

COMPANY NO: 3699814

# HALEWOOD INTERNATIONAL HOLDINGS PLC

ANNUAL REPORT

*Year ended 30 June 2003*



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## Company Information

Directors	Mr J E Halewood (Chairman)
	Mrs E M Halewood
	Mr A Vaughan
	Mr S J Oldroyd
	Mr R V L Rishworth
	Mr D Wharton (appointed 6 January 2003)
	Mr W Woolley
	Mr P A Longinotti (Non executive)
	Mr A J Timson (Non-executive)
	Mr J Coymans (Non-executive)
	Mr J H Jenkins (appointed 1 October 2003)

Secretary	Mr S J Oldroyd
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Registered office	The Sovereign Distillery Wilson Road Huyton Industrial Estate Huyton Liverpool L36 6AD
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Registered number	3699814
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Auditors	RSM Robson Rhodes LLP Chartered Accountants Colwyn Chambers 19 York Street Manchester M2 3BA
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Bankers	Lloyds TSB Bank Plc 94 Fishergate Preston Lancashire PR1 2JB
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## Report of the Directors

The directors present their report and the audited financial statements for the year ended 30 June 2003.

### Principal activities

The Group trades as importers, bottlers and distributors of wines and spirits.

### Business review and future developments

The Group has continued to perform strongly domestically and has taken the opportunity to review its overseas markets in order to maximise future profitability. This will enable the Group to improve its position in the global marketplace, which will in turn support the continued development of the core domestic business.

### Results and dividends

The profit for the period is disclosed on page 5. The directors do not recommend the payment of a dividend (2002 : £nil).

### Directors

The present directors of the Company are set out on page 1, all of whom served throughout the year.

The directors' interests in the ordinary shares of the Company at the year end, as defined by the Companies Act 1985, were as follows:

	Ordinary shares of £1 each	
	2003	2002
Mr J E Halewood	90,000	90,000
Mrs E M Halewood	5,000	5,000

The other directors have no interest in the share capital of any group company.

### Employees

During the period the Group continued to provide employees with relevant information through line managers. Priority is given to ensuring that employees are aware of all significant matters affecting the Group's trading position and of any significant organisational changes.

It is the policy of the Group to support the employment of disabled persons where possible, both in recruitment and by retention of employees who become disabled whilst in the employment of the Group, as well as generally through training and career development.

## Report of The Directors (continued)

### Directors' responsibilities

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom accounting standards; and
- prepared the financial statements on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors' report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom.

### Policy and practice on payment of creditors

The Group's policy is to pay suppliers in accordance with terms and conditions agreed when orders are placed. Although the Group does not follow any code or standard on payment policy, where terms have not been specifically agreed, invoices dated in one calendar month are paid close to the end of the following month. At 30 June 2003, trade creditors for the Group equated to 60 days (2002: 52 days).

### Auditors

RSM Robson Rhodes are willing to continue in office, and a resolution to reappoint them will be proposed at the Annual General Meeting.

### Approval

The report of the directors was approved by the Board on 11 June 2004 and signed on its behalf by:



S J Oldroyd  
Company Secretary

## Independent Auditors' Report to the Shareholders of Halewood International Holdings Plc

We have audited the financial statements on pages 5 to 25.

This report is made solely to the group's and company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the group's and company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and the company and the group's and company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 June 2003 and the group profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*RSM Robson Rhodes LLP*

RSM Robson Rhodes LLP  
Chartered Accountants and Registered Auditors

Manchester, England

11.6.04

## Consolidated Profit and Loss Account

for the year ended 30 June 2003

	Note	2003 £ '000	2002 £ '000
Turnover: continuing operations	1 & 2	235,784	243,327
Cost of sales		(182,915)	(181,239)
<b>Gross profit</b>		<b>52,869</b>	<b>62,088</b>
Distribution costs		(28,601)	(37,222)
Administrative expenses		(21,225)	(16,370)
<b>Operating profit : continuing operations</b>	3	<b>3,043</b>	<b>8,496</b>
Costs of fundamental reorganisation	3	(1,025)	-
<b>Profit on ordinary activities before interest</b>		<b>2,018</b>	<b>8,496</b>
Interest receivable and similar income		183	798
Interest payable	6	(2,096)	(3,254)
<b>Profit on ordinary activities before taxation</b>		<b>105</b>	<b>6,040</b>
Tax on profit on ordinary activities	7	131	(1,957)
<b>Profit for the year</b>	17	<b>236</b>	<b>4,083</b>

## Statement of Total Recognised Gains and Losses

For the year ended 30 June 2003

	2003 £ '000	2002 £ '000
Profit for the year	236	4,083
Minority interest share of profits	58	52
Currency translation profit	30	44
Prior year adjustments (see note 25)	-	(2,191)
<b>Total recognised gains</b>	<b>324</b>	<b>1,988</b>

## Reconciliation of Movements in Equity Shareholders' Funds

For the year ended 30 June 2003

	2003 £ '000	2002 £ '000
<b>Group</b>		
Opening shareholders' funds	31,838	29,850
Total recognised gains	324	1,988
	<hr/>	<hr/>
Closing shareholders' funds	32,162	31,838
	<hr/>	<hr/>
<b>Company</b>		
Total recognised gains/(losses)	5	(101)
Opening shareholders' funds	21,902	22,003
	<hr/>	<hr/>
Closing shareholders' funds	21,907	21,902
	<hr/>	<hr/>



# Consolidated Balance Sheet

At 30 June 2003

	Note	2003 £ '000	2002 £ '000
<b>Fixed assets</b>			
Intangible assets	8	155	200
Negative goodwill	8	(23)	(43)
Tangible assets	9	33,272	33,938
Investments	10	730	1,623
		<hr/>	<hr/>
		34,134	35,718
<b>Current assets</b>			
Stocks	11	20,909	23,580
Debtors	12	39,803	46,692
Cash at bank and in hand		6,798	9,446
		<hr/>	<hr/>
		67,510	79,718
<b>Creditors: Amounts falling due within one year</b>	13	(44,070)	(69,608)
		<hr/>	<hr/>
<b>Net current assets</b>		23,440	10,110
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		57,574	45,828
<b>Creditors: Amounts falling due after more than one year</b>	14	(23,695)	(12,152)
<b>Provision for liabilities and charges</b>	15	(1,109)	(1,159)
<b>Minority interests</b>		(608)	(679)
		<hr/>	<hr/>
<b>Net assets</b>		32,162	31,838
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	16	95	95
Capital redemption reserve	17	5	5
Revaluation reserve	17	1,509	1,509
Capital reserve	17	414	414
Profit and loss account	17	30,139	29,815
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		32,162	31,838
		<hr/>	<hr/>

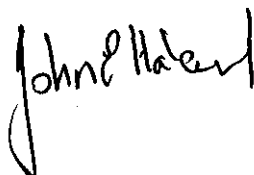
# Company Balance Sheet

at 30 June 2003

	Note	2003 £ '000	2002 £ '000
<b>Fixed assets</b>			
Tangible assets	9	13,482	13,948
Investments	10	7,987	8,178
		<hr/>	<hr/>
		21,469	22,126
<b>Current assets</b>			
Debtors	12	23,531	24,238
Cash at bank and in hand		3	-
		<hr/>	<hr/>
		23,534	24,238
<b>Creditors: Amounts falling due within one year</b>	13	(5,732)	(20,368)
		<hr/>	<hr/>
<b>Net current assets</b>		17,802	3,870
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		39,271	25,996
<b>Creditors: Amounts falling due after more than one year</b>	14	(17,172)	(3,980)
<b>Provision for liabilities and charges</b>	15	(192)	(114)
		<hr/>	<hr/>
<b>Net assets</b>		21,907	21,902
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	16	95	95
Profit and loss account	17	21,812	21,807
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		21,907	21,902
		<hr/>	<hr/>

The financial statements were approved by the Board on 11 June 2004 and signed on its behalf by:

J E Halewood  
Director



# Consolidated Cash Flow Statement

At 30 June 2003

	Note	2003 £ '000	2002 £ '000
<b>Cash inflow from operating activities</b>	20	12,928	8,967
<b>Returns on investment and servicing of finance</b>			
Interest received		183	798
Interest paid		(1,799)	(2,947)
Interest element of hire purchase repayments		(297)	(307)
Minority interest		(13)	(83)
		(1,926)	(2,539)
<b>Taxation paid</b>			
UK corporation tax paid		592	(6,077)
<b>Capital expenditure and financial investment</b>			
Payments to acquire fixed assets		(3,019)	(4,967)
Receipts from sale of tangible fixed assets		1,495	3,380
Government grant received		-	-
Payments to acquire investments		(371)	(883)
Receipts from disposal of investments		350	60
		(1,545)	(2,410)
<b>Acquisitions and disposals</b>			
Purchase of business/subsidiaries		-	-
Net cash acquired with business/subsidiaries		-	-
		-	-
<b>Net cash inflow/(outflow) before financing</b>		10,049	(2,059)
<b>Financing</b>	21 & 22		
Draw down of bank loan		16,133	-
Repayment of loans		-	(2,550)
Draw down of other loans		-	13
Other loan repaid		(56)	-
Capital element of hire purchase repayments		(1,340)	(1,972)
<b>Net cash inflow/(outflow) from financing</b>		14,737	(4,509)
<b>Increase/(decrease) in cash</b>		24,786	(6,568)

## Notes to the Financial Statements

### 30 June 2003

#### 1. ACCOUNTING POLICIES

##### Convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of freehold and leasehold property pre FRS 15, and in accordance with applicable Accounting Standards. The principal accounting policies which the directors have adopted within that convention are set out below.

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company has not been separately presented in the financial statements. The profit for the year generated by the company is shown in note 17.

##### Basis of consolidation

In accordance with FRS 6, following a group reconstruction the group accounts consolidate the results and balance sheets of the company and its subsidiary undertakings using merger accounting, on the grounds that the group reconstruction did not alter the shareholders of the group or effect minority interests. All external acquisitions have been accounted for using acquisition accounting.

The results of subsidiary undertakings acquired or disposed of during a financial year are included from, or up to, the effective date of acquisition or disposal.

##### Goodwill

Positive goodwill is the excess of the cost of an acquired entity over the aggregate of the fair values of that entity's identifiable assets and liabilities. Positive goodwill, where treated as an asset, is amortised evenly over its estimated useful economic life of between two and five years. In addition to systematic amortisation, the book value is written down to recoverable amount when any impairment is identified.

##### Tangible fixed assets and depreciation

Depreciation is provided evenly on the cost (or valuation where appropriate) of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. Where there is evidence of impairment, fixed assets are written down to recoverable amount. Any such write down would be charged to operating profit unless it was a reversal of a past revaluation surplus in which case it would be taken to the statement of total recognised gains and losses. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold buildings	2% on cost or valuation
Leasehold buildings	Over lease period
Fixtures and fittings	15%/25% on cost
Plant and machinery	10%/15% on cost
Motor vehicles	25% on cost

##### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes any expenses incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less further costs of disposal.

##### Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19.

*In accordance with FRS 19 deferred tax is not provided for:*

- revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date;
- gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over;
- extra tax payable if the overseas retained profits of subsidiaries and associates are remitted in future; and
- fair value adjustment gains to fixed assets and stock to uplift prices to those ruling when an acquisition is made.

Previously under SSAP 15 provision was only made for deferred taxation if it was probable that the tax would be payable in the foreseeable future.

# Notes to the Financial Statements

## 30 June 2003

### 1. ACCOUNTING POLICIES (continued)

#### Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction.

The Group has two Romanian subsidiaries which operate in a highly inflationary economy. Consequently the Group has applied IAS 21 and reported the results of these subsidiaries in sterling, the principal operational currency used by the companies.

#### Leased assets

Where assets are financed by hire purchase or finance lease the assets are included in the balance sheet at cost less depreciation in accordance with the Group's normal accounting policies. Future obligations are shown as a liability. The interest element of repayments made is charged to the profit and loss account on a straight line basis.

Rentals payable under operating leases are charged to the profit and loss account as incurred.

#### Capital grants

Capital government grants received are treated as a deferred credit and released to the profit and loss account over the expected useful life of the assets to which they relate.

#### Pensions

The Group contributes to defined contribution pension arrangements (including stakeholder equivalent arrangements) on behalf of certain employees. The assets of these schemes are held separately from those of the Group in independently administered funds. The pension cost for these schemes represents contributions payable in the period.

#### Turnover

Turnover comprises sales to customers less discounts and allowances and is net of value added tax.

#### Intangible fixed assets

Brand and intellectual property rights are valued at cost on acquisition and are depreciated on a straight line basis over their estimated useful economic lives.

### 2. SEGMENTAL ANALYSIS

The analysis of turnover by geographical market, all of which relates to the principal activity, is as follows:

	2003 £ '000	2002 £ '000
United Kingdom	224,667	233,750
Other EC countries	719	1,126
Rest of Europe	4,247	3,357
Other	6,151	5,094
	<hr/>	<hr/>
	235,784	243,327
	<hr/>	<hr/>

# Notes to the Financial Statements

## 30 June 2003

### 3(a). OPERATING PROFIT

Operating profit is arrived at after charging/(crediting):

	2003 £ '000	2002 £ '000
Auditors' remuneration		
- for UK audit services	85	100
- for overseas audit services	5	15
- for non-audit services	46	43
Depreciation of tangible fixed assets	3,420	3,419
Operating lease rentals - motor vehicles	613	1,102
- premises	500	633
Hire of plant, machinery and vehicles	179	73
Government grants released in year	(130)	(75)
Amortisation - goodwill	29	38
- negative goodwill	(39)	(1,119)
- brands & IPR	16	14
Write down of investments	-	146
Loss/(profit) on disposal of tangible fixed assets	140	(364)

### 3(b). EXCEPTIONAL COSTS

The exceptional costs incurred during the year resulted from the rationalisation of the overseas operations. Future focus on international markets will be on those which will achieve profitability in the near term.

### 4. EMPLOYEES

The remuneration of employees, including directors, was:

	2003 £ '000	2002 £ '000
Wages and salaries	16,317	17,014
Social security costs	1,613	1,646
Pensions - defined contribution schemes	535	442
	18,465	19,102

The average weekly number of employees during the period, including directors, was made up as follows:

	2003 Number	2002 Number
Administration and selling	399	418
Warehouse, production and distribution	639	681
	1,038	1,099

# Notes to the Financial Statements

## 30 June 2003

### 5. DIRECTORS' EMOLUMENTS

	2003 £ '000	2002 £ '000
Management remuneration (including benefits in kind)	851	567
Compensation for loss of office	-	120
Pension contributions	72	54
	<hr/>	<hr/>
	923	741
	<hr/>	<hr/>

The emoluments of the highest paid director were:

	2003 £ '000	2002 £ '000
Salary and bonus	290	184
Benefits in kind	30	89
Pension contributions – defined contribution scheme	29	35
	<hr/>	<hr/>
	349	308
	<hr/>	<hr/>

Pension contributions have been made on behalf of seven directors into defined contribution pension schemes (2002: four).

### 6. INTEREST PAYABLE

	2003 £ '000	2002 £ '000
Bank overdraft	434	1,373
Hire purchase interest	297	307
Interest on loans repayable by instalments within 5 years	1,102	560
Other	263	1,014
	<hr/>	<hr/>
	2,096	3,254
	<hr/>	<hr/>

# Notes to the Financial Statements

## 30 June 2003

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £ '000	2002 £ '000
<b>United Kingdom Corporation Tax</b>		
Current tax on income for the year	-	1,631
Adjustments in respect of prior years	(83)	(392)
	<hr/>	<hr/>
	(83)	1,239
<b>Foreign tax</b>		
Current tax on income for the year	2	-
	<hr/>	<hr/>
<b>Current taxation</b>	(81)	1,239
<b>Deferred taxation</b>		
Net origination/ (reversal) of timing differences	(50)	718
	<hr/>	<hr/>
<b>Tax on profit on ordinary activities</b>	(131)	1,957
	<hr/>	<hr/>
<b>Current tax reconciliation</b>		
	2003 £ '000	2002 £ '000
Profit on ordinary activities before taxation	105	6,040
	<hr/>	<hr/>
Theoretical tax at UK corporation tax rate 30% (2002: 30%)	32	1,812
Effects of:		
- expenditure not tax deductible	214	229
- difference in tax rates in overseas companies	(5)	(18)
- losses eliminated on transfer	26	-
- capital gain not taxable	-	(124)
- movement on deferred tax unprovided	-	60
- overseas tax losses not available for group relief	55	461
- amortisation of negative goodwill	-	(337)
- accelerated capital allowances	(203)	(331)
- other timing differences	(86)	(50)
- adjustment on consolidation	-	(71)
- prior year adjustment for corporation tax	(83)	(392)
- income not taxable	(31)	-
	<hr/>	<hr/>
<b>Actual current tax charge</b>	(81)	1,239
	<hr/>	<hr/>



# Notes to the Financial Statements

## 30 June 2003

### 8. INTANGIBLE FIXED ASSETS

Group	Brands and IPR £ '000	Goodwill £ '000	Total £ '000	Negative goodwill £ '000
<b>Cost</b>				
At 1 July 2002	150	153	303	(2,276)
Additions	-	-	-	(19)
At 30 June 2003	150	153	303	(2,295)
<b>Amortisation</b>				
At 1 July 2002	29	74	103	(2,233)
Charge/(credit) for period	16	29	45	(39)
At 30 June 2003	45	103	148	(2,272)
<b>Net book value</b>				
At 30 June 2003	105	50	155	(23)
At 30 June 2002	121	79	200	(43)

### 9. TANGIBLE FIXED ASSETS

Group	Freehold property £ '000	Long leasehold property £ '000	Plant & machinery, fixtures & fittings, motor vehicles £ '000	Total £ '000
<b>Cost/valuation</b>				
At 1 July 2002	18,801	936	25,435	45,172
Additions	252	9	3,983	4,244
Disposals	(1,052)	-	(1,843)	(2,895)
Adjustments	-	-	136	136
At 30 June 2003	18,001	945	27,711	46,657
<b>Depreciation</b>				
At 1 July 2002	1,090	85	10,059	11,234
Charge for year	387	28	3,005	3,420
Disposals	(24)	-	(1,255)	(1,279)
Transfers	-	-	10	10
At 30 June 2003	1,453	113	11,819	13,385
<b>Net book value</b>				
At 30 June 2003	16,548	832	15,892	33,272
At 30 June 2002	17,711	851	15,376	33,938

# Notes to the Financial Statements

## 30 June 2003

### 9. TANGIBLE FIXED ASSETS (continued)

The net book value of fixed assets includes an amount of £5.53 million (2002: 4.31 million) in respect of assets held under hire purchase contracts. Depreciation charged in respect of these assets in the year was £745,000 (2002: £858,000).

	2003 £ '000	2002 £ '000
Land and buildings comprises:		
Freehold property is stated at:		
Valuation 1989	650	650
Valuation 1995	3,750	3,750
Cost	13,601	14,401
	<hr/>	<hr/>
	18,001	18,801
	<hr/>	<hr/>
Leasehold property is stated at:		
Valuation 1997	750	750
Cost	195	186
	<hr/>	<hr/>
	945	936
	<hr/>	<hr/>

The comparable amounts if stated under the historical cost convention, would be:

	2003 £ '000	2002 £ '000
Freehold property		
Cost	16,739	17,539
Depreciation	(1,359)	(1,048)
	<hr/>	<hr/>
Net book value	15,380	16,491
	<hr/>	<hr/>
Leasehold property		
Cost	484	475
Depreciation	(69)	(60)
	<hr/>	<hr/>
Net book value	415	415
	<hr/>	<hr/>

Certain of the properties were revalued at the above dates on the basis of their open market values. Valuations were independent and external; the 1989 valuation being carried out by Sykes Waterhouse, the 1995 valuation being carried out by Honeybourne, Kenny & Partners, and the 1997 valuations being carried out by Edward Symmons & Partners, members of the Royal Institute of Chartered Surveyors. All valuations were in accordance with the Statement of Asset Valuation Practice.

# Notes to the Financial Statements

## 30 June 2003

### 9. TANGIBLE FIXED ASSETS (continued)

Company	Fixtures and Fittings £ '000	Freehold property £ '000	Total £ '000
<b>Cost</b>			
At 1 July 2002	11	14,382	14,393
Additions	-	41	41
Disposals	-	(314)	(314)
At 30 June 2003	11	14,109	14,120
<b>Accumulated depreciation</b>			
At 1 July 2002	-	445	445
Charge for year	1	194	195
Disposals	-	(2)	(2)
At 30 June 2003	1	637	638
<b>Net book value</b>			
At 30 June 2003	10	13,472	13,482
At 30 June 2002	11	13,937	13,948

### 10. INVESTMENTS

Group	Unquoted investments £ '000	Other £ '000	Total £ '000
<b>Cost</b>			
At 1 July 2002	850	773	1,623
Additions	-	371	371
Transfers	-	(817)	(817)
Disposals/ amounts written off	(350)	(97)	(447)
At 30 June 2003	500	230	730

The unquoted investment represents 500,000 £1 non-cumulative 5% preference shares in Halewood International Financial Services Limited, a related company (see note 23).

Company	Unquoted investments £ '000	Investments in subsidiary undertakings £ '000	Total £ '000
<b>Cost</b>			
At 1 July 2002	850	7,328	8,178
Additions	-	159	159
Disposals	(350)	-	(350)
At 30 June 2003	500	7,487	7,987

# Notes to the Financial Statements

## 30 June 2003

### 10. INVESTMENTS (continued)

The company's principal subsidiary companies are set out below. A full list of subsidiary companies is set out in note 26.

All these subsidiaries are 100% owned and registered in England & Wales unless otherwise stated.

Subsidiary undertakings	Principal activities
Beijing Shunxing Halewood Alcoholic Beverages Limited	Distribution of wines and spirits
Caribbean Twist Limited	Brand ownership
Chalie, Richards & Co Limited	Import and distribution of fine wines and champagne.
Classic Wines & Spirits Limited	Wholesale of beers, wines and spirits.
Classic Drinks Limited	Wholesale of beers, wines and spirits
Dunbar Vintners Limited	Distribution of wines and spirits
Golding, Hopcroft & Co. Limited	Haulage broker
Halewood International Limited	Distribution of wines and spirits
Halewood International Brands Limited	Brand ownership
Halewood International Marketing Limited	Marketing services
Halewood International Production Limited	Wines and spirits bottling and production
Halewood International USA Inc	Distribution of wines and spirits
Halewood Romania Vinuri SRL * +	Production and sourcing of wine
Hall & Bramley Limited	Distribution of wines and spirits
Lambrini Limited	Brand ownership
Halewood Breweries S.A. Pty Limited *	Wines and spirits bottler
Red Square Beverages Limited	Brand ownership
Cramele Prahova SA* +	Wine production

\* Halewood Romania Vinuri SRL and Cramele Prahova SA are registered in Romania and Halewood Breweries S.A. Pty Limited is registered in South Africa. Beijing Shunxing Halewood Alcoholic Beverages Limited is registered in China and Halewood International USA Inc is registered in the USA.

+ The company has a 95% shareholding in Halewood Romania Vinuri SRL which in turn owns 73.71% of Cramele Prahova SA. The company has a 60% shareholding in Beijing Shunxing Halewood Alcoholic Beverages Limited.

### 11. STOCKS

	Group	
	2003 £ '000	2002 £ '000
Goods for resale	17,100	19,244
Raw materials	3,436	4,027
Consumables	373	309
	<u>20,909</u>	<u>23,580</u>

### 12. DEBTORS

	Group		Company	
	2003 £ '000	2002 £ '000	2003 £ '000	2002 £ '000
Trade debtors	34,706	39,077	-	62
Other debtors	3,986	6,625	2,300	2,225
Prepayments	1,111	990	19	-
Amounts due from subsidiary undertakings	-	-	21,212	21,951
	<u>39,803</u>	<u>46,692</u>	<u>23,531</u>	<u>24,238</u>

Within other debtors is a balance of £1,813,000 (2002: £1,158,000) owed to the company by Mr JE Halewood. The maximum amount owed by Mr Halewood in the year was £1,813,000 (2002: £1,265,000). This balance has subsequently been repaid in full.

# Notes to the Financial Statements

## 30 June 2003

### 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2003	2002	2003	2002
	£ '000	£ '000	£ '000	£ '000
Bank overdrafts (secured note 14)	3,495	30,929	-	5,726
Bank loans (secured note 14)	4,800	1,200	4,800	1,200
Hire purchase finance	1,503	1,566	-	-
Other loans	525	590	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Debt due within one year	10,323	34,285	4,800	6,926
Trade creditors	16,395	15,688	20	61
Corporation tax	877	366	3	-
Other taxation and social security	4,561	7,827	-	-
Accruals and deferred income	11,335	8,751	-	85
Other creditors	579	2,691	-	-
Due to subsidiary undertakings	-	-	909	13,296
	<hr/>	<hr/>	<hr/>	<hr/>
	44,070	69,608	5,732	20,368
	<hr/>	<hr/>	<hr/>	<hr/>

### 14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2003	2002	2003	2002
	£ '000	£ '000	£ '000	£ '000
Bank loans	19,300	6,767	16,800	3,600
Hire purchase finance	2,398	2,450	-	-
Other loans	1,319	2,127	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	23,017	11,344	16,800	3,600
	<hr/>	<hr/>	<hr/>	<hr/>
Repayable				
1-2 years	7,558	2,971	4,800	1,200
2-5 years	15,459	7,873	12,000	2,400
After 5 years	-	500	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Debt	23,017	11,344	16,800	3,600
Deferred income – grants	678	808	372	380
	<hr/>	<hr/>	<hr/>	<hr/>
	23,695	12,152	17,172	3,980
	<hr/>	<hr/>	<hr/>	<hr/>

# Notes to the Financial Statements

## 30 June 2003

### 14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

Bank loans consist of the following:

1. A £21,600,000 bank loan repayable by equal quarterly instalments, commencing October 2002 at a commercial rate of interest above the Lloyds Bank Plc base rate. The bank borrowings are secured by unlimited debenture on the undertaking of the company and by fixed charges over the company's freehold and leasehold properties.
2. A £3,167,000 bank loan repayable by equal quarterly instalments, commencing June 2001 at a commercial rate of interest above the Lloyds Bank Plc base rate. The bank borrowings are secured by unlimited debenture on the undertaking of the company.

Other loans consist of the following:

1. £525,000 is the balance of an asset financing loan taken out by Cramele Prahova SA in 1992. The loan is repayable over a maximum period of five years, but may be repaid early. The loan bears interest at a commercial rate above LIBOR and is secured on the assets financed.
2. £2,137,000 is the balance of an asset financing loan taken out by Halewood Breweries S.A. Pty Limited in 2000. The loan is repayable over periods from 2 to 3 years. The loan bears interest at a commercial rate above base rate and is secured on the assets financed.

### 15. DEFERRED TAXATION

	Group		Company	
	2003 £ '000	2002 £ '000	2003 £ '000	2002 £ '000
Opening provision	1,159	441	114	10
Profit and loss account	(50)	718	78	104
	<hr/>	<hr/>	<hr/>	<hr/>
Closing provision	1,109	1,159	192	114
Representing:	<hr/>	<hr/>	<hr/>	<hr/>
Accelerated capital allowances	1,095	1,098	192	114
Other short term timing differences	14	61	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,109	1,159	192	114
	<hr/>	<hr/>	<hr/>	<hr/>

### 16. SHARE CAPITAL

	2003 Number	2002 Number
Authorised		
Ordinary shares of £1 each	95,000	95,000
Issued and fully paid	<hr/>	<hr/>
Ordinary shares of £1 each	95,000	95,000
	<hr/>	<hr/>

# Notes to the Financial Statements

## 30 June 2003

### 17. RESERVES

Group	Capital reserve £ '000	Capital redemption reserve £ '000	Revaluation reserve £ '000	Profit & loss account £ '000
At 1 July 2002	414	5	1,509	29,815
Profit for the year	-	-	-	236
Minority share of profit	-	-	-	58
Currency adjustment	-	-	-	30
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2003	414	5	1,509	30,139
	<hr/>	<hr/>	<hr/>	<hr/>
Company				Profit & loss Account £ '000
At 1 July 2002				21,807
Loss for year				(70)
Currency translation profit				75
				<hr/>
At 30 June 2003				21,812
				<hr/>

### 18. CONTINGENT LIABILITIES

#### Company

Halewood International Holdings PLC, Halewood International Limited, Halewood International Production Limited, Halewood International Marketing Limited, Halewood International Brands Limited, Red Square Beverages Limited, Lambrini Limited, Caribbean Twist Limited, Classic Drinks Limited, Classic Wines & Spirits Limited and Charlie Richards & Co Limited have given unlimited cross guarantees in respect of the other's bank borrowings. At 30 June 2003 these borrowings amounted to £23,513,000 (2002: £28,400,000).

# Notes to the Financial Statements

## 30 June 2003

### 19. COMMITMENTS

#### Leases

The Group had annual commitments under non-cancellable operating leases as set out below:

	2003 £ '000	2002 £ '000
Land and buildings operating leases which expire:		
Within one year	36	337
Between one and two years	-	145
Between two and five years	221	307
After five years	92	-
	<hr/> 349	<hr/> 789
Plant and equipment operating leases which expire:		
Within one year	564	-
Between one and two years	935	35
Between two to five years	156	236
After five years	-	92
	<hr/> 1,655	<hr/> 363
Capital		
Contracted	<hr/> 33	<hr/> 931

### 20. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 £ '000	2002 £ '000
Operating profit	2,018	8,496
Depreciation of tangible fixed assets	3,420	3,419
Write down of investments	97	86
Loss/(profit) on sale of tangible fixed assets	140	(364)
Release of capital grants	(130)	218
Amortisation	16	14
- positive goodwill	(39)	(1,119)
- negative goodwill	29	38
- brands and IPR		
Movements in working capital:		
Decrease/(increase) in stocks	2,671	(171)
Decrease in debtors	6,889	3,605
Decrease in creditors	(2,183)	(5,255)
	<hr/> 12,928	<hr/> 8,967



# Notes to the Financial Statements

## 30 June 2003

### 21. ANALYSIS OF NET DEBT

	30 June 2002 £ '000	Cash flow £ '000	Non cash movements £ '000	30 June 2003 £ '000
Cash at bank and in hand	9,446	(2,648)	-	6,798
Bank overdraft	(30,929)	27,434	-	(3,495)
<b>Cash</b>	<b>(21,483)</b>	<b>24,786</b>	<b>-</b>	<b>3,303</b>
Bank loans	(7,967)	(16,133)	-	(24,100)
Other loans	(2,717)	56	817	(1,844)
Hire purchase	(4,016)	1,340	(1,225)	(3,901)
<b>Borrowings</b>	<b>(14,700)</b>	<b>(14,737)</b>	<b>(408)</b>	<b>(29,845)</b>
<b>Net debt</b>	<b>(36,183)</b>	<b>10,049</b>	<b>(408)</b>	<b>(26,542)</b>

### 22. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2003 £ '000	2002 £ '000
Increase/(decrease) in cash	24,786	(6,568)
Cash (outflow)/inflow from decrease in debt and lease finance	(14,737)	4,509
<b>Increase/(decrease) in net debt from cash flows</b>	<b>10,049</b>	<b>(2,059)</b>
Inception in hire purchase	(1,225)	(2,585)
Transfer from investments	817	-
<b>Decrease/(increase) in net debt</b>	<b>9,641</b>	<b>(4,644)</b>
<b>Opening net debt</b>	<b>(36,183)</b>	<b>(31,539)</b>
<b>Closing net debt</b>	<b>(26,542)</b>	<b>(36,183)</b>

## Notes to the Financial Statements

### 30 June 2003

#### 23. RELATED PARTY TRANSACTIONS

The company has undertaken transactions with subsidiaries. Under the provisions of Financial Reporting Standard No.8 "Related Party Disclosures" the company is exempt from disclosing the detail of these transactions.

During the year, the Group entered into the following transactions with companies over which Mr J E Halewood, the principal shareholder, exercises significant influence:

- 1) The company owns £500,000 non-cumulative 5% preference shares of Halewood International Financial Services Limited. The preference shares are redeemable at nominal value together with accrued dividend income by either party upon giving not less than 14 and not more than 28 days written notice. No dividend income accrued during the year ended 30 June 2003 (2002: £nil).
- 2) The Group purchased foreign currency to the value of £12,545,000 during the year from HIFX Limited. The amount due from HIFX Limited at 30 June 2003 is £870,000 (2002: £168,000).

#### 24. PENSION AND SIMILAR OBLIGATIONS

Certain Group employees participated in the Hall & Bramley Staff Pension Fund in previous years. The benefits of all members of the Fund were secured via the purchase of insurance policies and annuities in the year thus extinguishing any liability of the Group by 30 June 2003.

#### 25. PRIOR YEAR ADJUSTMENTS

In the course of 2002 the directors became aware of certain potential costs in respect of prior periods that have not previously been accounted for. These costs comprised some £380,000 in respect of a pre acquisition liability where the likelihood of crystallisation had previously been considered to be remote but current advice indicated that this position had changed, £1.7 million in respect of duty undercharged in 1999 and 2000 due to a systems failure at a supplier and sundry charges not accounted for on consolidation of £621,000. These cost were charged against opening shareholders' funds as at 1 July 2001, net of related taxation, to match the costs against the periods to which they relate.

## Notes to the Financial Statements

30 June 2003

### 26. SUBSIDIARY COMPANIES

The complete list of subsidiary companies is set out below.

Beijing Shunxing Halewood Alcoholic Beverages Limited  
The Caribbean Rum Company Ltd\*  
Caribbean Twist Limited  
Chalie, Richards & Co Ltd  
Champagne Exchange UK Limited\*  
Classic Drinks Limited  
Classic Wines & Spirits Ltd  
Classic Wine Warehouses Limited\*  
Clearsnap Limited  
Cramele Prahova SA  
Dunbar Vintners Limited  
Edward Butler Vintners Ltd\*  
The Flinters Spirit Co Ltd\*  
Golding, Hoptroff & Co. Ltd  
Halewood Breweries S.A. Pty Limited  
Halewood International Beverages (Ireland) Ltd  
Halewood International Brands Limited  
Halewood International Limited  
Halewood International Marketing Limited  
Halewood International Production Limited  
Halewood International USA Inc  
Halewood Vintners Ltd\*  
Halewood Romania Vinuri SRL  
Hall & Bramley Ltd  
Hall & Bramley (Scotland) Ltd\*  
Jeeves Wine Emporiums Ltd\*  
Lamb & Watt Vintners Ltd\*  
Lambrini Limited  
Macpherson Richards & Co Ltd\*  
The Mississippi Liquor Trading Co Ltd\*  
The Old Roberttown Spirit and Blending Co Ltd\*  
Red Square Beverages Limited  
The Rowley Wine Co Ltd\*  
T J Turnbull Sour Mash Co Ltd\*

\* Dormant company

The following pages do not form part of the  
audited statutory financial statements and are for  
management purposes only

**COMPANY PROFIT AND LOSS ACCOUNT**  
 for the year ended 30 June 2003

For directors' use only

	2003 £ '000	2002 £ '000
Turnover: continuing operations	-	-
Cost of sales	-	-
	<hr/>	<hr/>
Gross profit	-	-
Group income	-	-
Other group income	1,356	908
Administration expenses	(1,063)	(815)
Write off of inter-group loan	(300)	-
	<hr/>	<hr/>
Operating profit: continuing operations	(7)	93
Interest receivable and similar income	1,092	656
Interest payable	(974)	(451)
	<hr/>	<hr/>
Profit on ordinary activities before taxation	111	298
Tax on profit on ordinary activities	(181)	(97)
	<hr/>	<hr/>
(Loss)/profit for the year	(70)	201
Dividends	-	-
	<hr/>	<hr/>
Retained (loss)/profit	(70)	201
	<hr/>	<hr/>