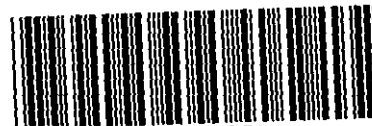


**HALEWOOD INTERNATIONAL
HOLDINGS PLC**

Report and Financial Statements

24 June 2006

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HALEWOOD INTERNATIONAL HOLDINGS PLC

REPORT AND FINANCIAL STATEMENTS FOR 2006

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HALEWOOD INTERNATIONAL HOLDINGS PLC

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr J E Halewood (Chairman)
Mrs E M Halewood
Mr A J Vaughan
Mr S J Oldroyd
Mr R V L Rishworth
Mr D Wharton (resigned 8 August 2006)
Mr W Woolley
Mr P A Longinotti (Non-executive)
Mr A J Timson (Non-executive)
Mr J Cooymans (Non-executive) (resigned 7 March 2006)

SECRETARY

Mr P Horsfall (appointed 23 August 2006)
Mr S J Oldroyd (resigned 23 August 2006)

REGISTERED OFFICE

The Sovereign Distillery
Wilson Road
Huyton Industrial Estate
Huyton
Liverpool
L36 6AD

SOLICITORS

DWF Solicitors
Liverpool

BANKERS

Lloyds TSB Bank Plc
94 Fishergate
Preston
Lancashire
PR1 2JB

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Liverpool

HALEWOOD INTERNATIONAL HOLDINGS PLC

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 52 weeks ended 24 June 2006.

BUSINESS REVIEW

The principal activities of the Group are the development, manufacture and distribution of wines, spirits and speciality drinks. While the groups primary operations are based in the UK (with 89% of turnover derived in this market) there is also significant presence and manufacturing operations based in South Africa, Romania and China.

The directors are not aware, at the date of this report, of any likely major changes in the group's activities in the next year.

Group turnover from continuing operations grew by 6% during the year to £228.5m while Group operating profit for the year was £4.7m (2005: £5.1m). A key objective for the group is to generate EBITDA (excluding shareholder remuneration) growth year on year. The following table summarises turnover and adjusted operating profit for each of the last 3 years:

	2006 £'000	2005 £'000	2004 £'000
Turnover	229,972	241,834	234,506
Operating profit	4,661	5,110	2,595
Depreciation	3,499	3,379	3,265
Amortisation	1,422	301	141
Shareholder remuneration	2,350	1,096	2,541
Adjusted operating profit	11,932	9,886	8,542

Adjusted operating profit for 2006 shows a 21% increase on 2005. This growth has been driven by 2 key factors:

- The group's South African subsidiary has continued the strong recovery that started in 2005. A focus on maximising production efficiencies through tight cost control and greater volumes has seen improved profitability in its contract bottling division. In addition the subsidiary has seen strengthening demand for its higher margin own brand products. Both of these factors have helped increase turnover by £10.9m and improve operating profit by £1.7m.
- Continued rationalisation of the UK group has seen better utilisation of the group's fixed cost base. Part of this has been achieved with the closure of Hall & Bramley Limited with trade and assets sold to H&A Prestige Packaging Limited, a related party company owned by the Chairman, Mr J E Halewood. In addition, full year savings from transferring the operations of Charlie Richards & Co Limited to the head office site in Liverpool has also generated overhead savings.

The group closely monitors its cash flow and, as shown in note 24, has managed to reduce net debt by £8.3m during the year. At the same time the Group recognises the importance of continued investment in its core production facilities and this is reflected in the £4.0m of fixed asset additions in the period.

Principal risks and uncertainties

The group operates in a highly competitive, fashion led market and as such is subject to threat of competitors launching new products in the markets in which we operate. To help mitigate this risk the group invests heavily in product development and marketing to ensure our portfolio contains a range of products at various stages of their life cycle. To further support internal product development the group also considers key strategic brand acquisitions from third parties. This is supported by the acquisition of brands, Intellectual Property Rights and customer databases of £1.4m during the year with a further £1.4m acquired post year end up to the date of this report.

Competitor risk also manifests itself in the form of price pressures, particularly in the more developed markets, and applies downward pressure on gross margins. The group ensures that prices and margins in key markets are closely monitored at board level with director level sign off for any promotional support or price changes.

DIRECTORS' REPORT (continued)

Principal risks and uncertainties (continued)

The group also benefits from close commercial relationships with a number of key customers and suppliers. Damage to or loss of any of these relationships could have a direct impact on the group results. To ensure relationships are maintained, the group assigns key personnel to manage the relationships with these suppliers and customers with regular feedback being given to the board.

As a producer and distributor of alcoholic beverages the group is exposed to the taxation risk associated with these products. In order to mitigate the risk the group maintains a diverse portfolio of products within different tax classifications. In addition certain directors represent the group on various trade bodies to ensure representation.

As the group sells and operates in multiple markets around the globe it is exposed to movements in key currencies, in particular the Euro, USD and South African Rand. To manage this risk the group employs a Group treasury function to manage this risk at a group level with contracts taken out to manage the risk. All of these contracts had matured by the year-end.

Future outlook

The group continues to operate in a very competitive domestic market. In addition the group is experiencing significant price increases in its key raw materials. Both of these external factors are expected to apply pressure on margins during financial year 2007.

To combat these pressures the Group will continue to focus on its successful strategy of new product development combined with key strategic brand acquisition, tight cost control and focus on production efficiency.

RESULTS AND DIVIDENDS

The group profit for the period is disclosed on page 7. The directors do not recommend the payment of a dividend (2005: £nil).

DIRECTORS

The present directors of the company are set out on page 1, all of whom served during the period.

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

	Ordinary shares of £1 each	
	2006	2005
Mr J E Halewood	85,442	85,442
Mrs E M Halewood	5,000	5,000

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

SUPPLIER PAYMENT POLICY

The company's policy, which is also applied by the group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. As the activity of the company is principally that of a holding company a calculation of creditor days is deemed not applicable.

FIXED ASSETS

In the opinion of the directors the current open market value of the group's interests in land and buildings exceeds the book value by approximately £6,000,000. The group's liability to taxation if land and buildings were sold at that value would approximate £2,100,000.

HALEWOOD INTERNATIONAL HOLDINGS PLC

DIRECTORS' REPORT (continued)

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year the group made charitable donations of £57,000 principally to local charities serving the communities in which the group operates.

No political donations were made during the period.

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.

POST BALANCE SHEET EVENTS

For the post balance sheet events during the period, please see note 28 to the financial statements.

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Robson Rhodes LLP resigned as auditors during the period and were replaced by Deloitte & Touche LLP.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by order of the Board and signed on its behalf by Peter Horsfall on 28 February 2007



Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and financial statements. The directors have chosen to prepare the financial statements for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view in accordance with UK GAAP of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and Companies Act 1985. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HALEWOOD INTERNATIONAL HOLDINGS PLC

We have audited the group and parent company financial statements (the "financial statements") of Halewood International Holdings Plc for the 52 weeks ended 24 June 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Note of Historical Cost Profit and Losses, Group and Company Reconciliation of Movement in Shareholders Funds, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 31. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, 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 company's members those matters we are required to state to them in an auditors' 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 company and the company's members 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 (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

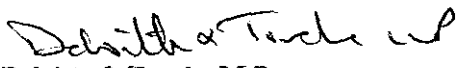
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 24 June 2006 and of the group's profit for the 52 week period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.


Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Liverpool
United Kingdom

HALEWOOD INTERNATIONAL HOLDINGS PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the 52 weeks ended 24 June 2006

			52 weeks ended 24 June 2006 £'000	52 weeks ended 25 June 2005 Restated (see note 1) £'000
	Note	£'000	£'000	£'000
Turnover: continuing operations	1,2		228,531	216,510
discontinued operations			1,441	25,324
			<u>229,972</u>	<u>241,834</u>
Cost of sales			(188,890)	(201,330)
			<u>41,082</u>	<u>40,504</u>
Gross profit				
Distribution costs			(15,034)	(15,293)
Administrative expenses				
Amortisation and impairment of intangible assets and investments	4	(1,422)		(301)
Other		(19,965)		(19,800)
			<u>(21,387)</u>	<u>(20,101)</u>
Operating profit: continuing operations			4,702	6,111
discontinued operations			(41)	(1,001)
			<u>4,661</u>	<u>5,110</u>
Interest receivable and similar income	3,4		306	278
Interest payable and similar charges	7		(1,629)	(1,538)
			<u>3,338</u>	<u>3,850</u>
Profit on ordinary activities before taxation				
Tax on profit on ordinary activities	8		(1,181)	(1,169)
			<u>2,157</u>	<u>2,681</u>
Profit on ordinary activities after taxation	20			

HALEWOOD INTERNATIONAL HOLDINGS PLC

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the 52 weeks ended 24 June 2006

	52 weeks ended 24 June 2006 £'000	52 weeks ended 25 June 2005 £'000
Profit for the period	2,157	2,681
Minority interest share of profits	(92)	5
Currency translation	(273)	(58)
	<hr/>	<hr/>
Total recognised gains relating to the period	1,792	2,628
	<hr/>	<hr/>
Total recognised gains since last annual report	<u>1,792</u>	<u>2,628</u>

CONSOLIDATED NOTE OF HISTORICAL COST PROFIT AND LOSSES For the 52 weeks ended 24 June 2006

	52 weeks ended 24 June 2006 £'000	52 weeks ended 25 June 2005 £'000
Reported profit on ordinary activities before taxation	3,338	3,850
Difference between an historical cost depreciation charge and the actual depreciation charge for the period	27	27
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	3,365	3,877
	<hr/>	<hr/>
Historical cost profit for the period retained after taxation, minority interests and dividends	<u>2,184</u>	<u>2,713</u>

HALEWOOD INTERNATIONAL HOLDINGS PLC

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the 52 weeks ended 24 June 2006

	2006 £'000	2005 £'000
Group		
Opening shareholders' funds	34,311	31,683
Profit for the period	2,157	2,681
Other recognised losses	(365)	(53)
Closing shareholders' funds	<u>36,103</u>	<u>34,311</u>
Company		
Opening shareholders' funds	19,759	20,986
Profit/(loss) for the period	704	(1,227)
Other recognised losses	(683)	-
Closing shareholders' funds	<u>19,780</u>	<u>19,759</u>

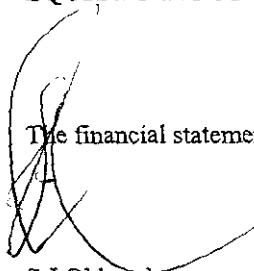
HALEWOOD INTERNATIONAL HOLDINGS PLC

CONSOLIDATED BALANCE SHEET

24 June 2006

	Note	24 June 2006 £'000	25 June 2005 £'000
FIXED ASSETS			
Brands and IPR	10	371	472
Customer database	10	282	-
Goodwill	10	25	41
Negative goodwill		-	-
Intangible assets		678	513
Tangible assets	11	29,628	30,081
Investments	12	1,042	958
		<u>31,348</u>	<u>31,552</u>
CURRENT ASSETS			
Stocks	13	16,317	17,562
Debtors	14	40,073	40,731
Investments	15	1,779	-
Cash at bank and in hand		4,051	2,712
		<u>62,220</u>	<u>61,005</u>
CREDITORS: amounts falling due within one year	16	<u>(50,585)</u>	<u>(50,112)</u>
NET CURRENT ASSETS		<u>11,635</u>	<u>10,893</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>42,983</u>	<u>42,445</u>
CREDITORS: amounts falling due after more than one year	17	(5,413)	(7,130)
PROVISION FOR LIABILITIES	18	(1,016)	(645)
MINORITY INTERESTS		<u>(451)</u>	<u>(359)</u>
NET ASSETS		<u><u>36,103</u></u>	<u><u>34,311</u></u>
CAPITAL AND RESERVES			
Called up share capital	19	95	95
Capital redemption reserve	20	5	5
Revaluation reserve	20	1,006	1,033
Capital reserve	20	414	414
Profit and loss account	20	34,583	32,764
EQUITY SHAREHOLDER'S FUNDS		<u><u>36,103</u></u>	<u><u>34,311</u></u>

The financial statements were approved by the Board of Directors on 28 February 2007 and signed on its behalf by:


S J Oldroyd

Director

HALEWOOD INTERNATIONAL HOLDINGS PLC

COMPANY BALANCE SHEET

24 June 2006

	Note	24 June 2006 £'000	25 June 2005 £'000
FIXED ASSETS			
Tangible assets	11	12,222	12,402
Investments	12	9,023	8,046
		<u>21,245</u>	<u>20,448</u>
CURRENT ASSETS			
Debtors	14	35,308	30,940
Investments	15	183	-
		<u>35,491</u>	<u>30,940</u>
CREDITORS: amounts falling due within one year	16	<u>(33,810)</u>	<u>(26,512)</u>
NET CURRENT ASSETS		<u>1,681</u>	<u>4,428</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>22,926</u>	<u>24,876</u>
CREDITORS: amounts falling due after more than one year	17	(2,846)	(4,855)
PROVISION FOR LIABILITIES	18	<u>(300)</u>	<u>(262)</u>
NET ASSETS		<u>19,780</u>	<u>19,759</u>
CAPITAL AND RESERVES			
Called up share capital	19	95	95
Profit and loss account	20	<u>19,685</u>	<u>19,664</u>
EQUITY SHAREHOLDER'S FUNDS		<u>19,780</u>	<u>19,759</u>

The financial statements were approved by the Board of Directors on 28 February 2007 and signed on its behalf by:


S J Oldroyd

Director

HALEWOOD INTERNATIONAL HOLDINGS PLC

CONSOLIDATED CASH FLOW STATEMENT

For the 52 weeks ended 24 June 2006

	Note	2006 £'000	2005 £'000
Cash inflow from operating activities	23	12,477	3,252
Returns on investment and servicing of finance			
Interest received		306	278
Interest paid		(1,270)	(1,236)
Interest element of finance lease repayments		(213)	(302)
		(1,177)	(1,260)
Taxation paid			
UK Corporation tax paid		(2,334)	(355)
Capital expenditure and financial investment			
Payments to acquire fixed assets		(3,332)	(1,831)
Receipts from sale of tangible fixed assets		1,334	1,106
Government grant received		255	265
Payments to acquire investments		(193)	(141)
Receipts from disposal of investments		702	68
Payments to acquire intangibles		(1,467)	(60)
		(2,701)	(593)
Acquisition and disposals			
Sale of subsidiary undertaking	29	2,036	-
Management of liquid resources			
Cash placed on short term deposit		(260)	-
Net cash inflow before financing		8,041	1,044
Financing	24,25		
Repayment of loans		(2,311)	(2,171)
Drawdown of loans		1,200	-
Capital element of finance lease repayments	24	(1,179)	(1,396)
Net cash outflow from financing	24	(2,290)	(3,567)
Increase/(decrease) in cash	25	5,751	(2,523)

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 June 2006

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable United Kingdom accounting standards.

Profit and loss account restatement

In the current period, the directors have reclassified certain items in distribution and administrative expenses to cost of sales. £5,494,000 (2005 - £5,970,000) has been reclassified from distribution expenses to cost of sales and £4,026,000 (2005 - £4,078,000) has been reclassified from administrative expenses to cost of sales. To allow comparison, as required under FRS 28, the amounts for the comparable period have been restated on a comparable basis. This reclassification has no effect on the profit for the period, cash flows or the net asset of the group.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 24 June 2006. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

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.

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

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

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

The group has taken advantage of the transitional provisions of FRS 15 "Tangible fixed assets" and retained the book amounts of certain freehold properties which were revalued prior to implementation of that standard. The properties were last revalued during 1995 and the valuations have not subsequently been updated.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 June 2006

1. ACCOUNTING POLICIES (continued)

Investments

Except as stated below, fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

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.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 June 2006

1. ACCOUNTING POLICIES (continued)

Leases (continued)

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Capital grants

Capital government grants received are treated as deferred income and released to the profit and loss account over the expected useful lives 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 contribution payable in the period.

Turnover

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

2. SEGMENTAL ANALYSIS

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

	52 weeks ended 24 June 2006 £'000	52 weeks ended 25 June 2005 £'000
United Kingdom	205,146	228,365
Other EC countries	2,021	1,032
Rest of Europe	3,639	4,381
Other	19,166	8,056
	<u>229,972</u>	<u>241,834</u>

3. DISCONTINUED OPERATIONS

The analysis in note 2 includes amounts in respect of discontinued operations as follows:

	2006 £'000	2005 £'000
United Kingdom	<u>1,441</u>	<u>25,324</u>

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 June 2006

3. DISCONTINUED OPERATIONS (continued)

Cost of sales, gross profit and operating profit

	2006		2005		
	Continuing operations	Dis-continued operations	Continuing operations	Dis-continued operations	Total
	£'000	£'000	£'000	£'000	£'000
Cost of sales	187,483	1,407	176,790	24,540	201,330
Gross profit	41,048	34	39,720	784	40,504
Distribution costs	15,034	-	15,293	-	15,293
Administrative expenses					
Amortisation	1,422	-	301	-	301
Other	19,890	75	18,015	1,785	19,800
Operating profit/(loss)	4,702	(41)	6,111	(1,001)	5,110

See note 29 for further details of disposals, which have been disclosed as discontinued operations.

4. OPERATING PROFIT

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

	52 weeks ended 24 June 2006	52 weeks ended 25 June 2005
	£'000	£'000
Auditors' remuneration		
- for UK audit services	97	90
- for overseas audit services	46	35
- for non-audit services	25	50
Depreciation of tangible fixed assets - owned	2,640	2,372
- held under finance leases	859	1,007
Operating lease rentals - motor vehicles	648	262
- premises	398	416
Hire of plant, machinery and vehicles	334	279
Government grants released in year	(101)	(32)
Amortisation - goodwill	19	40
- brands & IPR	465	218
- customer database	68	-
- other	120	43
Impairment - brands & IPR	750	-
Change in market value of endowment policy	(429)	-
Revaluation of investments	-	200
Profit on disposal of tangible fixed assets	(350)	(108)
Reversal of impairment	(194)	-

The Directors feel that as amortisation and impairment of intangible assets and investments is such a significant component of administrative expenses it should be shown separately on the face of the profit and loss account in order to help understand the year on year movement in this expense category. As such amortisation and impairment of £1,422,000 (2005: £301,000) made up of goodwill, brands & IPR, customer databases and others (all shown above) has been shown on the face of the profit and loss account (see notes 10 and 12).

HALEWOOD INTERNATIONAL HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 June 2006

5. EMPLOYEES

The remuneration of employees, including directors, was:

	52 weeks ended 24 June 2006 £'000	52 weeks ended 25 June 2005 £'000
Wages and salaries	18,514	17,327
Social security costs	1,725	1,754
Pensions - defined contribution schemes	525	574
	<u>20,764</u>	<u>19,655</u>

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

	2006 No.	2005 No.
Administration and selling	436	410
Warehouse, production and distribution	646	666
	<u>1,082</u>	<u>1,076</u>

6. DIRECTORS' EMOLUMENTS

	52 weeks ended 24 June 2006 £'000	52 weeks ended 25 June 2005 £'000
Management remuneration (including benefits in kind)	3,192	1,675
Pension contributions	48	58
	<u>3,240</u>	<u>1,733</u>

The emoluments of the highest paid director were:

	2006 £'000	2005 £'000
Salary and bonus	2,115	1,093
Benefits in kind	235	3
Pension contributions - defined contribution scheme	-	-
	<u>2,350</u>	<u>1,096</u>

Pension contributions have been made on behalf of 5 directors into defined contribution pension schemes (2005: 5).

HALEWOOD INTERNATIONAL HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 June 2006

7. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 24 June 2006 £'000	52 weeks ended 25 June 2005 £'000
Bank overdraft	477	368
Finance lease interest	213	302
Interest on bank loans	568	688
Interest on other loans	172	100
Interest on underpaid taxation	199	80
	<u>1,629</u>	<u>1,538</u>

NOTES TO THE FINANCIAL STATEMENTS
For the 52 weeks ended 24 June 2006

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	52 weeks ended 24 June 2006 £'000	52 weeks ended 25 June 2005 £'000
United Kingdom Corporation Tax		
Current tax on income for the year	536	988
Double tax relief	(33)	-
Adjustments in respect of prior years	270	163
	<u>773</u>	<u>1,151</u>
Foreign tax		
Current tax on income for the year	37	(1)
	<u>810</u>	<u>1,150</u>
Current taxation		
Deferred taxation		
Net origination/(reversal) of timing differences	371	19
	<u>1,181</u>	<u>1,169</u>
Tax on profit on ordinary activities		
	<u>2006</u>	<u>2005</u>
	<u>£'000</u>	<u>£'000</u>
Current tax reconciliation		
Profit on ordinary activities before taxation	3,338	3,850
Theoretical tax at UK corporation tax rate 30% (2005: 30%)	1,001	1,155
Effects of:		
- expenditure not tax deductible	136	855
- difference in tax rates	(49)	(38)
- losses	-	(256)
- movement on deferred tax unprovided	5	-
- overseas tax losses not available for group relief	-	134
- accelerated capital allowances	(19)	(63)
- other timing allowances	(230)	(121)
- prior year adjustment for corporation tax	270	163
- income not taxable	(304)	(679)
	<u>810</u>	<u>1,150</u>
Actual current tax charge		

9. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent Company is not presented as part of these financial statements. The parent Company's retained profit for the financial period amounted to £704,000 (2005: loss £1,227,000).

NOTES TO THE FINANCIAL STATEMENTS

24 June 2006

10. INTANGIBLE FIXED ASSETS AND GOODWILL

Group	Brands and IPR £'000	Customer database £'000	Goodwill £'000	Negative goodwill £'000
Cost				
At 26 June 2005	884	-	200	(2,295)
Additions	1,114	350	3	-
At 24 June 2006	1,998	350	203	(2,295)
Amortisation				
At 26 June 2005	412	-	159	2,295
Charge for period	465	68	19	-
Impairment	750	-	-	-
At 24 June 2006	1,627	68	178	2,295
Net book value				
At 24 June 2006	371	282	25	-
At 25 June 2005	472	-	41	-

During the year the directors have reviewed the policy for amortisation of brands and IPR and as a result have reduced the amortisation period from 5 to 3 years. The impact of this is the amortisation charge for the period has increased by £232,000.

In addition the directors have made an impairment of £750,000 against brands and IPR to reflect the realisable value of the asset.

11. TANGIBLE FIXED ASSETS

Group	Freehold property £'000	Long leasehold property £'000	Plant & machinery, fixtures & fittings, motor vehicles £'000	Total £'000
Cost/valuation				
At 26 June 2005	16,231	927	30,231	47,389
Additions	85	-	3,894	3,979
Disposals	-	(927)	(1,516)	(2,443)
Exchange adjustment	81	-	(178)	(97)
At 24 June 2006	16,397	-	32,431	48,828
Depreciation				
At 26 June 2005	1,359	142	15,807	17,308
Charge for period	427	5	3,067	3,499
Disposals	-	(147)	(1,312)	(1,459)
Exchange adjustment	2	-	(150)	(148)
At 24 June 2006	1,788	-	17,412	19,200
Net book value				
At 24 June 2006	14,609	-	15,019	29,628
At 25 June 2005	14,872	785	14,424	30,081

NOTES TO THE FINANCIAL STATEMENTS

24 June 2006

11. TANGIBLE FIXED ASSETS (continued)

The net book value of fixed assets includes an amount of £3,760,000 (2005: £4,990,000) in respect of assets held under hire purchase contracts. Depreciation charged in respect of these assets in the period was £859,000 (2005: £1,007,000).

	2006 £'000	2005 £'000
Land and buildings comprises:		
Freehold property is stated at:		
Valuation 1989	650	650
Valuation 1995	3,750	3,750
Cost	11,997	11,831
	<hr/>	<hr/>
	16,397	16,231
Depreciation	(1,788)	(1,359)
	<hr/>	<hr/>
	14,609	14,872
	<hr/>	<hr/>
The comparable amounts if stated under the historical cost convention, would be:		
Freehold property	2006 £'000	2005 £'000
Cost	15,053	15,276
Depreciation	(1,450)	(1,437)
	<hr/>	<hr/>
Net book value	13,603	13,839
	<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. All valuations were in accordance with the Statement of Asset Valuation Practice.

Company	Freehold property £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 26 June 2005	13,339	11	13,350
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 24 June 2006	13,339	11	13,350
	<hr/>	<hr/>	<hr/>
Accumulated depreciation			
At 26 June 2005	946	2	948
Charge for period	179	1	180
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 24 June 2006	1,125	3	1,128
	<hr/>	<hr/>	<hr/>
Net book value			
At 24 June 2006	12,214	8	12,222
	<hr/>	<hr/>	<hr/>
At 25 June 2005	12,393	9	12,402
	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

24 June 2006

12. INVESTMENTS

Group	Unquoted investments £'000	Other £'000	Total £'000
Cost			
At 26 June 2005	850	704	1,554
Additions	-	10	10
Disposals	-	-	-
At 24 June 2006	850	714	1,564
Provisions for impairment			
At 26 June 2005	400	196	596
Reversal of impairment	(194)	-	(194)
Amortisation	-	120	120
At 24 June 2006	206	316	522
Net book value			
At 24 June 2006	644	398	1,042
At 25 June 2005	450	508	958

The unquoted investment represents 850,000 £1 non-cumulative 5% preference shares in Halewood International Financial Services Limited, a related company (see note 26).

The other category relates to the racehorses held by the group, which are held at cost and amortised over 5 years.

Company	Unquoted investments £'000	Investments in subsidiary undertakings £'000	Total £'000
Cost			
At 26 June 2005	850	8,379	9,229
Additions	-	-	-
At 24 June 2006	850	8,379	9,229
Provisions for impairment			
At 26 June 2005	400	783	1,183
Reversal of impairment	(194)	(783)	1,259
At 24 June 2006	206	-	2,442
Net book value			
At 24 June 2006	644	8,379	9,023
At 25 June 2005	450	7,596	8,046

The company's principal subsidiary companies are set out below. A full list of subsidiary companies is set out in note 27.

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

NOTES TO THE FINANCIAL STATEMENTS

24 June 2006

12. INVESTMENTS (continued)

Principal 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, Hoptroff & Co Limited	Haulage broker
Halewood International Holdings (UK) Limited	Investment Holding Company
Halewood International Holdings (Overseas) Limited	Investment Holding Company
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 Romania SRL*+	Production of wines and spirits
Hall & Bramley Limited	Distribution of wines and spirits
Lambrini Limited	Brand ownership
Halewood Breweries SA Pty Limited	Wines and spirits bottler
Red Square Beverages Limited	Brand ownership
Cramele Halewood SA*+	Wine production
Vitis Sebes SRL*+	Wine production
Halewood International Romania SRL*	Wine production
Viticola Aiud SRL*+	Wine production
Vitis Murfatlar SRL*+	Wine production

* Halewood Romania SRL, Cramele Halewood SA, Vitis Sebes SRL, Halewood International Romania SRL, Viticola Aiud SRL and Vitis Murfatlar SRL are registered in Romania and Halewood Breweries SA 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 SRL which in turn owns 90.06% of Cramele Halewood SA, 99.99% of Viticola Aiud SRL, 99.97% of Vitis Sebes SRL and 99.5% of Vitis Murfatlar SRL.

The company has a 60% holding in Beijing Shunxing Halewood Alcoholic Beverages Limited.

The company has a 95% shareholding in Halewood International Romania SRL.

13. STOCKS

	Group	
	2006	2005
	£'000	£'000
Goods for resale	11,609	13,417
Raw materials	4,361	3,859
Consumables	347	286
	<u>16,317</u>	<u>17,562</u>

NOTES TO THE FINANCIAL STATEMENTS

24 June 2006

14. DEBTORS

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Trade debtors	29,815	31,850	-	-
Corporation tax	-	-	712	-
Other debtors	4,861	4,562	177	-
Prepayments	1,186	980	-	-
Amounts due from subsidiary undertakings	-	-	29,379	27,997
Amounts due from related parties	4,211	3,339	5,040	2,943
	<u>40,073</u>	<u>40,731</u>	<u>35,308</u>	<u>30,940</u>

Within other debtors is a balance of £nil (2005: £nil) owed to the company by Mr J E Halewood. The maximum amount owed by Mr J E Halewood in the period was £844,000 (2005: £335,000).

15. CURRENT ASSET INVESTMENTS

Group	Cash deposit £'000	Endowment policy £'000	Other £'000	Total £'000
At 26 June 2005	-	-	-	-
Reclassification	-	1,733	-	1,733
Exchange	-	(124)	-	(124)
Change in market value	-	429	-	429
Additions	260	-	183	443
Disposals	-	(702)	-	(702)
At 24 June 2006	<u>260</u>	<u>1,336</u>	<u>183</u>	<u>1,779</u>

Company	Other £'000	Total £'000
Cost and net book value		
At 26 June 2005	-	-
Additions	183	183
At 24 June 2006	<u>183</u>	<u>183</u>

In the opinion of the directors it is more appropriate to reclassify the endowment policy, which was previously shown net against the other loans in note 17 to which it acts as security, as a current asset investment as it matured on 22 July 2006.

The other amount relates to a house purchased on a short-term basis, which was subsequently sold post year end. The house is stated at cost.

NOTES TO THE FINANCIAL STATEMENTS

24 June 2006

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Bank overdrafts	1,381	5,793	-	-
Bank loans (note 17)	3,400	2,200	3,200	2,000
Finance leases	543	1,163	-	-
Other loans (note 17)	1,219	348	-	-
Trade creditors	16,601	13,688	-	3
Corporation tax	46	1,444	-	155
Other taxation and social security	12,829	15,151	-	-
Accruals and deferred income	11,747	9,019	859	15
Other creditors	1,381	1,306	-	-
Due to subsidiary undertakings	-	-	28,317	24,339
Amounts due to related parties	1,438	-	1,434	-
	<u>50,585</u>	<u>50,112</u>	<u>33,810</u>	<u>26,512</u>

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Bank loans	2,750	4,950	2,500	4,500
Finance leases	1,296	1,150	-	-
Other loans	235	52	-	-
Deferred income - grants	1,132	978	346	355
	<u>5,413</u>	<u>7,130</u>	<u>2,846</u>	<u>4,855</u>
Bank loans and other loans				
Within one year	4,619	2,548	3,200	2,000
Between one and two years	2,360	2,200	2,000	2,000
Between two and five years	625	2,802	500	2,500
	<u>7,604</u>	<u>7,550</u>	<u>5,700</u>	<u>6,500</u>
Finance leases				
Within one year	543	1,163	-	-
Between one and two years	850	728	-	-
Between two and five years	446	422	-	-
	<u>1,839</u>	<u>2,313</u>	<u>-</u>	<u>-</u>
Total borrowings including finance leases				
Within one year	5,162	3,711	3,200	2,000
1-2 years	3,210	2,928	2,000	2,000
2-5 years	1,071	3,224	500	2,500
	<u>9,443</u>	<u>9,863</u>	<u>5,700</u>	<u>6,500</u>
Debt				

The other loans amount in the prior year, was shown net of the endowment policy (note 15) which acted as security over the loan. In the current year, the directors are of the opinion that it is more appropriate to reclassify the endowment policy as a current asset investment as it matured on 22 July 2006.

NOTES TO THE FINANCIAL STATEMENTS

24 June 2006

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

Bank loans consist of the following:

1. Of the £10,000,000 original bank loan, which commenced in September 2003, £4,500,000 remains outstanding and is repayable by a further nine equal quarterly instalments, 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. Of the £1,000,000 original bank loan, £450,000 remains outstanding which is repayable by a further nine equal quarterly instalments. The loan commenced in September 2003 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.
3. In April 2006, a £1,200,000 bank loan was taken out which is repayable in July 2006 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.

Other loans consist of the following:

1. Of the £1,500,000 original asset financing loan taken out by Cramele Prahova SA (now Cramele Halewood SA) in 1992, £394,000 is the remaining balance. 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. £1,060,000 is the balance of an asset financing loan taken out by Halewood Breweries SA Pty Limited in 2000. The remaining loan is repayable within 1 year. The loan bears interest at a commercial rate above base rate and is secured on the assets financed.

18. DEFERRED TAXATION

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Opening provision	645	626	262	206
Profit and loss account	371	19	38	56
Closing provision	<u>1,016</u>	<u>645</u>	<u>300</u>	<u>262</u>

Deferred tax is analysed as follows:

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Capital allowances in excess of depreciation	1,358	1,167	300	262
Short term timing differences	(342)	(522)	-	-
	<u>1,016</u>	<u>645</u>	<u>300</u>	<u>262</u>

19. SHARE CAPITAL

	2006	2005
	£	£
Authorised		
95,000 Ordinary shares of £1 each	<u>95,000</u>	<u>95,000</u>
Issued and fully paid		
95,000 Ordinary shares of £1 each	<u>95,000</u>	<u>95,000</u>

NOTES TO THE FINANCIAL STATEMENTS

24 June 2006

20. RESERVES

Group	Capital reserve £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Profit and loss account £'000
At 26 June 2005	414	5	1,033	32,764
Profit for the period	-	-	-	2,157
Minority share of profit	-	-	-	(92)
Exchange adjustment	-	-	-	(273)
Transfer	-	-	(27)	27
At 24 June 2006	<u>414</u>	<u>5</u>	<u>1,006</u>	<u>34,583</u>
Company				Profit and loss account £'000
At 26 June 2005				19,664
Profit for period				704
Exchange adjustment				(683)
At 24 June 2006				<u>19,685</u>

21. CONTINGENT LIABILITIES

Company

Halewood International Holdings PLC, Halewood International Limited, Halewood International Trademarks 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 others bank borrowings. At 24 June 2006 these borrowings amounted to £6,328,000 (2005: £5,741,000).

Halewood International Holdings Plc has guaranteed the external borrowings of Halewood Romania SRL and Cremele Halewood SA up to a maximum of EUR 650,000. At June 2006 these borrowings amounted to £224,000.

NOTES TO THE FINANCIAL STATEMENTS

24 June 2006

22. COMMITMENTS

Leases

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

	2006 £'000	2005 £'000
Land and buildings operating leases which expire:		
Within one year	50	160
Between one and two years	-	35
Between two and five years	25	79
After five years	291	97
	<u>366</u>	<u>371</u>
Plant and equipment operating leases which expire:		
Within one year	344	214
Between one and two years	486	127
Between two to five years	475	274
	<u>1,305</u>	<u>615</u>
Capital commitments	£'000	£'000
Contracted	381	-
	<u>381</u>	<u>-</u>

23. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006 £'000	2005 £'000
Operating profit	4,661	5,110
Depreciation of tangible fixed assets	3,499	3,379
Reversal of impairment	(194)	-
Revaluation of investments	-	200
Change in market value of endowment policy	(429)	-
Profit on sale of tangible fixed assets	(350)	(108)
Profit on disposal of investments	-	(37)
Release of deferred income	(101)	(32)
Amortisation - positive goodwill	19	40
- brands and IPR	465	218
- customer database	68	-
- other	120	-
Impairment - brand & IRP	750	-
Movements in working capital:		
Decrease/(increase) in stocks	443	(1,055)
Increase in debtors	(3,530)	(2,507)
Increase/(decrease) in creditors	7,056	(1,956)
	<u>12,477</u>	<u>3,252</u>
Net cash inflow/(outflow) from operating activities comprises:	£'000	£'000
Continuing activities	14,043	3,624
Discontinued activities	(1,566)	(372)
	<u>12,477</u>	<u>3,252</u>

NOTES TO THE FINANCIAL STATEMENTS
24 June 2006

24. ANALYSIS OF NET DEBT

	At beginning of period £'000	Non cash movements £'000	Cash flow £'000	At end of period £'000
Cash at bank and in hand	2,712	-	1,339	4,051
Bank overdraft	(5,793)	-	4,412	(1,381)
Cash	(3,081)	-	5,751	2,670
Bank loans	(7,150)	-	1,000	(6,150)
Other loans	(400)	(1,165)	111	(1,454)
Finance leases	(2,313)	(705)	1,179	(1,839)
Borrowings	(9,863)	(1,870)	2,290	(9,443)
Short term deposits	-	-	260	260
Net debt	(12,944)	(1,870)	8,301	(6,513)

25. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2006 £'000	2005 £'000
Increase/(decrease) in cash	5,751	(2,523)
Cash outflow from decrease in debt and lease finance	2,290	3,567
Cash outflow to increase liquid resources	260	-
Decrease in net debt from cash flows	8,301	1,044
Inception in hire purchase	(705)	(803)
Transfer from investments	(1,165)	699
Decrease in net debt	6,431	940
Opening net debt	(12,944)	(13,884)
Closing net debt	(6,513)	(12,944)

26. 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 period, 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 £850,000 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 52 weeks ended 24 June 2006 (2005: £nil). Amounts due to Halewood International Financial Services Limited at 24 June 2006 was £1,438,000 (2005: £nil). The carrying value of the investment at 24 June 2006 was £644,000 (2005: £215,000). Amounts due to Halewood International Financial Services Limited at 24 June 2006 was £1,438,000 (2005: £nil).

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24 June 2006

26. RELATED PARTY TRANSACTIONS (continued)

- 2) The Group purchased foreign currency to the value of £1,937,000 (2005: £1,670,000) during the period from HIFX plc.
- 3) The Group entered into a number of transactions with H&A Prestige Packing Company Limited, a company owned by the Group Chairman, Mr J E Halewood. Details of transactions made during the period are as follows:

	2006 £'000	2005 £'000
Sales	93	266
Purchases	1,886	1,849
Amounts due from related parties	4,206	3,124

- 4) During the period the group made an interest free loan to Mr W Woolley, a director of the company, of £150,000. The loan was repaid in July 2006.
- 5) During the course of the period the group has made payments on behalf of Mr J E Halewood, Chairman, totalling £4,100,000. The full amount has been repaid by Mr J E Halewood during the period. The amount owing at the end of the period is £nil (2005: £nil).
- 6) During the period, the Group has loaned money to Hatton House Farm, a business owned by the Chairman, Mr J E Halewood. The value of the loan at 24 June 2006 was £3,000 (2005: £8,000).

27. SUBSIDIARY COMPANIES

The complete list of subsidiary companies is set out below:

Beijing Shunxing Halewood Alcoholic Beverages Limited
 The Caribbean Rum Company Limited*
 Caribbean Twist Limited
 Chalie, Richards & Co Limited
 Classic Drinks Limited
 Classic Wines & Spirits Limited
 Classic Wine Warehouse Limited*
 Cramele Halewood SA
 Dunbar Vintners Limited
 Edward Butler Vintners Limited*
 The Flinters Spirit Co Limited*
 Golding, Hoptroff & Co Limited
 Halewood International Holdings (UK) Limited
 Halewood International Holdings (Overseas) Limited
 Halewood Breweries SA Pty Limited
 Halewood International Beverages (Ireland) Limited*
 Halewood International Brands Limited
 Halewood International Limited
 Halewood International Marketing Limited
 Halewood International Production Limited
 Halewood International Trademarks Limited
 Halewood International USA Inc*
 Halewood International Romania SRL
 Halewood Vintners Limited*
 Halewood Romania SRL
 Hall & Bramley Limited
 Hall & Bramley (Scotland) Limited*
 Jeeves Wine Emporiums Limited*
 Lamb & Watt Vintners Limited*

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27. SUBSIDIARY COMPANIES (continued)

Lambrini Limited
 The Mississippi Liquor Trading Co Limited*
 The Old Roberttown Spirit and Blending Co Limited*
 Red Square Beverages Limited
 The Rowley Wine Co Limited*
 T J Turnbull Sour Mash Co Limited*
 Vitis Sebes SRL
 Viticola Aiud SRL
 Vitis Murfatlar SRL

* Dormant company

28. POST BALANCE SHEET EVENTS

On 25 August 2006 Halewood International Holdings Plc disposed of surplus land and buildings to a developer. Consideration of £3.6m was received giving a profit before tax of £2.9m.

On the 26 July 2006 Halewood International Brands Limited acquired the Crabbies Ginger Wine and Crabbies Mac brands for £1,050,000.

29. SALE OF TRADE AND ASSETS

On 26 July 2005 the group sold the trade and assets of one of its subsidiaries, Hall & Bramley Limited, to a related party company, H&A Prestige Packing Company Limited. This company is owned by the group Chairman Mr J E Halewood. No gain or loss was made on the disposal.

	£'000
Net assets disposed of and the related sale proceeds were as follows:	
Current assets	5,012
Creditors	(2,316)
Net assets	2,696
Profit on sale	-
Sale proceeds	2,696
Satisfied by:	
Cash	2,036
Related party loan	660
	2,696
Net cash inflows in respect of the sale comprises:	
Cash consideration	2,036
	2,036

30. PENSION ARRANGEMENTS

The group operates a number of defined contribution schemes for which the pension cost charge for the year amounted to £525,000 (2005: £574,000) which represented contributions to these schemes. The assets of this scheme are held separately for those of the group in independently administered funds.

NOTES TO THE FINANCIAL STATEMENTS

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31. CONTROLLING PARTY

In the opinion of the directors, Mr J E Halewood, chairman of the company, and members of his close family, control the company as a result of controlling directly or indirectly, 100% of the issued share capital of the company.