financial statements.

The financial statements on pages 35 to 67 were authorised for issue by the board on 24 April 2013 and were signed on its behalf by:

Louis A. Farrugia – *Chairman*

Vincent Curmi – *Vice-Chairman*

Norman Aquilina – *Group Chief Executive*

Income Statements

		Year ended 31 January			
		GROUP		COMPANY	
	Notes	**2013 €'000**	2012 €'000	**2013 €'000**	2012 €'000
Revenue	4	**77,180**	70,851	**43,188**	41,689
Cost of sales	24	**(48,807)**	(45,099)	**(22,965)**	(23,310)
Gross profit		**28,373**	25,752	**20,223**	18,379
Selling and distribution costs	24	**(10,445)**	(9,165)	**(8,136)**	(7,118)
Administrative expenses	24	**(9,952)**	(10,161)	**(5,628)**	(5,769)
Operating profit		**7,976**	6,426	**6,459**	5,492
Investment gains	27	**14**	24	**91**	128
Finance costs	28	**(1,509)**	(1,370)	**(1,430)**	(1,306)
Profit before tax		**6,481**	5,080	**5,120**	4,314
Tax expense	29	**(512)**	(358)	**-**	-
Profit for the year		**5,969**	4,722	**5,120**	4,314
Earnings per share for profit during the year	31	**€0.199**	€0.157		

Statements of Comprehensive Income

		Year ended 31 January			
		GROUP		COMPANY	
	Note	**2013 €'000**	2012 €'000	**2013 €'000**	2012 €'000
Profit for the year		**5,969**	4,722	**5,120**	4,314
Other comprehensive income:					
Cash flow hedges net of deferred tax	18	**(130)**	(296)	**(130)**	(296)
Other comprehensive income for the year		**(130)**	(296)	**(130)**	(296)
Total comprehensive income for the year		**5,839**	4,426	**4,990**	4,018

The notes on pages 39 to 67 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 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**
Balance at 1 February 2012		9,000	(296)	58,421	21,061	88,186
Comprehensive income						
Profit for the year		-	-	-	5,969	5,969
Other comprehensive income:						
Cash flow hedges net of deferred tax	18	-	(130)	-	-	(130)
Total comprehensive income		-	(130)	-	5,969	5,839
Transactions with owners						
Dividends relating to 2012 and 2013	15	-	-	-	(2,100)	(2,100)
Balance at 31 January 2013		**9,000**	**(426)**	**58,421**	**24,930**	**91,925**
Company						
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**
Balance at 1 February 2012		9,000	(296)	53,161	20,564	82,429
Comprehensive income						
Profit for the year		-	-	-	5,120	5,120
Other comprehensive income:						
Cash flow hedges net of deferred tax	18	-	(130)	-	-	(130)
Total comprehensive income		-	(130)	-	5,120	4,990
Transactions with owners						
Dividends relating to 2012 and 2013	15	-	-	-	(2,100)	(2,100)
Balance at 31 January 2013		**9,000**	**(426)**	**53,161**	**23,584**	**85,319**

The notes on pages 39 to 67 are an integral part of these consolidated financial statements.

Statements of Cash Flows

		Year ended 31 January			
		GROUP		COMPANY	
		2013	2012	2013	2012
	Notes	€'000	€'000	€'000	€'000
Cash flows from operating activities					
Cash generated from operations	32	**14,784**	11,091	**13,329**	7,543
Interest received		**14**	24	**91**	128
Interest paid		**(1,509)**	(1,370)	**(1,430)**	(1,306)
Income tax paid		**(267)**	(422)	**-**	-
Net cash generated from operating activities		**13,022**	9,323	**11,990**	6,365
Cash flows from investing activities					
Purchase of property, plant and equipment		**(7,691)**	(8,770)	**(7,118)**	(7,529)
Additions to investment property		**(13)**	(55)	**-**	-
Additions to intangible assets		**-**	(64)	**-**	-
Proceeds from disposal of property, plant and equipment		**68**	207	**12**	32
Movements in loans to subsidiaries		**-**	-	**-**	479
Net cash used in investing activities		**(7,636)**	(8,682)	**(7,106)**	(7,018)
Cash flows from financing activities					
Proceeds from current and non-current borrowings		**-**	4,970	**-**	4,970
Payments of current and non-current borrowings		**(1,750)**	(3,068)	**(1,750)**	(1,749)
Dividends paid		**(2,100)**	(2,000)	**(2,100)**	(2,000)
Net cash (used in)/generated from financing activities		**(3,850)**	(98)	**(3,850)**	1,221
Net movement in cash and cash equivalents		**1,536**	543	**1,034**	568
Cash and cash equivalents at beginning of year		**(3,041)**	(3,584)	**(1,687)**	(2,255)
Cash and cash equivalents at end of year	13	**(1,505)**	(3,041)	**(653)**	(1,687)

The notes on pages 39 to 67 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 and 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 accounting estimates. It also requires directors to exercise their judgement in the process of applying the group's accounting policies (see note 3 - accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2013
In 2013, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 February 2012. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the group's accounting policies.

Standards, interpretations and amendments to published standards that are not yet effective
Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the group's accounting periods beginning after 1 February 2012. 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 the below pronouncements, there are no requirements that will have a possible significant impact on the group's financial statements in the period of initial application.

Amendment to IAS 1, 'Financial statements presentation' relates to other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in other comprehensive income.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards.

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, and will also consider the impact of the remaining phases of IFRS 9 when completed.

IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

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 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).

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.

Notes to the Consolidated Financial Statements continued

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.

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 profit or loss.

All foreign exchange gains and losses are presented in the income statements within 'cost of sales' and '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.

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.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss; with any remaining increase recognised in other comprehensive income, directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged to other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

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

1.7 Intangible assets

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

Notes to the Consolidated Financial Statements continued

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 separate financial statements, investments in subsidiaries and jointly-controlled entities 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 company gathers objective evidence that an investment is impaired using the same process disclosed in note 1.10.3. 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.

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 write down 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 recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred 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 and hedging 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 statements.

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.

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.

Notes to the Consolidated Financial Statements continued

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 statements 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, interest rate swap agreements and combined bought call and written put options, 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. Fair values of combined bought call and written put options are mainly based on dealer quotes obtained at the reporting date from the company's counterparty. 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. The full fair value of hedging derivatives is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

On the date a derivative contract is entered into, the group designates certain derivatives as a hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met. In accordance with the requirements of IAS 39, the criteria for a derivative instrument to be accounted for as a cash flow hedge include:

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

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

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

Notes to the Consolidated Financial Statements continued

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 2013, the settlement dates on open contracts ranged between two and twelve months. These derivatives contracts have a notional amount of €4,202,000 (2012: €2,043,000). If as at year end, the above noted currencies had weakened or strengthened against the euro by 5% with all other variables held constant, equity would have been €221,000 (2012: €107,000) lower or higher, mainly as a result of fair value movements on these derivative financial instruments. Such losses or gains in respect of a weakening or a strengthening of the above noted currencies against the euro would mitigate, to the extent of an amount of currency purchases equivalent to the derivative contracts' notional amount as disclosed above, the equivalent gains or losses that would arise upon the actual purchases.

(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) expose the group to cash flow interest rate risk. The group's borrowings are subject to an interest rate that varies according to revisions made to the Bank's Base Rate. Management monitors the level of floating rate borrowings as a measure of cash flow risk taken on. Interest rates on these financial instruments are linked with the Central Intervention Rate issued by the European Central Bank. Borrowings issued at fixed rates, consist primarily of unsecured bonds which are carried at amortised cost (refer to note 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 €7.5 million (2012: €8.5 million) that is subject to interest at floating rates linked to Euribor. The group 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 group 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	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Carrying amounts				
Loans and receivables	**174**	540	**-**	-
Trade and other receivables	**18,089**	16,839	**17,797**	19,111
Cash and cash equivalents	**533**	563	**40**	162
	18,796	17,942	**17,837**	19,273

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 €1,911,000 (2012: €1,772,000) 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 €680,000 (2012: €871,000). These unsecured overdue amounts consisted of €456,000 (2012: €723,000) that were less than three months overdue and €224,000 (2012: €148,000) that were greater than three months overdue.

At company level, impairment provisions of €669,000 (2012: €619,000) 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 €92,000 (2012: €272,000). These unsecured overdue amounts consisted of €92,000 (2012: €272,000) that were less than three months overdue.

Other receivables
As at year end, impairment provisions of €1,631,000 (2012: €824,000) 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 €1,709,000 (2012: €1,673,000) for the group and the company. The group and company hold security of €1,642,000 (2012: €1,817,000) against trade loans of an equivalent amount.

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

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Balance as at 1 February	**2,596**	2,338	**1,443**	1,215
Movement in provision for impairment	**946**	258	**857**	228
Balance as at 31 January	**3,542**	2,596	**2,300**	1,443

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.

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 principally 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 end of reporting period 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 end of reporting period 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 2013					
Borrowings	**29,703**	**32,413**	**4,405**	**8,732**	**19,276**
Trade and other payables	**17,646**	**17,646**	**17,646**	**-**	**-**
	47,349	**50,059**	**22,051**	**8,732**	**19,276**
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
Company					
31 January 2013					
Borrowings	**28,358**	**31,069**	**3,061**	**8,732**	**19,276**
Trade and other payables	**11,689**	**11,689**	**11,689**	**-**	**-**
	40,047	**42,758**	**14,750**	**8,732**	**19,276**
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

Notes to the Consolidated Financial Statements continued

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 the end of the reporting period 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 2013				
Interest rate derivative				
Interest-rate swap	129	320	48	**497**
Foreign exchange derivatives				
Combined bought call and written put options	20	-	-	**20**
	149	320	48	**517**
31 January 2012				
Interest rate swap derivatives	105	280	70	**455**

The group's derivatives that will be settled on a gross basis consist principally of forward foreign exchange contracts (note 19). The table below analyses the group's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings based on the remaining period at end of the reporting period to the contractual maturity date. The amounts disclosed in the table 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 2013				
Foreign exchange derivatives				
- Outflows	(3,487)	-	-	**(3,487)**
- Inflows	3,348	-	-	**3,348**
	(139)	-	-	**(139)**

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 2013 and 2012 were as follows:

	GROUP		COMPANY	
	2013 €'000	2012 €'000	**2013 €'000**	2012 €'000
Total borrowings (note 20)	**29,703**	32,988	**28,358**	31,233
Total equity	**91,925**	88,186	**85,319**	82,429
Total capital	**121,628**	121,174	**113,677**	113,662
Gearing	**24.42%**	27.22%	**24.95%**	27.48%

2.3 Fair values

Fair values of instruments not carried at fair value

At 31 January 2013 and 2012 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, that is, as prices, or indirectly, that is, derived from prices (level 2).
• Inputs for the asset that are not based on observable market data, that is, unobservable inputs (level 3).

Group and Company	**2013 Level 2 €'000**	2012 Level 2 €'000
Liabilities		
Interest rate derivative		
Interest-rate swap	**497**	455
Foreign exchange derivatives		
Currency forwards	**139**	-
Combined bought call and written put options	**20**	-
	656	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.

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.

Notes to the Consolidated Financial Statements continued

4. SEGMENT INFORMATION continued

	Brewing, production & sale of branded beers & beverages €'000	Importation, wholesale & retail of food & beverages, including wines & spirits €'000	Operation of franchised food retailing establishments €'000	Property management €'000	**Group €'000**
2013					
Revenue	44,371	28,628	9,614	946	**83,559**
Less: inter-segmental sales	(1,431)	(4,350)	-	(598)	**(6,379)**
	42,940	24,278	9,614	348	**77,180**
Segment results	5,817	1,533	517	109	**7,976**
Net finance costs					**(1,495)**
Profit before tax					**6,481**
Tax expense					**(512)**
Profit for the financial year					**5,969**
Segment assets	83,005	12,095	9,466	46,667	**151,233**
Jointly-controlled entities	-	-	-	12	**12**
Unallocated assets					**286**
Total assets					**151,531**
Segment liabilities	12,653	3,666	1,672	407	**18,398**
Unallocated liabilities					**41,208**
Total liabilities					**59,606**
Additions to non-current assets	7,251	266	172	15	**7,704**
Depreciation	4,064	282	470	107	**4,923**
Amortisation	32	-	26	-	**58**
Impairment provision for trade receivables	788	131	(3)	30	**946**
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	4,698	1,312	308	108	**6,426**
Net finance costs					**(1,346)**
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	11,093	2,483	1,546	310	**15,432**
Unallocated liabilities					**44,255**
Total liabilities					**59,687**
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**

5. PROPERTY, PLANT AND EQUIPMENT

Group	Land & buildings €'000	Assets in course of construction €'000	Plant, machinery & equipment €'000	Total €'000
At 1 February 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
Year ended 31 January 2013				
Opening net book amount	44,192	7,197	19,861	71,250
Additions	134	5,661	1,896	7,691
Commissioning of assets	6,730	(12,858)	6,128	-
Disposals	-	-	(274)	(274)
Depreciation	(794)	-	(4,129)	(4,923)
Depreciation released on disposals	-	-	234	234
Closing net book amount	**50,262**	**-**	**23,716**	**73,978**
At 31 January 2013				
Cost or valuation	53,865	-	108,732	162,597
Accumulated depreciation and impairment	(3,603)	-	(85,016)	(88,619)
Net book amount	50,262	-	23,716	73,978

Company	Land & buildings €'000	Assets in course of construction €'000	Plant, machinery & equipment €'000	Total €'000
At 1 February 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
Year ended 31 January 2013				
Opening net book amount	30,941	7,198	17,427	55,566
Additions	127	5,660	1,331	7,118
Commissioning of assets	6,730	(12,858)	6,128	-
Disposals	-	-	(100)	(100)
Depreciation	(597)	-	(3,345)	(3,942)
Depreciation released on disposals	-	-	100	100
Closing net book amount	**37,201**	**-**	**21,541**	**58,742**
At 31 January 2013				
Cost or valuation	39,249	-	87,887	127,136
Accumulated depreciation and impairment	(2,048)	-	(66,346)	(68,394)
Net book amount	37,201	-	21,541	58,742

Notes to the Consolidated Financial Statements continued

5. PROPERTY, PLANT AND EQUIPMENT continued

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 it 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 2013.

As at 31 January 2012, assets in course of construction mainly related to works carried out on the development of the new brewhouse situated within the group's manufacturing and distribution complex in Mriehel. During the financial year ended 31 January 2013, the group commissioned this new brewhouse and other infrastructural assets.

As at 31 January 2013, the carrying amount of land and buildings would have been €23,087,000 (2012: €17,017,000) 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	
	2013 €'000	2012 €'000	**2013 €'000**	2012 €'000
Cost of sales	**2,776**	2,396	**2,193**	1,805
Selling and distribution costs	**1,428**	1,315	**1,175**	1,163
Administration expenses	**719**	648	**574**	528
	4,923	4,359	**3,942**	3,496

6. INVESTMENT PROPERTY

	GROUP		COMPANY	
	2013 €'000	2012 €'000	**2013 €'000**	2012 €'000
Year ended 31 January				
Opening net book amount	**45,176**	45,121	**32,926**	32,926
Additions	**13**	55	**-**	-
Closing net book amount	**45,189**	45,176	**32,926**	32,926
At 31 January				
Cost	**40,964**	40,951	**32,688**	32,688
Net fair value gains	**4,225**	4,225	**238**	238
Net book amount	**45,189**	45,176	**32,926**	32,926

As at 1 February 2011, the cost and fair value gains attributable to the group's investment property amounted to €40,896,000 and €4,225,000 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 (2012: €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	
	2013 €'000	2012 €'000	**2013 €'000**	2012 €'000
Rental income	**298**	288	**-**	-
Direct operating expenses	**(179)**	(190)	**-**	-

6. INVESTMENT PROPERTY continued

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

	GROUP		COMPANY	
	2013 €'000	2012 €'000	**2013 €'000**	2012 €'000
At 31 January				
Cost	**12,041**	12,028	**4,456**	4,456
Accumulated depreciation	**(309)**	(281)	**-**	-
Net book amount	**11,732**	11,747	**4,456**	4,456

7. INTANGIBLE ASSETS

GROUP	Goodwill €'000	Franchise & agency rights €'000	Total €'000
At 1 February 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
Year ended 31 January 2013			
Opening net book amount	930	200	1,130
Amortisation	-	(26)	(26)
Closing net book amount	**930**	**174**	**1,104**
At 31 January 2013			
Cost	1,058	4,698	5,756
Accumulated amortisation and impairment	(128)	(4,524)	(4,652)
Net book amount	930	174	1,104

Amortisation of €26,000 (2012: €256,000) 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:

	2013 €'000	2012 €'000
Brewing, production and sale of branded beers & beverages	**192**	192
Importation, wholesale and retail of food & beverages, including wines & spirits	**738**	738
Net book amount	**930**	930

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

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

Notes to the Consolidated Financial Statements continued

7. INTANGIBLE ASSETS continued

COMPANY Franchise rights	2013 €'000	2012 €'000
Year ended 31 January		
Opening net book amount	-	233
Amortisation	-	(233)
Closing net book amount	-	-
At 31 January		
Cost	-	2,402
Accumulated amortisation	-	(2,402)
Net book amount	-	-

As at 1 February 2011, the cost and accumulated amortisation of the company's franchise rights amounted to €2,402,000 and €2,169,000 respectively. Amortisation charge for 2012 is included in cost of sales.

8. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2013 €'000	2012 €'000
Year ended 31 January		
Opening and 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 2013 all of which are unlisted, are disclosed in note 38 to these financial statements.

9. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	GROUP		COMPANY	
	2013 €'000	2012 €'000	2013 €'000	2012 €'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 2013 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 €'000	Liabilities €'000	Losses €'000
At 31 January 2012	913	930	(254)
Movements	(1)	1	(3)
At 31 January 2013	912	931	(257)

10. LOANS AND RECEIVABLES

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Year ended 31 January				
Opening net book amount	**540**	754	**-**	-
Additions	**-**	172	**-**	-
Repayments	**(366)**	(386)	**-**	-
Closing net book amount	**174**	540	**-**	-
At 31 January				
Cost and net book amount	**174**	540	**-**	-

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 2013, the weighted average effective interest rate for the group at the end of the reporting period was 7% (2012: 4.3%).

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

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Non-current				
Between 1 and 2 years	**56**	147	**-**	-
Between 2 and 5 years	**-**	56	**-**	-
	56	203	**-**	-
Current	**118**	337	**-**	-
	174	540	**-**	-

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 2013, these financial assets were fully performing and hence do not contain impaired assets.

11. INVENTORIES

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Raw materials and consumables	**3,476**	3,121	**3,243**	2,911
Finished goods and goods for resale	**5,249**	4,483	**2,299**	1,718
Containers and other stocks	**2,365**	3,200	**2,238**	2,917
	11,090	10,804	**7,780**	7,546

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

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Cost of sales	**1,119**	987	**952**	801
Selling, distribution and administrative expenses	**61**	121	**61**	121
	1,180	1,108	**1,013**	922

Notes to the Consolidated Financial Statements continued

12. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2013 €'000	2012 €'000	2013 €'000	2012 €'000
Non-current				
Other receivables	2,202	1,893	2,202	1,893
Current				
Trade receivables	11,747	10,806	6,570	6,190
Amounts due from subsidiaries	-	-	5,636	7,221
Amounts due from jointly-controlled entities	464	464	464	463
Indirect taxation	69	68	-	-
Other receivables	3,607	3,608	2,925	3,344
Prepayments and accrued income	1,076	1,336	677	797
	16,963	16,282	16,272	18,015
Total trade and other receivables	19,165	18,175	18,474	19,908

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

	GROUP		COMPANY	
	2013 €'000	2012 €'000	2013 €'000	2012 €'000
Trade and other receivables	3,542	2,596	2,300	1,443

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 repayable on demand. Included in these balances are year-end amounts of €3,338,000 (2012: €3,967,000) which are subject to an average interest rate of 4.75% (2012: 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 reporting period comprise the following:

	GROUP		COMPANY	
	2013 €'000	2012 €'000	2013 €'000	2012 €'000
Cash at bank and in hand	533	563	40	162
Bank overdrafts	(2,038)	(3,604)	(693)	(1,849)
	(1,505)	(3,041)	(653)	(1,687)

14. SHARE CAPITAL

	COMPANY	
	2013 €'000	2012 €'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

15. DIVIDENDS PAID

	COMPANY 2013 €'000	2012 €'000
Interim dividend	**400**	400
Final dividend	**1,700**	1,600
Total net dividend	**2,100**	2,000
Euro per share (net)	**€0.070**	€0.067

The final dividend of €1,700,000 in respect of the year ended 31 January 2012 was announced to the ordinary shareholders on 20 June 2012. 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 2013 was announced on 26 September 2012, and paid to the ordinary shareholders on 19 October 2012. At the forthcoming Annual General Meeting, a final net dividend of €2,100,000 in respect of the financial year ended 31 January 2013 is to be proposed.

These financial statements do not reflect the final dividend for 2013 of €2,100,000 which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 January 2014.

16. REVALUATION RESERVE

	GROUP		COMPANY	
	2013 €'000	2012 €'000	**2013 €'000**	2012 €'000
Property, plant and equipment				
At beginning of year, before deferred tax	**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 2012 and 31 January 2013	2,078	3,507	2,515	7,463	15,563
Company					
At 1 February 2012 and 31 January 2013	2,078	210	2,515	7,463	12,266

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

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

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

Notes to the Consolidated Financial Statements continued

18. 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:

Group and Company	Currency derivatives €'000	Interest rate swap €'000	Total €'000
Movement for the year ended 31 January 2012			
Losses from changes in fair value	-	576	576
Deferred income taxes (note 21)	-	(202)	(202)
	-	374	374
Transferred to statement of comprehensive income (note 28)	-	(121)	(121)
Deferred income taxes (note 21)	-	43	43
	-	(78)	(78)
At 31 January 2012			
Gross amounts of losses	-	455	455
Deferred income taxes (note 21)	-	(159)	(159)
	-	**296**	**296**
Movement for the year ended 31 January 2013			
Losses from changes in fair value	90	213	303
Deferred income taxes (note 21)	(32)	(75)	(107)
	58	138	196
Transferred to statement of comprehensive income (note 28)	69	(171)	(102)
Deferred income taxes (note 21)	(24)	60	36
	45	(111)	(66)
At 31 January 2013			
Gross amounts of losses	159	497	656
Deferred income taxes (note 21)	(56)	(174)	(230)
	103	**323**	**426**

The net fair value losses recognised in equity at 31 January 2013 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.

The net fair value losses recognised in equity at 31 January 2013 on foreign exchange derivative contracts will be transferred from the hedging reserve to the income statements when the forecast transactions occur, up to twelve months from the reporting period date.

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**
At 31 January 2013	
Interest rate derivative	
- interest-rate swap	497
Foreign exchange derivatives	
- currency forwards	139
- combined bought call and written put options	20
Total recognised derivative liabilities	**656**

19. DERIVATIVE FINANCIAL INSTRUMENTS continued

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

	2013 €'000	2012 €'000
Derivatives financial liabilities		
Non-current	**368**	350
Current	**288**	105
	656	455

(a) Interest rate derivatives

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 2013 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.

(b) Foreign exchange derivatives

Currency forwards
The currency forward contracts outstanding as at 31 January 2012 had a notional value of USD1,500,000 and GBP750,000 with an average contracted rate of €1:USD1.3436 and €1:GBP0.8651 respectively. The fair value of these derivative financial instruments held at the end of the reporting period were not deemed material by the directors for recognition and disclosure purposes.

The currency forward contracts outstanding as at 31 January 2013 have a notional value of USD2,250,000 and GBP1,450,000 with an average contracted rate of €1:USD1.3234 and €1:GBP0.8142 respectively. The related fair value of outstanding forward contracts as at year end amounted to a net liability of €139,000.

These contracts mature within a period of two to nine months from the end of the reporting period and within the same period of time the forecast transactions designated as items being hedged by these contracts are expected to affect the income statements.

Combined bought call and written put options
The terms and approximate notional amounts of the foreign exchange combined options held for hedging purposes outstanding at 31 January 2013 are as follows:

Contract cover	Notional amount	Strike price range Call Put	Fair value liabilities €'000
Period to 31 December 2013	USD1,100,000	$1.29 - $1.41	(20)

These hedging derivative contracts would typically have monthly exercise or settlement dates and upon monthly net cash settlements, amounts recognised in equity in respect of these contracts would be released to the income statements as the forecast hedged transactions would simultaneously affect the results of the group.

Notes to the Consolidated Financial Statements continued

20. BORROWINGS

	GROUP 2013 €'000	GROUP 2012 €'000	COMPANY 2013 €'000	COMPANY 2012 €'000
Non-current				
6.0% Bonds 2017-2020	**14,728**	14,696	**14,728**	14,696
Bank loans	**11,187**	12,938	**11,187**	12,938
	25,915	27,634	**25,915**	27,634
Current				
Bank overdrafts	**2,038**	3,604	**693**	1,849
Bank loans	**1,750**	1,750	**1,750**	1,750
	3,788	5,354	**2,443**	3,599
Total borrowings	**29,703**	32,988	**28,358**	31,233

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

	GROUP 2013 €'000	GROUP 2012 €'000	COMPANY 2013 €'000	COMPANY 2012 €'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	**(112)**	(80)	**(112)**	(80)
Net book amount	**272**	304	**272**	304
Amortised cost	**14,728**	14,696	**14,728**	14,696

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 2013 for the 6.0% Bonds 2017-2020 was 107.50 (2012: 103.5).

As contemplated in the prospectus dated 10 May 2010, the group issued a bank guarantee for an amount of €250,000 in fulfilment of the company's reserve account obligations as per clause 26.9 of the above noted prospectus.

The group's and the company's banking facilities as at 31 January 2013 and 2012 amounted to €30,415,000 and €32,165,000 for the group, and €22,152,000 and €23,902,000 for the company respectively.

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

Interest rate exposure:

	GROUP 2013 €'000	GROUP 2012 €'000	COMPANY 2013 €'000	COMPANY 2012 €'000
At floating rates	**9,538**	12,105	**8,193**	10,350
At fixed rates	**20,165**	20,883	**20,165**	20,883
Total borrowings	**29,703**	32,988	**28,358**	31,233

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 in financial year ended 31 January 2011 (note 19).

The weighted average effective interest rates at the end of the reporting period were as follows:

	GROUP 2013 %	GROUP 2012 %	COMPANY 2013 %	COMPANY 2012 %
Bank overdrafts	**4.69**	4.58	**4.75**	4.75
Bank loans	**3.61**	4.30	**3.61**	4.30
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	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
At beginning of year	**11,087**	11,076	**5,623**	5,782
Charged to income statements (note 29)	**32**	170	**-**	-
Net tax effect of re-measurement of derivatives	**(71)**	(159)	**(71)**	(159)
At end of year	**11,048**	11,087	**5,552**	5,623

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% (2012: 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, that is, 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 (gain)/loss €'000	Net tax losses €'000	Revaluation surplus €'000	Provisions on assets €'000	**Total €'000**
Group							
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
At 1 February 2012	4,368	(4,051)	348	59	11,151	(788)	11,087
Income statements	316	(3)	-	23	-	(304)	32
Equity	-	-	(71)	-	-	-	(71)
At 31 January 2013	**4,684**	**(4,054)**	**277**	**82**	**11,151**	**(1,092)**	**11,048**
Company							
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
At 1 February 2012	4,840	(4,051)	(131)	93	5,782	(910)	5,623
Income statements	283	(3)	-	-	-	(280)	-
Equity	-	-	(71)	-	-	-	(71)
At 31 January 2013	**5,123**	**(4,054)**	**(202)**	**93**	**5,782**	**(1,190)**	**5,552**

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 2013, the group and the company had unrecognised deferred tax assets consisting of unutilised tax credits arising from:

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Unutilised investment tax credits	**15,669**	16,513	**15,669**	16,513
Unabsorbed tax losses	**18**	18	**-**	-
Unabsorbed capital allowances	**631**	631	**-**	-
	16,318	17,162	**15,669**	16,513

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

	GROUP		COMPANY	
Termination benefit provisions	**2013 €'000**	2012 €'000	**2013 €'000**	2012 €'000
At 1 February	**188**	175	**188**	175
Charged to profit and loss	**24**	159	**24**	159
Utilised during the year	**(116)**	(146)	**(116)**	(146)
At 31 January	**96**	188	**96**	188

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 2013 total €24,000 while for 2012 total €159,000 (note 25). It is anticipated that €78,540 (2012: €108,000) of the provision will be paid during the financial year ending 31 January 2014.

23. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2013 €'000	2012 €'000	**2013 €'000**	2012 €'000
Current				
Trade payables	**4,659**	4,036	**1,915**	1,665
Capital and other payables	**3,216**	2,120	**2,602**	1,451
Indirect taxes and social security	**2,105**	1,586	**1,410**	1,035
Accruals and deferred income	**7,666**	7,047	**5,762**	5,737
	17,646	14,789	**11,689**	9,888

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		COMPANY	
	2013 €'000	2012 €'000	**2013 €'000**	2012 €'000
Depreciation of property, plant and equipment (note 5)	**4,923**	4,359	**3,942**	3,496
Employee benefit expense (note 25)	**14,143**	14,030	**8,269**	8,150
Termination benefits (note 25)	**24**	159	**24**	159
Raw materials, imported goods and consumables	**36,751**	33,542	**11,121**	11,549
Changes in inventories of finished goods and work in progress (note 11)	**766**	(535)	**581**	(351)
Increase in impairment provisions for trade and other receivables (note 12)	**946**	258	**857**	228
Impairment of trade receivables	**55**	43	**30**	12
Amortisation of intangible assets (note 7)	**26**	256	**-**	233
Operating motor vehicles lease rentals payable	**-**	90	**-**	90
Other expenses	**11,570**	12,223	**11,905**	12,631
Total cost of sales, selling and distribution costs and administrative expenses	**69,204**	64,425	**36,729**	36,197

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 January 2013 and 2012 relate to the following:

	GROUP		COMPANY	
	2013 €'000	2012 €'000	**2013 €'000**	2012 €'000
Annual statutory audit	**109**	97	**47**	41
Other assurance services	**7**	12	**7**	12
Tax advisory and compliance services	**5**	5	**2**	2
Other non-audit services	**12**	10	**12**	10
	133	124	**68**	65

25. EMPLOYEE BENEFIT EXPENSE

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Wages and salaries	**13,151**	13,051	**8,686**	8,604
Social security costs	**949**	936	**638**	634
Other pension costs	**43**	43	**43**	43
	14,143	14,030	**9,367**	9,281
Recharged to subsidiaries	**-**	-	**(1,098)**	(1,131)
	14,143	14,030	**8,269**	8,150
Termination benefits	**24**	159	**24**	159
	14,167	14,189	**8,293**	8,309

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

	GROUP		COMPANY	
	2013	2012	**2013**	2012
Brewing, production and sale of branded beers and beverages	**456**	461	**438**	442
Importation, wholesale and retail of food and beverages, including wines and spirits	**90**	80	**-**	-
Operation of franchised food retailing establishments	**163**	176	**-**	-
	709	717	**438**	442

The above employee benefit expense excludes capitalised payroll expenses in relation to the new brewhouse project amounting to €71,000 (2012: €170,000), which are included in property, plant and equipment.

26. NET EXCHANGE DIFFERENCES

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

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Foreign exchange differences	**32**	9	**(6)**	(7)
Fair value gains on derivative instruments:				
- Foreign exchange forward contracts	**69**	51	**69**	32
	101	60	**63**	25

27. INVESTMENT GAINS

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Interest on loans and receivables	**14**	24	**-**	-
Interest on amounts owed by subsidiaries	**-**	-	**91**	128
	14	24	**91**	128

28. FINANCE COSTS

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Bank loans and overdrafts	**413**	349	**321**	256
Bonds	**900**	900	**900**	900
Fair value loss on derivative financial instruments	**171**	121	**171**	121
Other finance costs	**25**	-	**38**	29
	1,509	1,370	**1,430**	1,306

During the year ended 31 January 2013, borrowing costs amounting to €109,000 (2012: €208,000) 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% (2012: 5.2%).

During the year ended 31 January 2013, the company was granted interest subsidy amounting to €246,000 (2012: €225,000) from Malta Enterprise related to approved investment loans of €9.5 million (2012: €9.5 million). A net effective interest rate of 2.70% (2012: 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	
	2013 €'000	2012 €'000	2013 €'000	2012 €'000
Current tax expense	480	188	-	-
Deferred tax expense (note 21)	32	170	-	-
Tax expense	512	358	-	-

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	
	2013 €'000	2012 €'000	2013 €'000	2012 €'000
Profit before tax	6,481	5,080	5,120	4,314
Tax on profit at 35%	2,268	1,778	1,792	1,510
Tax effect of:				
Benefits available under the Business Promotion Act, comprising investment tax credits and allowances	(1,263)	(1,096)	(1,263)	(1,096)
Unrecognised deferred tax assets	(844)	(487)	(844)	(487)
Differences related to termination benefits	40	55	40	55
Over-provision in unrecognised and recognised deferred tax related to prior years	253	89	254	-
Non allowable expenses and other differences	58	19	21	18
Tax expense	512	358	-	-

30. DIRECTORS' EMOLUMENTS

	GROUP		COMPANY	
	2013 €'000	2012 €'000	2013 €'000	2012 €'000
Amounts paid				
Fees	192	174	192	174
Salaries	40	23	40	23
Ex-gratia one time gratuity	-	82	-	82
Other emoluments	217	175	217	175
	449	454	449	454
Amounts provided for				
One time gratuity	-	150	-	150
Total directors remuneration	449	604	449	604

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.

The disclosure for the financial year ended 31 January 2012 included an ex-gratia payment paid to the former Chairman following his retirement.

In 2012, 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 was paid following its ratification at the 2012 Annual General Meeting dated 20 June 2012.

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	
	2013	2012
Profit attributable to shareholders on continuing operations (€'000)	5,969	4,722
Weighted average number of ordinary shares in issue (thousands)	30,000	30,000
Earnings per share on profit from continuing operations	€0.199	€0.157

32. CASH GENERATED FROM OPERATIONS

Reconciliation of operating profit to cash generated from operations:

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Operating profit	**7,976**	6,426	**6,459**	5,492
Adjustments for:				
Depreciation of property, plant and equipment (note 5)	**4,923**	4,359	**3,942**	3,496
Profit on disposal of property, plant and equipment	**(28)**	(75)	**(12)**	(28)
Amortisation of intangible assets (note 7)	**26**	256	**-**	233
Amortisation of bond issue costs (note 20)	**32**	26	**32**	26
Increase in provision for impairment of trade and other receivables (note 12)	**946**	258	**857**	228
Provision for termination benefits (note 22)	**24**	159	**24**	159
	13,899	11,409	**11,302**	9,606
Changes in working capital:				
Inventories	**(286)**	1,185	**(234)**	1,078
Trade and other receivables	**(1,570)**	(720)	**577**	995
Trade and other payables	**2,741**	(783)	**1,684**	(4,136)
Cash generated from operations	**14,784**	11,091	**13,329**	7,543

33. COMMITMENTS

Capital commitments

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

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Authorised but not contracted	**1,391**	4,212	**839**	3,542
Contracted but not provided for	**1,209**	3,857	**1,209**	3,857
	2,600	8,069	**2,048**	7,399

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	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**202**	232	**-**	-
Later than 1 year and not later than 5 years	**825**	821	**-**	-
Later than 5 years and not later than 30 years	**1,539**	1,745	**-**	-
	2,566	2,798	**-**	-

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	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Not later than 1 year	**288**	430	**-**	-
Later than 1 year and not later than 5 years	**1,172**	1,378	**-**	-
Later than 5 years	**1,677**	2,036	**-**	-
	3,137	3,844	**-**	-

Notes to the Consolidated Financial Statements continued

34. CONTINGENT LIABILITIES

At 31 January 2013, the group and the company had contingent liabilities amounting to €1,791,000 (2012: €1,746,000) and €523,000 (2012: €479,000) 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 2013, guarantees amounting to €6,863,000 (2012: €6,863,000) were given by the company with regards to bank facilities of subsidiaries.

At 31 January 2013, a guarantee amounting to €250,000 (2012 : €Nil) was issued by the company's bank in fulfilment of the company's reserve account obligations as contemplated in the prospectus dated 10 May 2010.

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	
	2013	2012
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% (2012: 20.68%) of the shares are widely held. The following transactions were carried out with related parties:

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Income from goods and services				
- Sales of goods to subsidiaries	**-**	-	**1,418**	1,262
- Sales of goods to related parties	**20**	-	**-**	-
- Recharge of costs to subsidiaries	**-**	-	**915**	1,020
- Recharge of payroll costs to subsidiaries	**-**	-	**1,472**	1,351
- Finance income on loans to subsidiaries	**-**	-	**91**	128
	20	-	**3,896**	3,761

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	€'000	€'000	**€'000**	€'000
Expenditure for goods and services				
- Purchases of goods from subsidiaries	**-**	-	**897**	1,230
- Purchases of goods and services from related parties	**580**	733	**567**	682
	580	733	**1,464**	1,912

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

Amounts due from subsidiaries and jointly-controlled entities, in connection with sales and purchases transactions, are disclosed in note 12 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 2013 are shown below:

	Registered office	Principal activities	Percentage of shares held 2013	2012
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 Beverage Imports Company Limited	The Brewery, Mdina Road, Mriehel	Importation and wholesale of beverages, wines and spirits	**100**	100
Farsons Distribution Services Limited (formerly Farsons Sales & Marketing Limited)	The Brewery, Mdina Road, Mriehel	Non-operating	**100**	100
Farsons Italia S.r.l. (in liquidation)	Via del Concilio 17, 20045 Lissone, Milan - Italy	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

The principal jointly-controlled entities at 31 January 2013 are shown below:

	Registered office	Principal activities	Percentage of shares held 2013	2012
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 2013	Ordinary shares held as at 22 April 2013
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 2013 to 22 April 2013.

Shareholders holding 5% or more of the equity share capital as at 22 April 2013
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 22 April 2013, the company's issued share capital was held by the following shareholders:

	Number of shareholders
Ordinary shares of €0.30 each	1,790

The holders of the Ordinary shares have equal voting rights.

Number of shareholders as at 22 April 2013

	Number of shareholders	Number of shares	Percentage holding
Ordinary shares of €0.30 each			
Up to 500 shares	559	131,117	0.44
501 - 1,000 shares	349	248,620	0.83
1,001 - 5,000 shares	664	1,521,422	5.07
More than 5,000 shares	218	28,098,841	93.66
	1,790	30,000,000	100.00

Antoinette Caruana
Company Secretary

The Brewery, Mdina Road, Mriehel BKR 3000.
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Five Year Summarised Group Results

		2013 €'000	2012 €'000	2011 €'000	2010 €'000	2009 €'000
Revenue		**77,180**	70,851	67,354	65,111	66,825
Operating costs		**(69,204)**	(64,425)	(61,054)	(60,119)	(64,512)
Operating profit		**7,976**	6,426	6,300	4,992	2,313
Changes in fair value of investment property		**-**	-	(661)	-	-
Profit on disposal of land and buildings		**-**	-	-	-	505
Net finance costs		**(1,495)**	(1,346)	(1,588)	(1,788)	(2,013)
Profit before taxation		**6,481**	5,080	4,051	3,204	805
Tax		**(512)**	(358)	(307)	(454)	(354)
Profit attributable to Ordinary shareholders		**5,969**	4,722	3,744	2,750	451
Net dividends paid on Ordinary shares		**2,100**	2,000	1,900	1,100	1,567
Shareholders' funds		**91,925**	88,186	85,760	83,916	82,266
Borrowings		**29,703**	32,988	31,848	38,484	43,962
Total capital employed		**121,628**	121,174	117,608	122,400	126,228
Fixed Assets		**120,271**	117,556	113,414	113,682	114,790
Non-current Assets		**2,270**	2,108	3,337	2,480	3,880
Current assets		**28,990**	28,209	28,221	29,749	32,206
Assets held for sale		**-**	-	-	77	263
Liabilities (excluding borrowings)		**(29,903)**	(26,699)	(27,364)	(23,588)	(24,911)
Total assets less liabilities		**121,628**	121,174	117,608	122,400	126,228
Shares in issue during the financial year:						
- Ordinary shares	**'000**	**30,000**	30,000	30,000	25,714	25,714
Number of Ordinary shareholders		**1,790**	1,781	1,773	1,756	1,676
Earnings per Ordinary share (reference note 31)		**€0.199**	€0.157	€0.125	€0.092	€0.015
Return on average capital employed	**percentage**	**6.6**	5.4	4.7	4.0	2.2
Dividend cover	**times**	**2.84**	2.36	1.97	2.50	0.29
Dividends per Ordinary share (net of tax)		**€0.070**	€0.067	€0.063	€0.037	€0.052
Net asset value per Ordinary share		**€3.06**	€2.94	€2.86	€2.80	€2.74
Gearing	**percentage**	**24.4**	27.2	27.1	31.4	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.