

**HALEWOOD INTERNATIONAL  
HOLDINGS PLC**

**Report and Financial Statements  
30 June 2007**



# HALEWOOD INTERNATIONAL HOLDINGS PLC

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**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 W Woolley  
Mr P A Longinotti (Non-executive)  
Mr A J Timson (Non-executive)  
Mr D Wharton (Resigned 8 August 2006)  
Mr S C Gilliland (Appointed 10 March 2008)

**SECRETARY**

Mr P L Horsfall (Appointed 23 August 2006)  
Mr S Oldroyd (Resigned 23 August 2006)

**REGISTERED OFFICE**

The Sovereign Distillery  
Wilson Road  
Huyton Business Park  
Huyton  
Liverpool  
Merseyside  
L36 6AD

**BANKERS**

Lloyds TSB Bank Plc  
94 Fishergate  
Preston  
Lancashire  
PR1 2JB

**AUDITORS**

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

## DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 53 weeks ended 30 June 2007

### BUSINESS REVIEW

The principal activities of the Group are the development, manufacture and distribution of wines, spirits and speciality drinks. While the Group's primary operations are based in the UK (with 87% of turnover derived in this market) there is also significant presence and manufacturing operations based in South Africa and Romania. The Group also has an interest in a joint venture in 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 was £229,735,000 (2006 £228,531,000) while Group operating profit for the period was £3,312,000 (2006 £4,702,000). 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.

	2007 £'000	2006 £'000	2005 £'000
<b>Turnover</b>	229,735	229,972	241,834
<b>Operating profit</b>	3,312	4,661	5,110
Depreciation	3,707	3,499	3,379
Amortisation	78	1,422	301
Shareholder remuneration	675	2,350	1,096
<b>Adjusted operating profit</b>	7,772	11,932	9,886

Adjusted operating profit for 2007 declined by £4.2m to £7.8m when compared to the prior period.

Within the domestic market the Group has experienced significant price increases in its key raw materials. This, combined with operating within a highly competitive market place, has been a key driver of the profit decline in the domestic business. Despite the pressures faced in the UK, the Group's South African subsidiary has continued its strong growth driven by increased contract bottling volumes and strong demand for sales of own brand products. These two factors combined, have seen operating profits increase by £0.6m for the subsidiary during the period. Both the decline in profitability in the UK market and increase in South African profitability are the key drivers of the decline of £4.2m during the period.

During the period, the Group disposed of one of its surplus properties, a former bottling facility in the UK. The disposal gave rise to an exceptional profit of £2.9m. Further details have been given in note 5 to these accounts. This gain does not form part of adjusted operating profit shown above.

The Group monitors closely cash-flow from operating activities. During the period, the cash outflow from operating activities amounted to £7.1m (2006 inflow £12.5m). This adverse movement has largely been driven by working capital movements of £13.7m during the period. Part of this decline arises from the fact that this year is a 53-week period and so the Group's period end has moved from 24 June in the prior period to 30 June in the current period. Several key duty and supplier payments have to be made just prior to period end 2007.

Investment in improving production efficiency is a key part of the Group's future growth strategy and as such capital project spend is closely monitored. This strategy is reflected by the cash outflow in relation to asset acquisitions which amounted to £5.3m in the period, an increase of £2.0m on the prior period.

As well as internal product development the Group also acquired a number of brands in the period for payments totalling £1.4m.

It is expected that the full benefits of both the capital spend program and brand acquisitions will be seen in future periods.

**DIRECTORS' REPORT (continued)****PRINCIPAL RISKS AND UNCERTAINTIES**

The Group operates in a highly competitive, fashion led market and as such is subject to the threat of competitors launching new products in the markets in which the Group 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 endorsed by the acquisition of brands, intellectual property rights and customer databases of £1.4m during the period.

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.

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.

Given the diverse customer portfolio that the Group deals with there is a risk of credit default. This risk is managed by ensuring tight control over the credit control process including appropriate level of management sign off for new customer accounts, trade debt insurance where necessary and regular credit limit reviews.

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 the Group is represented on various trade bodies.

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 period end (2006: same).

**FUTURE OUTLOOK**

The Group continues to operate in a very competitive domestic market. In addition it is anticipated that the Group will continue to experience further significant price increases in its key raw materials. Both of these external factors are expected to continue to apply pressure on margins during financial period 2008.

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 (2006: £nil).

**DIRECTORS**

The present directors of the company are set out on page 1, all of whom served during the period as well as movements 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:

	<b>Ordinary shares of £1 each</b>	
	<b>2007</b>	<b>2006</b>
Mr J E Halewood	85,442	85,442
Mrs E M Halewood	5,000	5,000

The directors have no interest in the share capital of any Group company, other than John Halewood, who owns 50% of Halewood International Beverages (Ireland) Limited and The Flinters Spirits Company Limited, which are dormant companies.

## DIRECTORS' REPORT (continued)

### 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 £3,165,000. The Group's liability to taxation if land and buildings were sold at that value would approximate £990,360.

### CHARITABLE AND POLITICAL CONTRIBUTIONS

During the period the Group made charitable donations of £61,000 (2006 £57,000) principally to local charities serving the communities in which the Group operates.

No political donations were made during the period (2006 £nil).

### 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.

### 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.

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 11/4/08



Company Secretary

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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 that 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.

# **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 53 weeks ended 30 June 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Note of Historical Cost Profits 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 32. 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 and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report as described in the contents section. 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.

## **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 30 June 2007 and of the Group's profit for the 53 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*

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

11 April 2008



# HALEWOOD INTERNATIONAL HOLDINGS PLC

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the 53 weeks ended 30 June 2007

			53 weeks ended 30 June 2007 £'000		52 weeks ended 24 June 2006 £'000
	Note	£'000		£'000	
<b>Turnover:</b> continuing operations			229,735		228,531
discontinued operations	3		-		1,441
	2		229,735		229,972
Cost of sales			(194,201)		(188,890)
<b>Gross profit</b>			35,534		41,082
Distribution costs			(13,849)		(15,034)
Administrative expenses					
Amortisation and impairment of intangible assets and investments	4	(78)		(1,422)	
Other		(18,295)		(19,965)	
			(18,373)		(21,387)
<b>Operating profit / (loss).</b> continuing operations			3,312		4,702
discontinued operations			-		(41)
	3,4		3,312		4,661
Profit on disposal of fixed assets	5		2,933		-
Interest receivable and similar income	8		502		306
Interest payable and similar charges	9		(1,536)		(1,629)
<b>Profit on ordinary activities before taxation</b>			5,211		3,338
Tax on profit on ordinary activities	10		(1,408)		(1,181)
<b>Profit on ordinary activities after taxation</b>			3,803		2,157
Equity minority interest	32		(75)		(92)
<b>Profit for the financial period</b>	22		3,728		2,065

# HALEWOOD INTERNATIONAL HOLDINGS PLC

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the 53 weeks ended 30 June 2007

	53 weeks ended 30 June 2007 £'000	52 weeks ended 24 June 2006 £'000
Profit for the financial period	3,728	2,065
Currency translation	248	(273)
Total recognised gains relating to the period	<u>3,976</u>	<u>1,792</u>
Total recognised gains since last annual report	<u>3,976</u>	<u>1,792</u>

## CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES For the 53 weeks ended 30 June 2007

	53 weeks ended 30 June 2007 £'000	52 weeks ended 24 June 2006 £'000
Reported profit on ordinary activities before taxation	5,211	3,338
Realisation of property revaluation gains in previous years	234	-
Difference between an historical cost depreciation charge and the actual depreciation charge for the period	46	27
<b>Historical cost profit on ordinary activities before taxation</b>	<u>5,491</u>	<u>3,365</u>
Historical cost profit for the period retained after taxation, minority interests and dividends	<u>4,083</u>	<u>2,184</u>

# HALEWOOD INTERNATIONAL HOLDINGS PLC

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the 53 weeks ended 30 June 2007

	2007 £'000	2006 £'000
<b>Group</b>		
Opening shareholders' funds	36,103	34,311
Profit for the financial period	3,728	2,065
Other recognised gains / (losses)	248	(273)
	<u>40,079</u>	<u>36,103</u>
Closing shareholders' funds	<u>40,079</u>	<u>36,103</u>
<b>Company</b>		
Opening shareholders' funds	19,780	19,759
Profit for the financial period	2,344	704
Other recognised losses	-	(683)
	<u>22,124</u>	<u>19,780</u>
Closing shareholders' funds	<u>22,124</u>	<u>19,780</u>

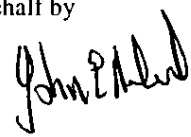
# HALEWOOD INTERNATIONAL HOLDINGS PLC

## CONSOLIDATED BALANCE SHEET

At 30 June 2007

	Note	30 June 2007 £'000	24 June 2006 £'000
<b>FIXED ASSETS</b>			
Brands and IPR	12	1,946	371
Customer database	12	165	282
Goodwill	12	20	25
Negative goodwill	12	-	-
		<hr/>	<hr/>
Intangible assets		2,131	678
Tangible assets	13	31,395	29,628
Investments	14	997	1,042
		<hr/>	<hr/>
		34,523	31,348
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Stocks	15	18,938	16,317
Debtors	16	46,970	40,073
Investments	17	93	1,779
Cash at bank and in hand		2,237	4,051
		<hr/>	<hr/>
		68,238	62,220
<b>CREDITORS: amounts falling due within one year</b>	18	(59,121)	(50,585)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		9,117	11,635
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		43,640	42,983
		<hr/>	<hr/>
<b>CREDITORS: amounts falling due after more than one year</b>	19	(2,373)	(5,413)
		<hr/>	<hr/>
<b>PROVISION FOR LIABILITIES</b>	20	(671)	(1,016)
		<hr/>	<hr/>
<b>MINORITY INTERESTS</b>	32	(517)	(451)
		<hr/>	<hr/>
<b>NET ASSETS</b>		40,079	36,103
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	95	95
Capital redemption reserve	22	5	5
Revaluation reserve	22	726	1,006
Capital reserve	22	414	414
Profit and loss account	22	38,839	34,583
		<hr/>	<hr/>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		40,079	36,103
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors on 11/4/08 and signed on its behalf by

  
J. E. Halewood  
Director

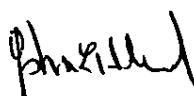
# HALEWOOD INTERNATIONAL HOLDINGS PLC

## COMPANY BALANCE SHEET

At 30 June 2007

	Note	30 June 2007 £'000	24 June 2006 £'000
<b>FIXED ASSETS</b>			
Tangible assets	13	11,352	12,222
Investments	14	9,023	9,023
		<u>20,375</u>	<u>21,245</u>
<b>CURRENT ASSETS</b>			
Debtors	16	36,249	35,308
Investments	17	-	183
		<u>36,249</u>	<u>35,491</u>
<b>CREDITORS: amounts falling due within one year</b>	18	<u>(34,000)</u>	<u>(33,810)</u>
<b>NET CURRENT ASSETS</b>		<u>2,249</u>	<u>1,681</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>22,624</u>	<u>22,926</u>
<b>CREDITORS: amounts falling due after more than one year</b>	19	(500)	(2,846)
<b>PROVISION FOR LIABILITIES</b>	20	-	(300)
<b>NET ASSETS</b>		<u>22,124</u>	<u>19,780</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	21	95	95
Profit and loss account	22	22,029	19,685
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>22,124</u>	<u>19,780</u>

The financial statements were approved by the Board of Directors on 11/4/08 and signed on its behalf by

  
J E Halewood  
Director

**CONSOLIDATED CASH FLOW STATEMENT****For the 53 weeks ended 30 June 2007**

	<b>Note</b>	<b>2007 £'000</b>	<b>2006 £'000</b>
<b>Cash (outflow) / inflow from operating activities</b>	<b>25</b>	<b>(7,098)</b>	<b>12,477</b>
<b>Returns on investment and servicing of finance</b>			
Interest received		502	306
Interest paid		(1,324)	(1,270)
Interest element of finance lease repayments		(212)	(213)
		(1,034)	(1,177)
<b>Taxation paid</b>			
UK Corporation tax paid		(1,055)	(2,304)
Foreign Tax Paid		(75)	(30)
		(1,130)	(2,334)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(5,274)	(3,332)
Sale of tangible fixed assets		4,135	1,334
Government grant received		370	255
Purchase of investments		(268)	(193)
Sale of investments		1,571	702
Purchase of intangible fixed assets		(1,429)	(1,467)
		(895)	(2,701)
<b>Acquisition and disposals</b>			
Sale of subsidiary undertaking		-	2,036
<b>Management of liquid resources</b>			
Cash placed on short term deposit		260	(260)
<b>Net cash (outflow) / inflow before financing</b>		<b>(9,897)</b>	<b>8,041</b>
<b>Financing</b>			
Repayment of loans		(4,740)	(2,311)
Drawdown of loans		1,353	1,200
Capital element of finance lease repayments	<b>26</b>	(1,015)	(1,179)
<b>Net cash outflow from financing</b>	<b>26</b>	<b>(4,402)</b>	<b>(2,290)</b>
<b>(Decrease) / increase in cash</b>	<b>27</b>	<b>(14,299)</b>	<b>5,751</b>

**NOTES TO THE FINANCIAL STATEMENTS****For the 53 weeks ended 30 June 2007****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 law and United Kingdom accounting standards

**Basis of consolidation**

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 30 June 2007. 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 53 weeks ended 30 June 2007****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 53 weeks ended 30 June 2007****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:

	<b>53 weeks ended 30 June 2007 £'000</b>	<b>52 weeks ended 24 June 2006 £'000</b>
United Kingdom	198,865	205,146
Other EC countries	2,903	2,021
Rest of Europe	150	3,639
Other	27,817	19,166
	<u>229,735</u>	<u>229,972</u>

**3. DISCONTINUED OPERATIONS**

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

	<b>2007 £'000</b>	<b>2006 £'000</b>
United Kingdom	<u>-</u>	<u>1,441</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 30 June 2007

## 3. DISCONTINUED OPERATIONS (continued)

## Cost of sales, gross profit and operating profit

	2007			2006		
	Continuing operations £'000	Dis-continued operations £'000	Total £'000	Continuing operations £'000	Dis-continued operations £'000	Total £'000
Cost of sales	194,201	-	194,201	187,483	1,407	188,890
Gross profit	35,534	-	35,534	41,048	34	41,082
Distribution costs	13,849	-	13,849	15,034	-	15,034
Administrative expenses						
Amortisation	78	-	78	1,422	-	1,422
Other	18,295	-	18,295	19,890	75	19,965
Operating profit	3,312	-	3,312	4,702	(41)	4,661

## 4. OPERATING PROFIT / (LOSS)

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

	53 weeks ended 30 June 2007 £'000	52 weeks ended 24 June 2006 £'000
Depreciation of tangible fixed assets - owned	2,998	2,640
- held under finance leases	709	859
Operating lease rentals - plant & machinery	584	648
- others	580	398
Hire of plant, machinery and vehicles	396	334
Government grants released in period	(83)	(101)
Amortisation - goodwill	5	19
- brands & IPR	182	465
- customer database	117	68
- other investments	108	120
Impairment - brands & IPR	-	750
Reversal of impairment in brands & IPR	(334)	-
Change in market value of endowment policy	-	(429)
Profit on disposal of tangible fixed assets	(41)	(350)
Reversal of previous tangible fixed asset impairment	(370)	-

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 £78,000 (2006 £1,422,000) made up of goodwill, brands & IPR, customer databases, others, reversal of amortisation acceleration and reversal of impairment (all shown above) has been shown on the face of the profit and loss account (see notes 12 and 14)

**NOTES TO THE FINANCIAL STATEMENTS****For the 53 weeks ended 30 June 2007****4. OPERATING PROFIT (continued)**

The analysis of auditors' remuneration is as follows

	<b>53 weeks ended 30 June 2007 £'000</b>	<b>52 weeks ended 24 June 2006 £'000</b>
<b>Fees payable to the Company's auditors for the audit of the Group's annual accounts</b>	<b>7</b>	<b>7</b>
<b>Fees payable to the Company's auditors and their associates for other services to the Group</b>		
The audit of the company's subsidiaries pursuant to legislation	146	136
	<u>153</u>	<u>143</u>
Tax Services	130	25
Total non-audit fees	<u>130</u>	<u>25</u>

**5. PROFIT ON DISPOSAL OF FIXED ASSETS**

On 29 August 2006 Halewood International Holdings PLC disposed of Land and Buildings with a net book value of £700,000 resulting in a profit on disposal of £2,933,000. The tax charge on the disposal was £859,000.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the 53 weeks ended 30 June 2007**

**6. EMPLOYEES**

<b>Group</b>	<b>53 weeks ended 30 June 2007 £'000</b>	<b>52 weeks ended 24 June 2006 £'000</b>
The remuneration of employees, including directors, was		
Wages and salaries	18,212	18,514
Social security costs	1,959	1,725
Pensions - defined contribution schemes (note 30)	749	525
	<u>20,920</u>	<u>20,764</u>

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

	<b>2007 No.</b>	<b>2006 No.</b>
Administration and selling	491	436
Warehouse, production and distribution	944	785
	<u>1,435</u>	<u>1,221</u>

**Company**

No staff costs or directors' remuneration were paid by the company during the period (2006 £nil) There were no staff employed by the company during the period (2006 nil)

**7. DIRECTORS' EMOLUMENTS**

	<b>53 weeks ended 30 June 2007 £'000</b>	<b>52 weeks ended 24 June 2006 £'000</b>
Management remuneration (including benefits in kind)	1,249	3,192
Pension contributions	40	48
	<u>1,289</u>	<u>3,240</u>

The emoluments of the highest paid director were

	<b>2007 £'000</b>	<b>2006 £'000</b>
Salary and bonus	525	2,115
Benefits in kind	150	235
Pension contributions – defined contribution scheme	-	-
	<u>675</u>	<u>2,350</u>

Pension contributions have been made on behalf of 5 directors into defined contribution pension schemes (2006 5)

**NOTES TO THE FINANCIAL STATEMENTS**

**For the 53 weeks ended 30 June 2007**

**8. INTEREST RECEIVABLE AND SIMILAR INCOME**

	53 weeks ended 30 June 2007 £'000	52 weeks ended 24 June 2006 £'000
Bank interest	130	67
Corporation Tax Interest	12	-
Interest due from related parties	360	239
	<u>502</u>	<u>306</u>

**9. INTEREST PAYABLE AND SIMILAR CHARGES**

	53 weeks ended 30 June 2007 £'000	52 weeks ended 24 June 2006 £'000
Bank overdraft	977	477
Finance lease interest	212	213
Interest on bank loans	287	568
Interest on other loans	-	172
Interest on underpaid taxation	60	199
	<u>1,536</u>	<u>1,629</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 30 June 2007

## 10. TAX ON PROFIT ON ORDINARY ACTIVITIES

	53 weeks ended 30 June 2007 £'000	52 weeks ended 24 June 2006 £'000
<b>United Kingdom Corporation Tax</b>		
Current tax on income for the period	1,355	536
Double tax relief	-	(33)
Adjustments in respect of prior periods	(35)	270
	<u>1,320</u>	<u>773</u>
<b>Foreign tax</b>		
Current tax on income for the period	131	37
Adjustments in respect of prior periods	291	-
	<u>422</u>	<u>37</u>
<b>Current taxation</b>	<u>1,742</u>	<u>810</u>
<b>Deferred taxation</b>		
Net (reversal)/origination of timing differences	(304)	371
Adjustments in respect of prior periods	(30)	-
	<u>(334)</u>	<u>371</u>
<b>Tax on profit on ordinary activities</b>	<u>1,408</u>	<u>1,181</u>
<b>Current tax reconciliation</b>		
	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before taxation	5,211	3,338
Tax on group profit on ordinary activities at standard United Kingdom corporation tax rate of 30% (2006 30%)	1,563	1,001
Effects of		
- expenditure not tax deductible	835	136
- difference in tax rates	(7)	(49)
- utilisation of tax losses	5	-
- capital gains rolled over	859	-
- movement on deferred tax unprovided	-	5
- foreign tax payable	121	-
- accelerated capital allowances	137	(19)
- other timing allowances	(157)	(230)
- prior period adjustment for corporation tax	256	270
- income not taxable	(1,870)	(304)
<b>Actual current tax charge</b>	<u>1,742</u>	<u>810</u>

## NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2007

## 11. 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 £2 344,000 (2006 profit £704 000)

## 12. INTANGIBLE FIXED ASSETS AND GOODWILL

Group	Brands and IPR £'000	Customer database £'000	Positive Goodwill £'000	Negative goodwill £'000
<b>Cost</b>				
At 25 June 2006	1,998	350	203	(2,295)
Additions	1,422	-	-	-
Translation adjustment	1	-	-	-
At 30 June 2007	3,421	350	203	(2,295)
<b>Amortisation</b>				
At 25 June 2006	1,627	68	178	2,295
Charge for period	182	117	5	-
Reversal of impairment	(334)	-	-	-
At 30 June 2007	1,475	185	183	2,295
<b>Net book value</b>				
At 30 June 2007	1,946	165	20	-
At 24 June 2006	371	282	25	-

**NOTES TO THE FINANCIAL STATEMENTS**  
**At 30 June 2007**

**13. TANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Freehold property £'000</b>	<b>Plant &amp; machinery, fixtures &amp; fittings, motor vehicles £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>			
At 25 June 2006	16,397	32,431	48,828
Additions	250	5,432	5,682
Disposals	(799)	(1,373)	(2,172)
Exchange adjustment	348	362	710
At 30 June 2007	16,196	36,852	53,048
<b>Depreciation</b>			
At 25 June 2006	1,788	17,412	19,200
Charge for period	448	3,259	3,707
Reversal of asset impairment	(370)	-	(370)
Disposals	(73)	(938)	(1,011)
Exchange adjustment	72	55	127
At 30 June 2007	1,865	19,788	21,653
<b>Net book value</b>			
At 30 June 2007	14,331	17,064	31,395
At 24 June 2006	14,609	15,019	29,628



## NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2007

## 13. TANGIBLE FIXED ASSETS (continued)

The net book value of fixed assets includes an amount of £2,560,000 (2006 £3,760,000) in respect of assets held under hire purchase contracts. Depreciation charged in respect of these assets in the period was £709,000 (2006 £859,000)

	2007 £'000	2006 £'000
Land and buildings comprises		
<b>Freehold property is stated at:</b>		
Valuation 1989	650	650
Valuation 1995	3,750	3,750
Cost	11,796	11,997
	<hr/>	<hr/>
	16,196	16,397
Depreciation	(1,865)	(1,788)
	<hr/>	<hr/>
	14,331	14,609
	<hr/>	<hr/>

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

	2007 £'000	2006 £'000
<b>Freehold property</b>		
Cost	15,206	15,053
Depreciation	(1,247)	(1,450)
	<hr/>	<hr/>
Net book value	13,959	13,603
	<hr/>	<hr/>

Certain 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
<b>Cost</b>			
At 25 June 2006	13,339	11	13,350
Disposals	(772)	-	(772)
	<hr/>	<hr/>	<hr/>
At 30 June 2007	12,567	11	12,578
	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>			
At 25 June 2006	1,125	3	1,128
Charge for period	170	1	171
Disposals	(73)	-	(73)
	<hr/>	<hr/>	<hr/>
At 30 June 2007	1,222	4	1,226
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 30 June 2007	11,345	7	11,352
	<hr/>	<hr/>	<hr/>
At 24 June 2006	12,214	8	12,222
	<hr/>	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2007

## 14 INVESTMENTS

Group	Unquoted investments £'000	Other £'000	Total £'000
<b>Cost</b>			
At 25 June 2006	850	714	1,564
Additions	-	227	227
Disposals	-	(230)	(230)
At 30 June 2007	850	711	1,561
<b>Provisions for impairment</b>			
At 25 June 2006	206	316	522
Amortisation	-	108	108
Disposals	-	(66)	(66)
At 30 June 2007	206	358	564
<b>Net book value</b>			
At 30 June 2007	644	353	997
At 24 June 2006	644	398	1,042

The unquoted investment represents 850,000 £1 non-cumulative 5% preference shares in Halewood International Financial Services Limited, a related company (see note 28)

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
<b>Cost</b>			
At 25 June 2006 and at 30 June 2007	850	8,379	9,229
<b>Provisions for impairment</b>			
At 25 June 2006 and at 30 June 2007	206	-	206
<b>Net book value</b>			
At 24 June 2006 and at 30 June 2007	644	8,379	9,023

The company's principal subsidiary companies are set out below. A full list of subsidiary companies is set out in note 29

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

## NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2007

## 14 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 Halewod 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 90.84% of Cramele Halewood SA, 99.97% of Viticola Aiud SRL, 99.98% 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

## 15. STOCKS

	Group	
	2007	2006
	£'000	£'000
Goods for resale	12,344	11,609
Raw materials	6,192	4,361
Consumables	402	347
	<u>18,938</u>	<u>16,317</u>

# HALEWOOD INTERNATIONAL HOLDINGS PLC

## NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2007

### 16. DEBTORS

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Trade debtors	33,483	29,815	-	-
Corporation tax	-	-	-	712
Other debtors	5,694	4,861	985	177
Prepayments	694	1,186	24	-
Amounts due from subsidiary undertakings	-	-	28,518	29,379
Amounts due from related parties	7,099	4,211	6,722	5,040
	<u>46,970</u>	<u>40,073</u>	<u>36,249</u>	<u>35,308</u>

Within other debtors is a balance of £984,000 (2006 £nil) owed to the company by Mr J E Halewood. The maximum amount owed by Mr J E Halewood in the period was £4,187,000 (2006 £844,000).

### 17. CURRENT ASSET INVESTMENTS

Group	Cash deposit £'000	Endowment policy £'000	Other £'000	Total £'000
At 25 June 2006	260	1,336	183	1,779
Disposals	(260)	(1,243)	(183)	(1,686)
At 30 June 2007	<u>-</u>	<u>93</u>	<u>-</u>	<u>93</u>

Company	Other £'000	Total £'000
Cost and net book value		
At 25 June 2006	183	183
Disposals	(183)	(183)
At 30 June 2007	<u>-</u>	<u>-</u>

The other amount related to a house purchased on a short-term basis, which was sold in the current period.

## NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2007

## 18 CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Bank overdrafts (note 19)	13,866	1,381	-	-
Bank loans (note 19)	2,653	3,400	2,000	3,200
Finance leases (note 19)	807	543	-	-
Other loans (note 19)	279	1,219	-	-
Trade creditors	18,124	16,601	-	-
Corporation tax	669	46	412	-
Other taxation and social security	8,365	12,829	-	-
Accruals and deferred income	11,018	11,747	28	859
Other creditors	766	1,316	-	-
Deferred income - grants	824	65	338	-
Due to subsidiary undertakings	-	-	29,789	28,317
Amounts due to related parties	1,750	1,438	1,433	1,434
	<u>59,121</u>	<u>50,585</u>	<u>34,000</u>	<u>33,810</u>

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

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Bank loans	1,217	2,750	500	2,500
Finance leases	429	1,296	-	-
Other loans	67	235	-	-
Deferred income - grants	660	1,132	-	346
	<u>2,373</u>	<u>5,413</u>	<u>500</u>	<u>2,846</u>
<b>Bank overdrafts, loans and other loans</b>				
Within one year	16,798	4,619	2,000	3,200
Between one and two years	1,115	2,360	500	2,000
Between two and five years	169	625	-	500
	<u>18,082</u>	<u>7,604</u>	<u>2,500</u>	<u>5,700</u>
<b>Finance leases</b>				
Within one year	807	543	-	-
Between one and two years	372	850	-	-
Between two and five years	57	446	-	-
	<u>1,236</u>	<u>1,839</u>	<u>-</u>	<u>-</u>
<b>Total borrowings including finance leases</b>				
Within one year	17,605	5,162	2,000	3,200
1-2 years	1,487	3,210	500	2,000
2-5 years	226	1,071	-	500
	<u>19,318</u>	<u>9,443</u>	<u>2,500</u>	<u>5,700</u>
<b>Debt</b>	<u>19,318</u>	<u>9,443</u>	<u>2,500</u>	<u>5,700</u>

## NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2007

## 19. 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, £2,500,000 remains outstanding and is repayable by a further five 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 In February 2007, a £1,000,000 mortgage was taken out which is repayable over 36 months at a commercial rate of interest above the Lloyds Bank Plc base rate. The balance outstanding at 30 June 2007 was £902,000. The mortgage is secured against fixed assets, specifically plant and machinery
- 3 Of the £1,000,000 original bank loan, £250,000 remains outstanding which is repayable by a further five 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
- 4 In May 2007, Domenile Halewood SRL, a 100% owned subsidiary of Halewood Romania SRL, signed a medium term loan agreement with ABN Amro Bank amounting to £235,000. The balance drawn at 30 June 2007 was £218,000, with the first payment to be made in July 2007

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, £212,000 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 Cramele Halewood took out a loan of EUR 300,000 with ABN Amro to be repaid in full by October 2007. The balance drawn on the facility was £134,000 at 30 June 2007

Deferred income – grants

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Opening balance	1,197	1,043	346	355
Profit and loss account	(83)	(101)	(8)	(9)
Grant income received	370	255	-	-
Closing balance	<u>1,484</u>	<u>1,197</u>	<u>338</u>	<u>346</u>

## NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2007

## 20 DEFERRED TAXATION

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Opening provision	1,016	645	300	262
Adjustment to opening provision	(11)	-	-	-
Profit and loss account	(334)	371	(300)	38
	<u>671</u>	<u>1,016</u>	<u>-</u>	<u>300</u>

Deferred tax is analysed as follows

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Capital allowances in excess of depreciation	856	1,358	-	300
Short term timing differences	(180)	(342)	-	-
Losses	(5)	-	-	-
	<u>671</u>	<u>1,016</u>	<u>-</u>	<u>300</u>

## 21 SHARE CAPITAL

	2007	2006
	£	£
<b>Authorised</b>		
95,000 Ordinary shares of £1 each	<u>95,000</u>	<u>95,000</u>
<b>Issued and fully paid</b>		
95,000 Ordinary shares of £1 each	<u>95,000</u>	<u>95,000</u>

## 22. RESERVES

Group	Capital reserve £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Profit and loss account £'000
At 25 June 2006	414	5	1,006	34,583
Profit for the financial period	-	-	-	3,728
Exchange adjustment	-	-	-	248
Transfer	-	-	(280)	280
At 30 June 2007	<u>414</u>	<u>5</u>	<u>726</u>	<u>38,839</u>
<b>Company</b>				<b>Profit and loss account £'000</b>
At 25 June 2006				19 685
Profit for financial period				<u>2,344</u>
At 30 June 2007				<u>22,029</u>

## NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2007

## 23. 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 30 June 2007 these borrowings amounted to £16,937,000 (2006 £6,328,000)

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 30 June 2007 these borrowings amounted to £1,145,000

## 24. COMMITMENTS

**Leases**

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

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Land and buildings operating leases which expire		
Within one year	76	50
Between one and two years	-	-
Between two and five years	-	25
After five years	478	291
	<u>554</u>	<u>366</u>
Other operating leases which expire		
Within one year	66	344
Between one and two years	119	486
Between two to five years	435	475
	<u>620</u>	<u>1,305</u>
<b>Capital commitments</b>	<b>£'000</b>	<b>£'000</b>
Contracted	<u>2,457</u>	<u>381</u>



## NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2007

## 25 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2007 £'000	2006 £'000
<b>Operating profit</b>	3,312	4,661
Depreciation of tangible fixed assets	3,707	3,499
Reversal of impairment in brands and IPR	(334)	(194)
Change in market value of endowment policy	-	(429)
Profit on sale of tangible fixed assets	(41)	(350)
Profit on disposal of investments	-	-
Release of deferred income	(83)	(101)
Reversal of impairment of tangible fixed assets	(370)	-
Amortisation - positive goodwill	5	19
- brands and IPR	182	465
- customer database	117	68
- other investments	108	120
Impairment - brand & IRP	-	750
<b>Movements in working capital:</b>		
(Increase) / decrease in stocks	(2,621)	443
Increase in debtors	(4,009)	(3,530)
(Decrease) / increase in creditors	(7,071)	7,056
	<u>(7,098)</u>	<u>12,477</u>
<b>Net cash (outflow)/inflow from operating activities comprises:</b>	<b>£'000</b>	<b>£'000</b>
Continuing activities	(7,098)	14,043
Discontinued activities	-	(1,566)
	<u>(7,098)</u>	<u>12,477</u>

## 26. 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	4,051	-	(1,814)	2,237
Bank overdraft	(1,381)	-	(12,485)	(13,866)
<b>Cash</b>	<u>2,670</u>	<u>-</u>	<u>(14,299)</u>	<u>(11,629)</u>
Bank loans	(6,150)	-	2,280	(3,870)
Other loans	(1,454)	-	1,108	(346)
Finance leases	(1,839)	(411)	1,014	(1,236)
<b>Borrowings</b>	<u>(9,443)</u>	<u>(411)</u>	<u>4,402</u>	<u>(5,452)</u>
Short term deposits	260	-	(260)	-
<b>Net debt</b>	<u>(6,513)</u>	<u>(411)</u>	<u>(10,157)</u>	<u>(17,081)</u>

## NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2007

## 27 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2007 £'000	2006 £'000
(Decrease) / increase in cash	(14,299)	5,751
Cash outflow from decrease in debt and lease finance	4,402	2,290
Cash (inflow) / outflow to increase liquid resources	(260)	260
<b>(Increase) / decrease in net debt from cash flows</b>	<b>(10,157)</b>	<b>8,301</b>
Inception of new hire purchase agreements	(411)	(705)
Transfer from investments	-	(1,165)
<b>(Increase) / decrease in net debt</b>	<b>(10,568)</b>	<b>6,431</b>
<b>Opening net debt</b>	<b>(6,513)</b>	<b>(12,944)</b>
<b>Closing net debt</b>	<b>(17,081)</b>	<b>(6,513)</b>

## 28 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 53 weeks ended 30 June 2007 (2006: £nil) as the company is dormant and the investment is impaired. Amounts due to Halewood International Financial Services Limited at 30 June 2007 was £1,437,000 (2006: £1,438,000). The carrying value of the investment at 30 June 2007 was £644,000 (2006: £644,000).
- 2) The Group purchased foreign currency to the value of £2,040,000 (2006: £1,937,000) during the period from HIFX Plc, a company in which the Group Chairman, Mr J E Halewood is the majority shareholder.
- 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:

	2007 £'000	2006 £'000
Sales	519	93
Purchases	1,033	1,886
Amounts due from related party	7,049	4,206
Amounts due to related party	(313)	-

- 4) During the period ending 24 June 2006 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 £4,187,000. At 30 June 2007 the amount outstanding was £984,000.
- 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 30 June 2007 was £43,000 (2006: £3,000).

**NOTES TO THE FINANCIAL STATEMENTS**

**At 30 June 2007**

**28 RELATED PARTY TRANSACTIONS (continued)**

- 7) The Group entered into a number of transactions with HIFX Plc, a company in which the Group Chairman Mr J E Halewood is a majority shareholder. At 30 June 2007 Halewood International Foreign Exchange owed the Group £7,000 (2006: £nil).

**29. 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  
 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

**30. PENSION ARRANGEMENTS**

The Group operates a number of defined contribution schemes for which the pension cost charge for the period amounted to £749,000 (2006: £525,000) 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

At 30 June 2007

## 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

## 32. MINORITY INTERESTS

	53 weeks ended 30 June 2007 £'000	52 weeks ended 24 June 2006 £'000
Opening balance	451	359
Profit for the financial period	75	92
Dividends paid to minority shareholder	(9)	-
Closing balance	<u>517</u>	<u>451</u>