

FARSONS GROUP

Farsons

SIMONDS FARSONS CISK p.l.c.

INFORMATION MEMORANDUM

Issue of €15,000,000 6% Bonds
due 2017 – 2020

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The world's local bank

Sponsor

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FARSONS GROUP

Farsons

SIMONDS FARSONS CISK p.l.c.

A public limited company
incorporated under the laws of Malta,
company registration number C113.

INFORMATION MEMORANDUM

Issue of €15,000,000 6% Bonds due 2017 – 2020

Aggregate Principal Amount €15,000,000 Issue Price: At Par (100%)

This document is being published by Simonds Farsons Cisk p.l.c. (the 'Issuer') in connection with an issue of Bonds and contains a brief description of the Issuer and the terms and conditions of the Bonds. This document is not itself an offer for subscription but contains summarised information taken from the Prospectus dated 10 May 2010 (the "Prospectus"). This document should not be construed as a Prospectus, it does not purport to be complete and is subject to, and qualified by reference to the Prospectus which all potential Applicants are solicited to read. All Applications received shall be treated as Applications based solely on the information contained in and subject to all the terms and conditions of the Prospectus. All Applicants shall be deemed to have read and to be cognisant of the information contained in the Prospectus, and in agreement with, the terms and conditions of the bonds being issued pursuant to the Prospectus. The Directors of the Issuer have taken all reasonable care to ensure that the facts stated are true and accurate in all material respects and that there are no material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All Directors accept responsibility accordingly.

Simonds Farsons Cisk p.l.c. (the "Issuer") is issuing six per cent (6%) Bonds due 2017-2020 (the "Bonds") for an aggregate principal amount of €15,000,000. The Bonds, having a nominal value of €100 each, will be issued at par and shall bear interest at the rate of 6% per annum payable annually in arrears on 15 June of each year, the first such payment to be made on 15 June 2011. The Bonds will unless previously purchased and cancelled, be redeemed on 15 June 2020, subject to the Issuer's option to redeem earlier all or any of the Bonds at any date between 15 June 2017 and 14 June 2020, as the Issuer may determine on giving not less than thirty (30) days' notice.

Investing in the Bonds involves risks. See "Risk Factors", Section 11, Part B of the Prospectus.

The Bonds will be unsecured obligations of the Issuer and will rank *pari passu* without any priority or preference with all other present and future unsecured obligations of the Issuer.

Application has been made to the Listing Authority in its capacity as the competent authority under the Financial Markets Act (Chapter 345 of the Laws of Malta) for the Bonds to be admitted to listing on a regulated market and to the Board of Directors of the Malta Stock Exchange for the Bonds to be admitted to the Official List. Dealings are expected to commence on the Exchange on 25 June 2010.

The value of investments can rise or fall and past performance is not necessarily indicative of future performance. The nominal value of the Bonds will be repayable in full upon redemption. If you need advice you should consult a licensed stockbroker or an investment advisor licensed under the Investment Services Act (Cap.370 of the Laws of Malta).

All terms used in this document shall unless otherwise defined or unless the context otherwise requires have the same meanings assigned to them in the Prospectus.



This is not a Prospectus in terms of law. The complete Prospectus is available from the registered offices of the Issuer and the Sponsor.

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1. DETAILS OF THE BOND ISSUE

1.1 The Bond Issue

The Issuer is issuing six per cent (6%) Bonds due 2017–2020 for an aggregate principal amount of €15,000,000. The Bonds, having a nominal value of €100 each, will be issued at par and shall bear interest at the rate of 6% per annum payable annually in arrears on 15 June of each year, the first such payment to be made on the 15 June 2011. The Bonds will be redeemed on 15 June 2020, subject to the Issuer's option to redeem earlier all or any of the Bonds at any date between 15 June 2017 and 14 June 2020, as the Issuer may determine on giving not less than thirty (30) days' notice.

The Bond Issue is not underwritten. In the event that the total aggregate principal amount of the Bonds amounting to €15,000,000 is not fully subscribed, no allotment of the Bonds shall be made, the Applications shall be deemed not to have been accepted by the Issuer and all money received from Applicants shall be refunded accordingly.

1.2 Expected Timetable of Principal Events

Application Forms mailed to Preferred Applicants	12 May 2010
Application Forms available	14 May 2010
Preferred Applicants Period opens	20 May 2010
Preferred Applicants Period closes	28 May 2010
Public Offer Period opens	1 June 2010
Public Offer Period closes	8 June 2010
Announcement of basis of acceptance	15 June 2010
Commencement of interest on the Bonds	15 June 2010
Expected dispatch of allotment advices and refund of unallocated monies	22 June 2010

1.3 Offer Statistics

Issuer:	Simonds Farsons Cisk p.l.c., a company registered in Malta with registration number C113 (the “ Issuer ”);
Issue:	Six per cent (6%) Bonds due 2017–2020 (the “ Bonds ”);
ISIN:	MT0000071226;
Amount:	An aggregate principal amount of €15,000,000;
Form:	The Bonds will be issued in fully registered non-certificated form, without interest coupons. Certificates will not be delivered to Bondholders in respect of the Bonds as each Bondholder will be registered in dematerialised form and will be represented by an appropriate entry in the electronic register maintained on behalf of the Issuer at the Central Securities Depository, or as may be stipulated by the Exchange Bye-Laws from time to time;
Denomination:	Euro (€);
Minimum amount per Subscription:	Minimum of one thousand one hundred euro (€1,100) and integral multiples of one hundred euro (€100);
Redemption Date:	15 June 2020, subject to redemption of all or part of the Bonds earlier than their Redemption Date, at the option of the Issuer, as described herein;
Issue Price:	At par (€100 for each Bond);
Status of the Bonds:	The Bonds shall constitute the unsecured obligations of the Issuer and will rank <i>pari passu</i> without any priority or preference with all other present and future unsecured obligations of the Issuer;
Listing:	Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the Exchange for the Bonds to be listed and traded on its Official List;
Offer Period:	The periods between 20 May 2010 and 28 May 2010 and between 1 June 2010 and 8 June 2010 (or such earlier date as may be determined by the Issuer) during which the Bonds are on offer;
Preferred Applicants Period:	The first part of the Offer Period during which the Bonds are on offer only to Preferred Applicants between 20 May 2010 and 28 May 2010;
Public Offer Period:	The second part of the Offer Period during which the Bonds are on offer to the general public between 1 June 2010 and 8 June 2010 (or such earlier date as may be determined by the Issuer in the event of over-subscription);
Interest:	Six per cent (6%) per annum for each of the Bonds;



Yield:	The gross yield calculated on the basis of the interest, the Issue Price and the Redemption Value of the Bonds at maturity is six per cent (6%) for each of the Bonds;
Interest Payment Date(s):	15 June of each year, between 2011 and the year in which the Bonds are redeemed (both years included), the first such payment to be made on 15 June 2011, provided that if any such day is not a Business Day, interest accrued up to and including the Interest Payment Date will be paid on the next following day that is a Business Day;
Redemption Value:	At par (€100 for each Bond);
Designated Optional Redemption Dates:	The Issuer has the option to redeem all or any part of the Bonds at their nominal value on any day falling between 15 June 2017 and 14 June 2020 (both dates included) by giving not less than thirty (30) days' advance notice in writing to Bondholders;
Manager & Registrar :	HSBC Bank Malta p.l.c.;
Sponsor:	Curmi & Partners Limited;
Notices:	Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of twenty four (24) hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholder at his/her registered address and posted;
Governing Law:	The Bonds are governed by and shall be construed in accordance with Maltese law;
Submission to Jurisdiction:	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds shall be brought exclusively before the Maltese Courts.

1.4 Distribution of the Bonds

The Bonds are open for subscription to Preferred Applicants (as defined in Section 1.5 below) as well as to the public (as better described in Section 1.5 below). Intermediaries subscribing for Bonds may do so for their own account or for the account of underlying customers, including retail customers.

1.5 Allocation Policy

The Issuer will be giving preference to Applications for the Bonds to the following categories of applicants:

- existing holders of the Bonds 2010-2012 as held on 6 May 2010 ("the Cut-Off Date") who will be participating in the Bond Exchange Programme (as described in Section 1.6 below) ("Existing Holders")
- shareholders of the Issuer at the Cut-Off Date ("Shareholders")
- Directors of the Issuer and employees of the Farsons Group at the Cut-Off Date excluding their spouses and dependants ("Employees")

(hereinafter collectively referred to as "the Preferred Applicants").

The Issuer will be reserving an amount of €10,000,000 or 66.66% of the full amount of the Offering for allocation to the Existing Holders and will furthermore be reserving a further amount of €1,000,000 for allocation to Shareholders and Employees (the two reserved amounts hereinafter collectively referred to as "the Preferred Portion").

Applications for the Bonds made by Existing Holders will be satisfied in full up to the level of their existing holding in the Bonds 2010-2012, provided that no application for the Bonds shall be less than €1,100 and for an amount that is not an integral multiple of €100.

Applications received from Existing Holders for amounts in excess of their existing holding shall be satisfied by allocation from any unallocated part of the reserved amount of €10,000,000. In the event that the aggregate excess amounts of such Applications cannot be satisfied in full from the balance of the reserved amount of €10,000,000, the excess amounts of such Applications will be scaled down in proportion to the aggregate excess amounts of such Applications.

Shareholders and Employees will also be given preference for allocation purposes, provided that the amount allocated to Shareholders and Employees shall not exceed €1,000,000. A person who qualifies both as a Shareholder and an Employee shall be entitled to be given a preference in both such capacities. In the event that the aggregate amount of Applications received from Shareholders and Employees is in excess of the reserved amount of €1,000,000 such allocation shall be made on a pro rata basis, if possible respecting the minimum subscription amount of €1,100.

Applications received from Existing Holders that cannot be satisfied from the reserved amount of €10,000,000 and Applications received from Shareholders and Employees that cannot be satisfied from the reserved amount of €1,000,000 will automatically be carried forward for participation, on a *pari passu* basis, with Applications received from non-preferred applicants in the Public Offer.

In the event that the Preferred Portion is not taken up by the Preferred Applicants in its entirety, such unutilised portion shall immediately become available for allocation to the public in the Public Offer.

In all cases the Issuer shall, if possible, respect the minimum subscription amount of €1,100.

Save for the above, the Issuer will announce the allocation policy for the allotment of the Bonds within five (5) Business Days of the closing of subscriptions in, at least, one newspaper. It is expected that an allotment advice to Applicants will be dispatched within five (5) Business Days of the announcement of the allocation policy.

Dealing shall commence upon admission to trading of the Bonds by the Exchange and subsequent to the above-mentioned notification.

1.6 Bond Exchange Programme

The Issuer has reserved €10,000,000 or 66.66% of the maximum aggregate amount of Bonds being issued for subscription by Existing Holders (as described in Section 1.5 above). The Existing Holders shall use the pre-printed Application Form to be mailed directly by the Issuer and shall be required to submit same to Authorised Intermediaries together with cleared funds, if applicable (as described below), during the Preferred Applicants Period.

By virtue of the submission of the duly completed Application Form, Existing Holders shall indicate their agreement to settle the consideration for the Bonds by surrendering in the Issuer's favour all or part of the Bonds 2010-2012 together with the payment of such additional amount in cash as may be required. Such surrender shall be without prejudice to the rights of the Existing Holders to receive interest on the Bonds 2010-2012 up to and including 2 November 2010.

The Issuer shall settle in cash the difference between the interest accruing at the rate of 6.6% on the Bonds 2010-2012 and the interest accruing at the rate of six per cent (6%) on the Bonds from the Issue Date up to 2 November 2010 to all Existing Holders applying within the Preferred Applicants Period and who, as a result, have elected to settle their consideration for the Bonds by surrendering and cancelling all or part of their holding of the Bonds 2010-2012 to the Issuer as described above. Payment of the aforesaid difference shall be made on the Issue Date together with the payment of the interest accruing at the rate of 6.6% on the Bonds 2010-2012 which is due to the Existing Holders from 2 November 2009 up to the Issue Date.

By submitting the signed pre-printed Application Form (whether in whole or in part consideration for the Bonds being applied for) together with the payment of such additional amount in cash as described above, Existing Holders shall be deemed to confirm that:

- (a) all or part (as the case may be) of their holding of the Bonds 2010-2012 indicated in the said Application Form are being surrendered in favour of the Issuer for cancellation; and
- (b) the pre-printed Application Form constitutes the Existing Holders' irrevocable mandate to the Issuer to:
 - i. surrender the said Bonds 2010-2012 in the Issuer's favour for cancellation; and
 - ii. engage the services of such brokers or intermediaries as may be necessary to fully and effectively carry out all procedures necessary with the MSE for the surrender and cancellation of the said Bonds 2010-2012 and to fully and effectively vest title in the appropriate number of Bonds in the Existing Holder.

Any Existing Holder wishing to surrender and cancel all or part of their Bonds 2010-2012 in exchange of the Bonds shall only be entitled to do so during the Preferred Applicants Period.

1.7 Admission to Trading

The Bonds are expected to be admitted to the Official List of the Exchange with effect from 24 June 2010 and trading is expected to commence on 25 June 2010.

1.8 Expenses of the Issue

Professional fees, costs related to publicity, advertising, printing, listing, registration, sponsor, management and registrar fees, selling commission and other miscellaneous expenses in connection with this Bond Issue, are estimated not to exceed €400,000 and shall be borne by the Issuer. The overall amount of the placing commission payable to Authorised Intermediaries will not exceed €150,000.

1.9 Authorisations

The issue of the Bonds was authorised by the Issuer's Board of Directors by resolution dated 26 April 2010. The Listing Authority authorised the Bonds as admissible to listing on the Official List of the Exchange pursuant to the Listing Rules by virtue of a letter dated 10 May 2010.

1.10 Reserve Account

The Issuer will, with effect from 1 February 2012, over the period up to the Redemption Date, build a reserve the value of which will by the end of such period be equivalent to 50% of the aggregate outstanding principal amount of the Bonds at the relevant time with a view to funding in part the repayment of capital on the Bonds on the Redemption Date. Transfers to the reserve will be made out of the Issuer's net cash flows from operating activities, that is, operating profits adjusted for non-cash items and movements in working capital, net of capital expenditure of an ordinary nature and payment of taxes.

The proceeds constituting this reserve (the "Reserve Account") shall be registered in the name of a custodian, independent of the Issuer and licensed by the Malta Financial Services Authority under the Investment Services Act, 1994 (Cap.370) to hold clients' monies or assets or licensed to carry on the business of banking in terms of the Banking Act ("the Custodian"), who is to take control of such proceeds and which proceeds will be segregated from the remaining assets of the Issuer.

The Custodian will, further to a request made by the Issuer, invest funds for the purpose of the Reserve Account provided that, save where market conditions may dictate otherwise from time to time, the investment of these proceeds will only be made either for the purpose of the Issuer buying back Bonds for cancellation in terms of



Section 27.6 of Part D of the Prospectus, or for investing in such instruments, debt and/or money market securities issued or guaranteed by any sovereign state or any supranational authority within the Euro zone or which is a member of the OECD, or other debt securities which are rated as 'A' or better by a recognized international rating agency, denominated in Euro, or in debt and/or money market securities issued by credit institutions regulated by the Malta Financial Services Authority.

In making such investment decisions, the Board of Directors will apply the necessary level of prudence, taking into account the then current market circumstances and the obligations of the Issuer over the term of the Bond. The Directors shall keep under review their investment policies with respect to the assets constituting the Reserve Account for the term of the Bond and shall determine the asset allocation of the Reserve Account with a view to creating as balanced and diversified a portfolio of assets as can reasonably be considered practicable in the then current market and overall economic conditions. Furthermore the Custodian shall be obliged to ensure that the proceeds of the Reserve Account are invested and / or used in accordance with the terms of this Section 1.10.

The Custodian shall ensure that the proceeds constituting the Reserve Account, are used solely for the cancellation or redemption of the Bonds; provided that the Issuer may, with the prior consent of the Custodian, create a general hypothec and/or privilege over the proceeds constituting the Reserve Account and provided further that on an exceptional basis, and with the prior consent of the Custodian, the proceeds constituting the Reserve Account may be used by the Issuer as collateral to obtain further financing for the Issuer when the Issuer is experiencing severe liquidity problems.

In the event of the winding up or insolvency of the Issuer, the proceeds constituting the Reserve Account shall become available to all creditors of the Issuer and consequently Bondholders will continue to rank *pari passu* without any priority or preference with all other present and future unsecured obligations of the Issuer.

The Custodian may, but shall not be required or bound to, ensure or otherwise procure the creation and funding of the Reserve Account by the Issuer. In the event of a cancellation or redemption in full of all outstanding Bonds, any funds remaining in the Reserve Account thereafter shall be transferred by the Custodian to the Issuer.

In lieu of the creation of the Reserve Account as described above the Issuer may, subject to the prior approval of the Listing Authority, opt to provide a bank guarantee from a reputable bank regulated by the Malta Financial Services Authority.

1.11 Terms and Conditions of the Bonds

The full terms and conditions of the Bonds are included in Section 27 of Part D of the Prospectus.

1.12 Status

The Bonds shall constitute the unsecured obligations of the Issuer and will rank *pari passu* without any priority or preference with all other present and future unsecured obligations of the Issuer.

In terms of Article 1995 of the Civil Code (Chapter 16 of the Laws of Malta), the property of a debtor is the common guarantee of his creditors, all of whom have an equal right over such property, unless there exist between them "lawful causes of preference". Privileges and hypothecs are "lawful causes of preference". Accordingly any debts which are secured by privileges and hypothecs, whether existing now or which may come into existence in the future would rank prior to the indebtedness arising under the Bonds.

From searches which were carried out from 11 November 1971 up to the 10 March 2010 it results that the Issuer has granted various privileges and hypothecs to secure its indebtedness, mainly *vis-à-vis* its banks. The hypothec numbers of the existing registered privileges and hypothecs, in respect of which the Issuer is debtor, as resulting from searches carried out from 11 November 1971 up to 10 March 2010, are listed below:

7,685/71 as renewed by HR 5/02; 8,074/1973; 9,303/75 as renewed by HR 18/05; 7,122/76; 7,123/76; 2,911/78 as renewed by HR 14/07; 4,087/81; 4,088/81; 1,173/86; 1,988/86; 12,687/88; 12,688/88; 15,698/97; 12,960/00; 5,419/02; 14,482/03; 14,483/03; 7,824/04; 14,391/05; 14,521/05; 15,030/05; 16,963/05; 2,518/06; 2,756/06; 2,757/06; 2,759/06; 19,293/06; 11,795/07.

The searches of existing registered privileges and hypothecs in respect of which the Issuer is debtor are available for inspection at the offices of the Issuer.

The indebtedness being created by the Bonds ranks after all these debts and, in addition, would also rank after any future debts which may be secured by a cause of preference such as a privilege and a hypothec.

1.13 Documents on Display

For the duration of the Prospectus certain documents shall be available for inspection at the registered address of the Issuer. For further information please see Section 23.4 of Part C of the Prospectus.

2. REASONS FOR THE OFFER AND USE OF PROCEEDS

The proceeds from the Bonds, which net of commissions and expenses are expected to amount to €14,600,000, will be used by the Issuer in this order:

- to repay any amounts due by the Issuer with respect to the Bonds 2010-2012, which Bonds 2010-2012 currently amount to €9,317,494 and which the Issuer will be redeeming on 2 November 2010; and
- for the purpose of the general funding of the Issuer, which includes the New Brewhouse Project.

The Issuer's capital expenditure plans, which include the €14 million investment required for the New Brewhouse Project, are projected to be financed from the proceeds from the Bonds, net of the repayment of the Bonds 2010-2012, the €7.5 million bank loan raised in February 2010 specifically for the New Brewhouse Project and from banking facilities, the unutilised portion of which, as at 31 January 2010, amounted to €11.7 million.

For further information on the Bonds 2010-2012 please see Section 26.2 of Part D of the Prospectus and for further information on the New Brewhouse Project please see Section 4.4 of this Information Memorandum.

3. RISK FACTORS

You should carefully consider the following matters, as well as the other information contained in the Prospectus, before making any investment decision with respect to the Issuer or the Bonds. This Section contains a list of risks typically associated with the Issuer and the Bonds that it is issuing. The sequence in which the risks below are listed is not intended to be indicative of any order of priority or of the extent of their consequences. This list of risk factors does not purport to be a comprehensive description of all risks which may be relevant to a decision to invest in the Bonds. In particular it does not consider an investor's specific knowledge and/or understanding about the risks typically associated with the Issuer and the acquisition and ownership of the Bonds. You are strongly advised to review the risks below, if necessary with the assistance of your own financial and other professional advisors, prior to making any investment decision with respect to the Issuer or the Bonds.

Information contained in this Prospectus contains "forward-looking statements", which are subject to the qualifications discussed below. If any of the risks described were to materialise, they could have a serious effect on the Issuer's financial results, trading prospects and the ability of the Issuer to fulfil its obligations under the Bonds to be issued.

3.1 Risks relating to the business of the Issuer and the Group

The Group, including the Issuer, are subject to a number of risks which could have an adverse affect on the business, the value of its assets and the results of operations of both the Issuer and the Group. These risks include, but may not be limited to, those risks which are discussed below.

The risk exposure of the Group can be broken down into the categories listed below:

- Concentration Risk

The business activities of the Parsons Group are predominantly concentrated in and aimed at the Maltese market. Accordingly, the Group is highly susceptible to events that affect the state of the Maltese economy. Negative factors, particularly those having an affect on consumer demand, would have a negative impact on the business of the Group.

- Economic trends and disposable income

The business of the Group is largely targeted to the retail and consumer market and is therefore impacted by changes in the growth rate of the Maltese economy, which has recently been negatively impacted by the economic recession in Malta's main trading partners. Economic recession impacts the disposable income of consumers and therefore may adversely affect the demand for the Group's products as well as the prices of such products.

- Seasonality

The Group operates in markets which are highly seasonal with higher demand in summer being attributable to hotter temperatures and the increased number of tourist arrivals in Malta. A fall in the number of tourist arrivals in Malta and lower than average summer temperatures are both likely to have a negative impact on the demand for the Group's products.

- Consumer trends

The Group markets a collection of branded products which are easily recognisable by the customer. Maintaining the Group's competitive position depends on its continued ability to offer products that have a strong appeal to consumers. Patterns in consumer trends may change due to a variety of factors including changes in taste, social trends, travel and vacation patterns, weather effects and general economic conditions. Consumer trends are also impacted by the incidence of widespread disease in livestock and poultry either in Malta or abroad. The emergence of such a disease could also affect the demand for those Group products which contain ingredients linked to the disease. Such changes may consequently affect the profitability of the Group.

- Competition

The Group is exposed to substantial competition in all of its business segments both locally and overseas. Increased competition and unanticipated actions by competitors or customers could lead to downward pressure on the prices of the Group's products and/or a decline in the Group's market share. This could have a negative impact on the Group's operating results. Additionally, the Group is exposed to substantial competition by the parallel importation of beverage. The lack of a strict enforcement by the competent authorities of eco contribution and other taxes over such imported beverages has created an unlevel playing field for the Group. This situation, although not as serious as in past years, may continue to have a negative impact on the Group's operating results.

- Input Costs

Raw materials used in the production process of some of the Group's products are predominantly commodities that are subject to the price volatility in international markets caused by changes in the demand and supply for these products. The Group may be negatively affected by increases in such prices, if it is not able to pass on such prices to the consumer. Similarly, increased utility and personnel costs could have a material negative impact on the results of the Group.

- Personnel

The Group's growth is in part attributable to the efforts and abilities of the members of its executive management team and other key personnel. If one or more of the members of this team were unable or unwilling to continue in their present position, the Group might not be able to replace them within the short term, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's operational results are also heavily dependent on maintaining good relations with its workforce. A number of the Group's workforce in various operations is unionised. Any work stoppages or strikes could adversely affect the Group's ability to operate its businesses.



- Information Technology

The Group is dependent on a number of Information Technology systems for the smooth running of its production lines as well as in its administration. A significant breakdown in these computerised systems including but not limited to power losses, security breaches, computer viruses and vandalism or other illegal acts may affect the operations of the Group and consequently its profitability.

- Distribution and Franchise Relationships

The Group is highly dependent on its relationship with its distributors and franchisors. The Group's core business and the business of importation and sale of beverages including wines and spirits is dependent on the renewal of representation and distributorship agreements with the proprietors of the international brands that it represents. The relationship between the franchisor and the franchisee is a key ingredient in the ongoing success of Food Chain (Holdings) Limited which has operated Pizza Hut™, Burger King™ and KFC™ since the early nineties. Whilst the relationship between franchisor and franchisee remains a positive one, no assurances can be given that circumstances may not change negatively in the future.

This dependence could adversely affect the Issuer's operating results and growth strategy if it is unable to maintain the existing relationships or replace them with alternative relationships on equally favourable terms.

- Regulatory and Taxation

The Group's operations are subject to a significant degree of regulation. Changes in the law or regulations governing its products, in particular increases in indirect taxes, could impact negatively the Group's financial results if these are associated with increased costs to the Group. For example, the wine and spirits segment is highly sensitive to changes in taxes. Increases in excise taxes could depress the Group's wine and spirit business, both through reducing overall consumption and by encouraging consumers to switch to lower-taxed categories of beverage alcohol.

- Contamination and Reputation Risk

The Group relies heavily on the reputation of its branded products. An event, or series of events, that materially damage/s the reputation of one or more of the Group's franchise brands could have an adverse effect on the value of that brand and subsequent revenues from that brand or business. Although the Group may not have had any material problems in the past with contamination of any of its products, in the event of contamination occurring in the future, this may lead to business interruption, product recalls or liability, each of which could have an adverse effect on the Group's business, reputation, prospects, financial condition and results of operations, especially in the case of its leading brands such as Cisk and Kinnie. Although the Group may maintain insurance policies against these risks, it may not be able to enforce its rights in respect of these policies and, in the event contamination occurs, any amounts that the Group does recover may not be sufficient to offset any damage it may suffer. Companies in the beverage and food sector are occasionally exposed to litigation relating to alcohol advertising, alcohol abuse problems or the health consequences from the misuse of alcohol, complaints or litigation from customers alleging food related illnesses, injuries suffered on the Group's premises or other food quality/health concerns. If such complaints/litigation result in fines or damage to the Group's reputation, the Group's business could also be impacted.

- Investment in the New Brewhouse Project

The Group is investing in the building of a new brewhouse, a quality control laboratory and a water treatment plant, the objective of which is to create a more efficient brewing process. To fully realise the anticipated benefits of the investment, management will need to successfully integrate the operations, technologies and personnel elements of the project. The failure of the Group to complete this integration may result in unanticipated operational problems, expenses and liabilities and could therefore negatively impact the results of operations. Furthermore, any cost overruns in relation to the New Brewhouse Project may have a negative impact on the Group's financial position, including higher interest costs which in turn will adversely impact the profitability of the Group.

- Corporate Reorganisation

The Board of Directors of the Issuer is considering the reorganisation of the Farsons Group to separate a portion of the substantial property interests from the core business activities. Should this reorganisation materialise, the nature of the assets held by the Issuer will change and in turn may alter the risk profile of the Group.

- Financial Risk

The Group's activities potentially expose it to a variety of financial risks: market risk (including cash flow interest rate risk and fair value 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 Issuer's financial performance.

- Cash Flow and Fair Value Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates, comprising bank borrowings, expose the Group to cash flow interest rate risk. The Group's bank borrowings are subject to an interest rate that varies according to revisions made to the underlying reference rate.

- Credit Risk

Financial assets that potentially subject the Group to concentrations of credit risk consist principally of cash at banks and debtors. The Group's cash is placed with prime financial institutions. 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.

- Liquidity and Funding

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally creditors and interest-bearing borrowings. The Group uses both the capital markets and banks to obtain debt finance for its operations. Changes in banking risk appetite caused by

international financial turmoil may impact the willingness of banks to provide loans to companies. Also, changes in demand for debt instruments on capital markets could have an adverse impact on the Group's operations.

• Interest Rate

Interest rate risk refers to the potential changes in the value of financial assets and liabilities in response to changes in the level of interest rates and their impact on profitability. The Issuer is exposed to the risks associated with the effects of fluctuations in the prevailing levels of the market interest rates on its financing position and cash flows. Bank loans expose the Issuer to cash flow interest rate risk. Changes in interest rates can have an adverse effect on the financial position and profitability of the Issuer.

• Foreign Exchange Risk

The Group is exposed to foreign exchange risk arising from commercial transactions and recognised assets and liabilities, which are denominated in a currency that is different from the Group's functional currency. Although the majority of the Group's business transactions are in euro, fluctuations in exchange rates of the euro against the functional currencies for the purchase or sale of transactions may adversely affect the results of the Group when translated into euro. On specific transactions the Group uses forward contracts to hedge its exposure to fluctuations in foreign currency exchange rates.

• Counterparty Risk

This risk arises from credit exposures to counterparties including amounts receivable from Group Companies. Failure on the part of counterparties to fulfil their obligations may impact the business of the Issuer. The Issuer does not hold any collateral as security in this respect.

3.2 Risks relating to the Bonds

An investment in the Bonds involves certain risks including, but not limited to those described below:

• Trading and Liquidity

Although the Issuer has had bonds freely trading on the Exchange since 1995, there is currently no trading record in respect of the Bonds which are being issued pursuant to this Prospectus as there has never been a public market for the Bonds prior to the Offering. There can be no assurance that an active secondary market for the Bonds will develop or, if it develops, that it will continue nor can there be any assurance that an investor will be able to re-sell his Bonds at or above the Issue Price or at all. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on a number of factors including the presence in the market place of willing buyers and sellers of the Issuer's Bonds at any given time, which presence is dependent upon the individual decisions of investors over which the Issuer has no control. Many other factors over which the Issuer has no control may affect the trading market for, and trading value of, the Bonds. These factors include the level, direction and volatility of market interest rates, general economic conditions, the investment appetite of investors, the financial condition of the Issuer and the market for similar securities. No prediction can be made about the effect which any future public offerings of the Issuer's securities or any takeover or merger activity involving the Issuer will have on the market price of the Bonds prevailing from time to time.

• Foreign Exchange Rate Risk

An investor in the Bonds will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds and the investor's currency of reference if different.

• Early Redemption and Re-Investment Risk

The Bonds are subject to redemption prior to their Redemption Dates, at the option of the Issuer, any date between 15 June 2017 and 14 June 2020 upon giving thirty (30) days advance notice to Bondholders. Optional redemption features may limit the market value of the Bonds during the period when the Issuer may elect to redeem the Bonds. Should the Issuer decide to redeem the Bonds during the Designated Optional Redemption Date(s), Bondholders may not be able to re-invest their monies at an equivalent or higher rate.

• Changes in Laws and Regulations

The Bond Issue complies with the requirements of the Listing Rules of the Listing Authority, the Companies Act and the Commission Regulation EC No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in law or administrative practice after the date of this Prospectus.

• Prior Ranking Charges

The Bonds shall constitute the unsecured obligations of the Issuer and will rank *pari passu* without any priority or preference with all other present and future unsecured obligations of the Issuer, and accordingly in terms of priority shall rank subsequent to such security as indicated in Section 26.2 of Part D of the Prospectus. Furthermore, third party security interests, which have or will be registered, will rank in priority to the Bonds against the assets of the Group for so long as such security interests remain in effect.

In the event of the winding up or insolvency of the Issuer, the proceeds constituting the Reserve Account (as described in Section 1.10 of this Information Memorandum) shall become available to all creditors of the Issuer and consequently Bondholders will continue to rank *pari passu* without any priority or preference with all other present and future unsecured obligations of the Issuer.

• Amendments to the Bond Conditions

The Bond Conditions contain provisions in Part D Section 27.9 for calling meetings of Bondholders in the event that the Issuer wishes to amend any of the terms and conditions applicable to the Bonds. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who vote in a manner contrary to the majority.

**• Credit Rating**

The Issuer has not sought, nor does it intend to seek, the credit rating of an independent rating agency and there has been no assessment by any independent rating agency of the Bonds.

4. KEY INFORMATION**4.1 The Issuer**

The Issuer, whose registered office is at The Brewery, Mdina Road, Mriehel, Birkirkara BKR 3000, is a public limited company incorporated and registered under the Commercial Partnerships Ordinance on 4 September 1965 and operating and domiciled in Malta, having company registration number C113 with an authorised share capital of thirty million euro (€30,000,000) divided into thirty million (30,000,000) ordinary shares of thirty euro cents (€0.30) each, and twenty one million (21,000,000) preference shares of one euro (€1) each and an issued share capital of nine million euro (€9,000,000) divided into thirty million (30,000,000) ordinary shares of thirty euro cents (€0.30) each all of which are fully paid up.

4.2 The Directors, Company Secretary and Advisors of the Issuer*Directors*

Mr. Bryan A. Gera (ID630934M) - Chairman
Mr. Vincent Curmi (ID182942M) - Vice Chairman
Mr. Louis A. Farrugia (ID199451M) - Managing Director and Chairman of the Group Executive Board
Marquis Marcus J. Scicluna Marshall (ID617564M) - (Non-Executive Director)
Mr. Marcantonio Stagno d'Alcontres (Italian Passport No.P1876615) - (Non-Executive Director)
Dr. Max Ganado (ID468959M) - (Non-Executive Director)
Mr. Roderick Chalmers (ID708847M) - (Non-Executive Director)
Ms. Marina Hogg (ID547559M) - (Non-Executive Director)

The Company Secretary of the Issuer is Mr. Arthur Muscat (ID580649M).

Legal Advisors

Mamo TCV Advocates
Palazzo Pietro Stiges
90, Strait Street,
Valletta VLT1436,
Malta.

Sponsors

Curmi & Partners Limited
Finance House
Princess Elizabeth Street,
Ta' Xbiex XBX1102,
Malta.

Manager & Registrar

HSBC Bank Malta p.l.c
233, Republic Street,
Valletta VLT1116,
Malta.

Statutory Auditors and Financial Advisors

PricewaterhouseCoopers
167, Merchants Street,
Valletta VLT1174,
Malta.

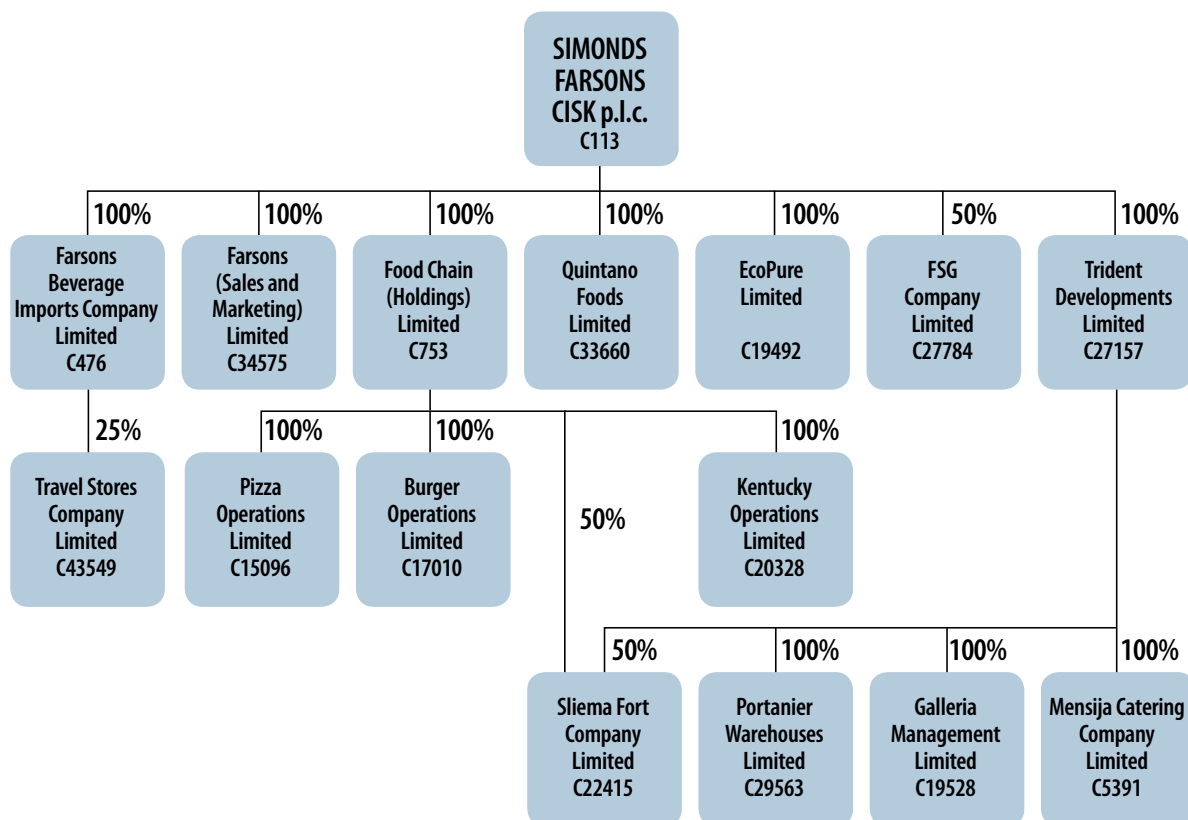
4.3 The Issuer's Principal Business

The Issuer's principal business consists of the brewing, production and sale of beer and branded beverages.

The Group's operations consist of four main segments as follows:

- Brewing, production and sale of branded beers and beverages;
- Importation, wholesale and retail of food and beverages, including wines and spirits;
- Operation of franchised food retailing establishments;
- Property management.

These operations are carried out, primarily, on the local market.



In liquidation: Malta Deposit and Return System Limited - C38304 (56%)
 Food-Serv Limited - C22117 (22.5%)
 Farsons (Italia) srl - C02671070965 (100%) - registered in Italy

4.4 The New Brewhouse Project

The Board of Directors has approved the investment to build a new brewhouse, a quality control laboratory and a water treatment facility (hereinafter referred to as “the New Brewhouse Project”). This investment is the third and final phase of a masterplan which also incorporated a new soft drinks packaging hall and a logistics centre. This brewhouse will replace the current brewhouse building and facilities. Preparatory work is at an advanced stage and civil works are expected to commence in July 2010. The New Brewhouse Project is expected to be completed by summer 2012.

The new plant and building will be equipped with energy recovery and building management systems, thermal insulation, rain water collection facilities and solar water heating and will also encompass natural ventilation and energy saving lighting. The brewhouse has been designed to provide the capacity needed for the foreseeable future including the export market. The new brewhouse will be more efficient and flexible through automation which will lead to more accurate control of the process parameters and better malt handling facilities. The new investment seeks to ensure an improvement in product quality together with decreased production costs.

The Malta Environment and Planning Authority approved the full development permit for this new brewhouse on 18 February 2010 (PA/03145/09). The New Brewhouse Project is expected to cost €14 million and will primarily be funded through a new loan of €7.5 million, which the Issuer has finalised with its bankers following a sanction letter dated 15 February 2010 and through general funding facilities.

The investment in the New Brewhouse Project will also release a substantial area of prime real estate along Mdina Road, Mriehel used by the current operation. An area of circa 22,000 square meters stretching for half a kilometre along this road will become available for the Group to exploit in the best possible way. This could include a business park complemented by a visitor’s centre, food, beverage and leisure outlets as well as an amount of retail space.

4.5 Selected Financial Information

Extracts from the audited financial statements of the Issuer for the three financial years ended 31 January 2008 to 2010 are set out below.

**SUMMARISED INCOME STATEMENT**

	Year ended 31 January		
	2010	Group	2008
	€'000	€'000	€'000
Continuing operations:			
Revenue	65,111	66,441	65,753
Cost of sales	(40,520)	(43,469)	(41,168)
Gross profit	24,591	22,972	24,585
Operating profit	4,914	2,389	4,404
Fair value gains on investment property	-	-	208
Profit on disposal of land and buildings	-	-	1,102
Profit on disposal of non-current assets	-	505	-
Finance costs (net)	(1,788)	(1,999)	(1,568)
Profit before tax	3,126	895	4,146
Tax expense	(454)	(354)	(948)
Profit for the year from continuing operations	2,672	541	3,198
Discontinued operations:			
Profit/(loss) for the year from discontinued operations	78	(90)	(144)
Profit for the financial year	2,750	451	3,054
Earnings per share for profit/(loss) during the year			
from continuing operations	€0.089	€0.018	€0.107
from discontinued operations	€0.003	(€0.003)	(€0.005)

The Group's profit for the year ending 31 January 2010 increased to €2.75 million (2009: €0.45 million) resulting in the four-fold increase in the earnings per share of €0.089 (2009: €0.018). The main factors, which contributed to the improvement in the Group's profitability are the attainment of:

- targeted production efficiencies on the production lines;
- more effective sales and marketing strategy together with higher efficiency levels in the logistics centre;
- declared strategy of divesting loss-making operations;
- cost containment exercises principally through reductions in headcount and overheads;
- net reduction in the cost of raw materials, partly eroded by higher utility costs;
- cost savings resulting from the implementation of various measures introduced to reduce electricity and energy consumption;
- partly offset by one-off charges relating to the impairment on the old bottling line and the cost relating to the employee early retirement scheme.

SUMMARISED STATEMENTS OF FINANCIAL POSITION

	As at 31 January		
	2010	Group	2008
	€'000	€'000	€'000
ASSETS			
Non-current assets	116,162	118,670	121,842
Current assets	29,749	32,206	31,492
Non-current assets classified as held for sale	77	263	739
Total current assets	29,826	32,469	32,231
Total assets	145,988	151,139	154,073
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the company	83,916	82,266	83,382
Non-current liabilities	28,106	42,110	43,264
Current liabilities	33,966	26,645	27,427
Liabilities directly attributable to non-current assets held for sale	-	118	-
Total current liabilities	33,966	26,763	27,427
Total liabilities	62,072	68,873	70,691
Total equity and liabilities	145,988	151,139	154,073

SUMMARISED CASH FLOW STATEMENTS

	Year ended 31 January		
	2010 €'000	Group 2009 €'000	2008 €'000
Net cash from operating activities	10,761	3,433	4,424
Net cash used in investing activities	(4,118)	(1,392)	(8,875)
Net cash (used in)/generated from financing activities	(4,499)	(2,864)	318
Net movement in cash and cash equivalents	2,144	(823)	(4,133)
Cash and cash equivalents at beginning of year	(9,084)	(8,261)	(4,128)
Cash and cash equivalents at end of year	(6,940)	(9,084)	(8,261)

SUMMARISED SEGMENTED RESULTS

	Brewing, production & sale of branded beers & beverages €'000	Importation, wholesale & retail of food & beverages, including wines & spirits €'000	Operation of franchised food retailing establishments €'000	Property management €'000	Group €'000
2010					
Revenue	39,898	19,333	8,834	1,243	69,308
Less: inter-segment sales	(1,153)	(2,484)	-	(560)	(4,197)
	38,745	16,849	8,834	683	65,111
Segment results	3,715	1,720	587	285	6,307
Unallocated costs					(1,393)
Operating profit					4,914
2009					
Revenue	40,250	20,963	8,982	1,156	71,351
Less: inter-segment sales	(1,074)	(3,059)	-	(777)	(4,910)
	39,176	17,904	8,982	379	66,441
Segment results	2,347	1,180	502	96	4,125
Unallocated costs					(1,736)
Operating profit					2,389
2008					
Revenue	39,627	21,233	7,797	1,221	69,878
Less: inter-segment sales	(799)	(2,455)	-	(871)	(4,125)
	38,828	18,778	7,797	350	65,753
Segment results	4,324	1,289	330	66	6,009
Unallocated costs					(1,605)
Operating profit					4,404

4.6 Capitalisation and Indebtedness

The following table sets out the capitalisation and indebtedness of the Issuer as at 31 January 2010 and the estimate after reflecting the Issue of the Bonds and the refinancing and redemption of the Bonds 2010-2012.

	Notes	€000
Total bank borrowings		29,182
6.6% Bonds 2010-2012		9,302
Third party debt as at 31 January 2010		38,484
Issue of 6% Bonds 2017-2020	1	14,600
Less refinancing/redemption of 6.6% Bonds 2010-2012	2	(9,302)
Third party debt after issue of Bonds		43,782
Shareholders' equity as at 31 January 2010		83,916
Total capital (debt and equity) as at 31 January 2010		122,400
Total capital (debt and equity) after issue of Bonds		127,698
Gearing ratio as at 31 January 2010	3	31.4%
Gearing ratio after issue of Bonds	3	34.3%
Interest cover as at 31 January 2010	4	2.7
Pro-forma interest cover after issue of Bonds	5	2.4

Notes:

1. The Bond proceeds are stated net of Bond issue costs.
2. The pro-forma capitalisation and indebtedness statement assumes that the 6.6% Bonds 2010-2012 will be refinanced from the proceeds of the new Bonds issue.
3. The gearing ratio is expressed as the percentage of debt on debt and equity.
4. Interest cover is calculated by dividing the Group's Operating Profit with the net financial costs for the year ended 31 January 2010.
5. The pro-forma interest cover after issue of Bonds is calculated by dividing the Group's Operating Profit for the year ended 31 January 2010 with the net financial costs incurred in this year, adjusted with the incremental interest payable on the 6% Bonds 2017-2020.

4.7 Trend Information

Group earnings before interest, tax, depreciation and amortisation (EBITDA) for the year ended 31 January 2010 amounted to €10.2 million (2009: €8.2 million). The Group registered an operating profit for the year of €4.9 million, a notable improvement of €2.5 million over the results for the previous financial year. This increase in profits has been achieved despite a marginal decline in the Group's turnover from €66.4 million in the financial year ending 31 January 2009 to €65.1 million for the year ended 31 January 2010. The decline in turnover was mainly a result of the reduction of excise duties on spirits which became effective as of 1 January 2009 and a weaker tourist industry, a result of the economic downturn within the EU and worldwide.

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

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

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

At 31 January 2010 the Group had a net asset base of €84m (2009: €82m). Group indebtedness at €38.5 million, including the €9.3m 6.6% Bonds 2010-2012, decreased considerably from the previous financial year end figure of €44 million. SFC retains a strong relationship with its banks who provided the Group with banking facilities amounting to €40.9 million of which €11.7 million were undrawn as at 31 January 2010. Group gearing ratio, that is, the ratio of debt to equity and debt at the year end stood at 31.4% (2009: 34.8%).

The new financial year presents new challenges determined by the general economic uncertainty and further competitive activity. Once again, the Company has managed to contract some primary raw materials at lower prices although these savings will be eroded by the substantially higher costs of utilities.

Initial efficiency issues encountered with the newly commissioned PET packaging and production lines have now been addressed, and targeted production efficiencies are now being attained. The operations of the new Logistics Centre have also settled down and are operating smoothly and efficiently, thus leading to a substantial improvement in the service offered to trade clients. Initiatives to reduce production costs include improving line output, reducing resource utilisation, improving raw material usages and insistent negotiations on raw material prices.

Cost containment right across the Group still remains a priority for management, principally managed through reductions in headcount and overheads. A permanent cost reduction programme has been implemented, with targeted reductions in headcount and overheads being attained. In the last three years the Group has reduced the number of employees by over a hundred and it is intended to continue the early retirement and non-replacement schemes to encourage further reductions. One time charges in relation to early retirement schemes have had a negative effect on the results for the respective financial years. These reductions have been achieved by adopting different ways of working through task re-engineering and delivering the same output more efficiently. This has been done in collaboration with relevant trade unions. Overall, employees have embraced the need to change their work and adopt new tasks and new skills. For instance, focused reorganization exercises were conducted in the marketing and sales sections whose operational structures were overhauled to respond better to a more competitive market. The Company has also assumed a more direct responsibility for the distribution function, utilizing a new environmentally friendly truck fleet at a considerable investment. The impact of the recently announced utility rates have also adversely affected the cost base. These increases have been very high and industry has reacted to the fact that they should have been implemented over a three year span.

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

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

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

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

The Board of Directors is considering the reorganisation of the Farsons Group, which may entail the separation of the property interests (other than those at Mriehel used in the core beverage business) from the other business activities so as to maximise the value of the property. The proposal being evaluated envisages that after the Group rearranges the property holdings and once the masterplan relating to the manufacturing activities is completed, it will be directed at separating Trident Developments Limited from SFC into a separate listed company, subject to the listing of Trident Developments Limited obtaining all the necessary approvals.



NOTES



The Farsons Group comprises a dynamic, diversified and forward-looking group of companies, each with their own strengths and market positions contributing to, and benefitting from, each other's synergy.

Delivering consistency across all Group companies, our new identity communicates the strength, and size, of what our business has now developed into. It builds on our strong traditions whilst communicating dynamism as we look to the market opportunities of the future.

Whilst being forward-looking and contemporary in style, the new identity draws on elements that are at the very heart of our solid foundations dating back to 1928. Without doubt, our new identity will continue to project Farsons as synonymous with high quality and excellent products.

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