

COMPANY NO: 3699814

HALEWOOD INTERNATIONAL HOLDINGS PLC

ANNUAL REPORT

Year ended 30 June 2004



CONTENTS

	Page
Company information	1
Report of the directors	2 – 3
Independent auditors report	4
Consolidated profit and loss account	5
Statement of total recognised gains and losses	5
Reconciliation of movements in equity shareholders' funds	6
Consolidated balance sheet	7
Company balance sheet	8
Consolidated cash flow statement	9
Notes to the financial statements	10 – 25

Company Information

Directors	Mr J E Halewood Mrs E M Halewood Mr A Vaughan Mr S J Oldroyd Mr R V L Rishworth Mr D Wharton Mr W Woolley Mr P A Longinotti Mr A J Timson Mr J Coymans	(Chairman) (Non executive) (Non-executive) (Non-executive)
-----------	---	---

Secretary	Mr S J Oldroyd
-----------	----------------

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

Registered number	3699814
-------------------	---------

Auditors	RSM Robson Rhodes LLP Chartered Accountants Colwyn Chambers 19 York Street Manchester M2 3BA
----------	--

Bankers	Lloyds TSB Bank Plc 94 Fishergate Preston Lancashire PR1 2JB
---------	---

Report of the Directors

The directors present their report and the audited financial statements for the year ended 30 June 2004.

Principal activities

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

Business review and future developments

The Group has continued to perform strongly domestically despite a competitive environment and has achieved results in line with expectations and the prior year. Following an earlier strategic review of overseas operations the Group is now seeing a marked improvement in the results of its overseas operations. Cashflow performance for the year has been strong and as a result the Group has seen a sharp fall in borrowing levels.

The result is after charging a £1,975,000 one-off pension payment made during the year.

Results and dividends

The profit for the period is disclosed on page 5. The directors do not recommend the payment of a dividend (2003 : £nil).

Directors

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

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

	Ordinary shares of £1 each	
	2004	2003
Mr J E Halewood	90,000	90,000
Mrs E M Halewood	5,000	5,000

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

Employees

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

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

Report of The Directors (continued)

Directors' responsibilities

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

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

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

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

Policy and practice on payment of creditors

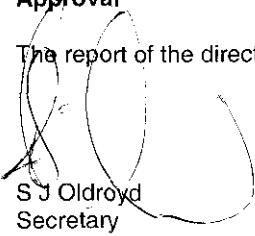
The Group's policy is to pay suppliers in accordance with terms and conditions agreed when orders are placed. Although the Group does not follow any code or standard on payment policy, where terms have not been specifically agreed, invoices dated in one calendar month are paid close to the end of the following month. At 30 June 2004, trade creditors for the Group equated to 59 days (2003: 60 days).

Auditors

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

Approval

The report of the directors was approved by the Board on 15 April 2005 and signed on its behalf by:



S J Oldroyd
Secretary

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

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

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

Respective responsibilities of directors and auditors

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

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

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

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

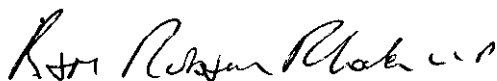
Basis of audit opinion

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

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

Opinion

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



RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors

Manchester, England

15.4.05

Consolidated Profit and Loss Account

for the year ended 30 June 2004

	Note	2004 £ '000	Restated 2003 £ '000
Turnover: continuing operations	1 & 2	234,506	230,810
Cost of sales		(187,069)	(182,915)
Gross profit		47,437	47,895
Distribution costs		(21,647)	(23,627)
Administrative expenses		(23,195)	(21,999)
Operating profit : continuing operations	3	2,595	2,269
Costs of fundamental reorganisation		-	(1,025)
Profit on ordinary activities before interest		2,595	1,244
Interest receivable and similar income		66	183
Interest payable	6	(1,576)	(2,096)
Profit/ (loss) on ordinary activities before taxation		1,085	(669)
Tax on profit on ordinary activities	7	(411)	131
Profit/ (loss) for the year	17	674	(538)

Statement of Total Recognised Gains and Losses

For the year ended 30 June 2004

	2004 £ '000	Restated 2003 £ '000
Profit/ (loss) for the year	674	(538)
Minority interest share of profits	(93)	58
Currency translation	(134)	(342)
Total recognised gains and losses relating to the year	447	(822)
Prior year adjustment (note 24)	(1,360)	
Total recognised losses since last annual report	(913)	

Reconciliation of Movements in Equity Shareholders' Funds

For the year ended 30 June 2004

	2004 £ '000	Restated 2003 £ '000
Group		
Opening shareholders' funds (originally £32,162,000 before prior year adjustments of £1,360,000)	30,802	31,624
Total recognised gains/(losses)	447	(822)
Closing shareholders' funds	<u>31,249</u>	<u>30,802</u>
Company		
Total recognised (losses)/gains	(921)	5
Opening shareholders' funds	<u>21,907</u>	<u>21,902</u>
Closing shareholders' funds	<u>20,986</u>	<u>21,907</u>

Consolidated Balance Sheet

At 30 June 2004


	Note	2004 £ '000	Restated 2003 £ '000
Fixed assets			
Intangible assets	8	711	155
Negative goodwill	8	-	(23)
Tangible assets	9	31,763	33,272
Investments	10	1,056	730
		<hr/>	<hr/>
		33,530	34,134
Current assets			
Stocks	11	16,507	20,909
Debtors	12	38,224	39,803
Cash at bank and in hand		2,714	6,798
		<hr/>	<hr/>
		57,445	67,510
Creditors: Amounts falling due within one year	13	(48,075)	(45,540)
		<hr/>	<hr/>
Net current assets		9,370	21,970
		<hr/>	<hr/>
Total assets less current liabilities		42,900	56,104
Creditors: Amounts falling due after more than one year	14	(10,661)	(23,371)
Provision for liabilities and charges	15	(626)	(1,109)
Minority interests		(364)	(822)
		<hr/>	<hr/>
Net assets		31,249	30,802
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	16	95	95
Capital redemption reserve	17	5	5
Revaluation reserve	17	1,374	1,509
Capital reserve	17	414	414
Profit and loss account	17	29,361	28,779
		<hr/>	<hr/>
Equity shareholders' funds		31,249	30,802
		<hr/>	<hr/>

Company Balance Sheet

at 30 June 2004

	Note	2004 £ '000	2003 £ '000
Fixed assets			
Tangible assets	9	13,286	13,482
Investments	10	8,246	7,653
		<hr/>	<hr/>
		21,532	21,135
Current assets			
Debtors	12	22,679	23,865
Cash at bank and in hand		-	3
		<hr/>	<hr/>
		22,679	23,868
Creditors: Amounts falling due within one year	13	(16,156)	(5,732)
		<hr/>	<hr/>
Net current assets		6,523	18,136
		<hr/>	<hr/>
Total assets less current liabilities		28,055	39,271
Creditors: Amounts falling due after more than one year	14	(6,863)	(17,172)
Provision for liabilities and charges	15	(206)	(192)
		<hr/>	<hr/>
Net assets		20,986	21,907
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	16	95	95
Profit and loss account	17	20,891	21,812
		<hr/>	<hr/>
Equity shareholders' funds		20,986	21,907
		<hr/>	<hr/>

The financial statements were approved by the Board on 15 April 2005 and signed on its behalf by:


J E Halewood
Director

Consolidated Cash Flow Statement

At 30 June 2004

	Note	2004 £ '000	2003 £ '000
Cash inflow from operating activities	20	17,386	12,928
Returns on investment and servicing of finance			
Interest received		66	183
Interest paid		(1,338)	(1,799)
Interest element of hire purchase repayments		(239)	(297)
Minority interest		-	(13)
		(1,511)	(1,926)
Taxation paid			
UK corporation tax paid		(333)	592
Capital expenditure and financial investment			
Payments to acquire fixed assets		(3,407)	(3,019)
Receipts from sale of tangible fixed assets		1,538	1,495
Government grant received		103	-
Payments to acquire investments		(191)	(371)
Receipts from disposal of investments		54	350
Payments to acquire intangibles		(669)	-
		(2,572)	(1,545)
Net cash inflow before financing		12,970	10,049
Financing	21 & 22		
Draw down of bank loan		-	16,133
Repayment of loans		(15,093)	-
Draw down of other loans		-	-
Other loan repaid		-	(56)
Capital element of hire purchase repayments		(1,546)	(1,340)
Net cash (outflow)/inflow from financing		(16,639)	14,737
(Decrease)/increase in cash		(3,669)	24,786

Notes to the Financial Statements

30 June 2004

1. ACCOUNTING POLICIES

Convention

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings using acquisition accounting. The results of subsidiary undertakings acquired or disposed of during a financial year are included from, or up to, the effective date of acquisition or disposal.

Goodwill

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

Tangible fixed assets and depreciation

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

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

Stocks

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

Deferred taxation

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

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

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

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

Notes to the Financial Statements

30 June 2004

1. ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

Leased assets

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

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

Capital grants

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

Pensions

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

Turnover

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

Intangible fixed assets

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

2. SEGMENTAL ANALYSIS

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

	2004 £ '000	2003 £ '000
United Kingdom	224,092	219,693
Other EC countries	972	719
Rest of Europe	3,246	4,247
Other	6,196	6,151
	<hr/>	<hr/>
	234,506	230,810
	<hr/>	<hr/>

Notes to the Financial Statements

30 June 2004

3. OPERATING PROFIT

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

	2004 £ '000	2003 £ '000
Auditors' remuneration		
- for UK audit services	77	85
- for overseas audit services	14	5
- for non-audit services	102	46
Depreciation of tangible fixed assets	3,265	3,420
Operating lease rentals - motor vehicles	482	613
- premises	482	500
Hire of plant, machinery and vehicles	297	179
Government grants released in year	(57)	(130)
Amortisation - goodwill	15	29
- negative goodwill	(23)	(39)
- brands & IPR	149	16
Write down of investments	200	-
(Profit)/loss on disposal of tangible fixed assets	(95)	140

4. EMPLOYEES

The remuneration of employees, including directors, was:

	2004 £ '000	2003 £ '000
Wages and salaries	15,394	16,317
Social security costs	1,621	1,613
Pensions – defined contribution schemes	2,623	535
	19,638	18,465

During the year the group made a one off pension payment on behalf of the chairman, Mr J E Halewood, amounting to £1,975,000.

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

	2004 Number	2003 Number
Administration and selling	394	399
Warehouse, production and distribution	538	639
	932	1,038

Notes to the Financial Statements

30 June 2004

5. DIRECTORS' EMOLUMENTS

	2004 £ '000	2003 £ '000
Management remuneration (including benefits in kind)	1,194	851
Compensation for loss of office	-	-
Pension contributions	2,028	72
	<hr/>	<hr/>
	3,222	923
	<hr/>	<hr/>

The emoluments of the highest paid director were:

	2004 £ '000	2003 £ '000
Salary and bonus	520	290
Benefits in kind	46	30
Pension contributions – defined contribution scheme	1,975	29
	<hr/>	<hr/>
	2,541	349
	<hr/>	<hr/>

Pension contributions have been made on behalf of six directors into defined contribution pension schemes (2003: seven).

6. INTEREST PAYABLE

	2004 £ '000	2003 £ '000
Bank overdraft	514	434
Hire purchase interest	239	297
Interest on loans	605	1,102
Other	218	263
	<hr/>	<hr/>
	1,576	2,096
	<hr/>	<hr/>

Notes to the Financial Statements

30 June 2004

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004 £ '000	2003 £ '000
United Kingdom Corporation Tax		
Current tax on income for the year	530	-
Adjustments in respect of prior years	315	(83)
	<hr/>	<hr/>
	845	(83)
Foreign tax		
Current tax on income for the year	49	2
	<hr/>	<hr/>
Current taxation	894	(81)
Deferred taxation		
Net origination/ (reversal) of timing differences	(483)	(50)
	<hr/>	<hr/>
Tax on profit on ordinary activities	411	(131)
	<hr/>	<hr/>
Current tax reconciliation		
	2004 £ '000	2003 £ '000
Profit on ordinary activities before taxation	1,085	105
	<hr/>	<hr/>
Theoretical tax at UK corporation tax rate 30% (2003: 30%)	326	32
Effects of:		
- expenditure not tax deductible	218	214
- difference in tax rates in overseas companies	(46)	-
- difference in UK corporation tax rates	(1)	-
- losses eliminated on transfer	-	26
- movement on deferred tax unprovided	(63)	-
- overseas tax losses not available for group relief	148	55
- accelerated capital allowances	(123)	(203)
- other timing differences	535	(86)
- prior year adjustment for corporation tax	315	(83)
- income not taxable	(415)	(31)
	<hr/>	<hr/>
Actual current tax charge	894	(81)
	<hr/>	<hr/>

Notes to the Financial Statements

30 June 2004

8. INTANGIBLE FIXED ASSETS

Group	Brands and IPR £ '000	Goodwill £ '000	Total £ '000	Negative goodwill £ '000
Cost				
At 1 July 2003	150	153	303	(2,295)
Additions	721	-	721	-
At 30 June 2004	871	153	1,024	(2,295)
Amortisation				
At 1 July 2003	45	103	148	(2,272)
Charge/(credit) for period	149	16	165	(23)
At 30 June 2004	194	119	313	(2,295)
Net book value				
At 30 June 2004	677	34	711	-
At 30 June 2003	105	50	155	(23)

9. TANGIBLE FIXED ASSETS

Group	Freehold property £ '000	Long leasehold property £ '000	Plant & machinery, fixtures & fittings, motor vehicles £ '000	Total £ '000
Cost/valuation				
At 1 July 2003	18,001	945	27,711	46,657
Additions	50	-	3,668	3,718
Disposals	(488)	-	(2,898)	(3,386)
Adjustments	(498)	-	(16)	(514)
At 30 June 2004	17,065	945	28,465	46,475
Depreciation				
At 1 July 2003	1,453	113	11,819	13,385
Charge for year	202	19	3,044	3,265
Disposals	(93)	-	(1,842)	(1,935)
Transfers	-	-	(3)	(3)
At 30 June 2004	1,562	132	13,018	14,712
Net book value				
At 30 June 2004	15,486	813	15,447	31,763
At 30 June 2003	16,548	832	15,892	33,272

Notes to the Financial Statements

30 June 2004

9. TANGIBLE FIXED ASSETS (continued)

The net book value of fixed assets includes an amount of £4.74 million (2003: £5.53 million) in respect of assets held under hire purchase contracts. Depreciation charged in respect of these assets in the year was £686,000 (2003: £745,000).

	2004 £ '000	2003 £ '000
Land and buildings comprises:		
Freehold property is stated at:		
Valuation 1989	650	650
Valuation 1995	3,750	3,750
Cost	12,798	13,601
	<hr/>	<hr/>
	17,198	18,001
	<hr/>	<hr/>
Leasehold property is stated at:		
Valuation 1997	750	750
Cost	195	195
	<hr/>	<hr/>
	945	945
	<hr/>	<hr/>

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

	2004 £ '000	2003 £ '000
Freehold property		
Cost	15,936	16,739
Depreciation	(1,555)	(1,359)
	<hr/>	<hr/>
Net book value	14,381	15,380
	<hr/>	<hr/>
Leasehold property		
Cost	484	484
Depreciation	(77)	(69)
	<hr/>	<hr/>
Net book value	407	415
	<hr/>	<hr/>

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

Notes to the Financial Statements

30 June 2004

9. TANGIBLE FIXED ASSETS (continued)

Company	Freehold property £ '000	Fixtures and Fittings £ '000	Total £ '000
Cost			
At 1 July 2003 and 30 June 2004	14,109	11	14,120
Accumulated depreciation			
At 1 July 2003	637	1	638
Charge for year	195	1	196
At 30 June 2004	832	2	834
Net book value			
At 30 June 2004	13,277	9	13,286
At 30 June 2003	13,472	10	13,482

10. INVESTMENTS

Group	Unquoted investments £ '000	Other £ '000	Total £ '000
Cost			
At 1 July 2003	500	230	730
Additions	350	293	643
Disposals/ amounts written off	(200)	(117)	(317)
At 30 June 2004	650	406	1,056

The unquoted investment represents 850,000 £1 non-cumulative 5% preference shares in Halewood International Financial Services Limited, a related company (see note 23).

Company	Unquoted investments £ '000	Investments in subsidiary undertakings £ '000	Total £ '000
Cost			
At 1 July 2003	500	7,153	7,653
Additions	350	443	793
Provision	(200)	-	(200)
At 30 June 2004	650	7,596	8,246

Notes to the Financial Statements

30 June 2004

10. INVESTMENTS (continued)

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

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

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

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

+ The company has a 95% shareholding in Halewood Romania Vinuri SRL which in turn owns 90.06% of Cramele Prahova SA.

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

11. STOCKS

	Group	
	2004 £ '000	2003 £ '000
Goods for resale	13,387	17,100
Raw materials	2,913	3,436
Consumables	207	373
	<hr/>	<hr/>
	16,507	20,909
	<hr/>	<hr/>

12. DEBTORS

	Group		Company	
	2004 £ '000	2003 £ '000	2004 £ '000	2003 £ '000
Trade debtors	32,779	34,706	-	-
Other debtors	1,842	3,986	103	2,300
Prepayments	969	1,111	-	19
Amounts due from subsidiary undertakings	-	-	20,625	21,546
Amounts due from related parties	2,634	-	1,951	-
	<hr/>	<hr/>	<hr/>	<hr/>
	38,224	39,803	22,679	23,865
	<hr/>	<hr/>	<hr/>	<hr/>

Within other debtors is a balance of £83,000 (2003: £1,813,000) owed to the company by Mr JE Halewood. The maximum amount owed by Mr Halewood in the year was £2,805,000 (2003: £1,813,000).

Notes to the Financial Statements

30 June 2004

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2004	Restated 2003	2004	2003
	£ '000	£ '000	£ '000	£ '000
Bank overdrafts (secured note 14)	3,272	3,495	-	-
Bank loans (secured note 14)	2,000	4,800	2,000	4,800
Hire purchase finance	1,311	1,503	-	-
Other loans	99	525	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Debt due within one year	6,682	10,323	2,000	4,800
Trade creditors	14,313	16,395	-	20
Corporation tax	505	877	4	3
Other taxation and social security	16,307	4,561	-	-
Accruals and deferred income	8,966	12,433	9	-
Other creditors	1,286	951	-	-
Due to subsidiary undertakings	-	-	14,143	909
Amounts due to related parties	16	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	48,075	45,540	16,156	5,732
	<hr/>	<hr/>	<hr/>	<hr/>

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

	Group		Company	
	2004	2003	2004	2003
	£ '000	£ '000	£ '000	£ '000
Bank loans	7,150	19,300	6,500	16,800
Hire purchase finance	1,595	2,398	-	-
Other loans	1,171	995	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	9,916	22,693	6,500	16,800
	<hr/>	<hr/>	<hr/>	<hr/>
Repayable				
1-2 years	5,179	7,558	2,000	4,800
2-5 years	4,487	15,135	4,500	12,000
After 5 years	250	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Debt	9,916	22,693	6,500	16,800
Deferred income – grants	745	678	363	372
	<hr/>	<hr/>	<hr/>	<hr/>
	10,661	23,371	6,863	17,172
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Financial Statements

30 June 2004

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

Bank loans consist of the following:

1. A £8,500,000 bank loan repayable by equal quarterly instalments, commencing 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 and by fixed charges over the company's freehold and leasehold properties.
2. A £850,000 bank loan repayable by equal quarterly instalments, commencing 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.

Other loans consist of the following:

1. £382,000 is the balance of an asset financing loan taken out by Cramele Prahova SA in 1992. The loan is repayable over a maximum period of five years, but may be repaid early. The loan bears interest at a commercial rate above LIBOR and is secured on the assets financed.
2. £2,115,000 is the balance of an asset financing loan taken out by Halewood Breweries S.A. Pty Limited in 2000. The loan is repayable over periods from 2 to 3 years. The loan bears interest at a commercial rate above base rate and is secured on the assets financed.

15. DEFERRED TAXATION

	Group		Company	
	2004 £ '000	2003 £ '000	2004 £ '000	2003 £ '000
Opening provision	1,109	1,159	192	114
Profit and loss account	(483)	(50)	14	78
Closing provision	626	1,109	206	192
Representing:				
Accelerated capital allowances	626	1,095	206	192
Other short term timing differences	-	14	-	-
	626	1,109	206	192

16. SHARE CAPITAL

	2004 Number	2003 Number
Authorised		
Ordinary shares of £1 each	95,000	95,000
Issued and fully paid		
Ordinary shares of £1 each	95,000	95,000

Notes to the Financial Statements

30 June 2004

17. RESERVES

Group	Capital reserve £ '000	Capital redemption reserve £ '000	Revaluation reserve £ '000	Profit & loss account £ '000
At 1 July 2003 (as previously reported)	414	5	1,509	30,139
Prior year adjustment	-	-	-	(1,360)
At 1 July 2003 (restated)	-	-	-	28,779
Profit for the year	-	-	-	674
Minority share of profit	-	-	-	(93)
Currency adjustment	-	-	-	(134)
Transfer	-	-	(135)	135
At 30 June 2004	414	5	1,374	29,361

Company

	Profit & loss Account £ '000
At 1 July 2003	21,812
Loss for year	(818)
Currency translation loss	(103)
At 30 June 2004	20,891

18. 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 other's bank borrowings. At 30 June 2004 these borrowings amounted to £3,269,000 (2003: £1,913,000).

Halewood International Holdings PLC has guaranteed the external borrowings of Halewood Breweries S.A. Pty Limited up to a maximum of 27,000,000 Rand (£2,355,000). At 30 June 2004 these borrowings amounted to £2,115,000 (2003: £2,017,000).

Notes to the Financial Statements

30 June 2004

19. COMMITMENTS

Leases

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

	2004 £ '000	2003 £ '000
Land and buildings operating leases which expire:		
Within one year	38	36
Between one and two years	15	-
Between two and five years	180	221
After five years	92	92
	<hr/> 325	<hr/> 349
Plant and equipment operating leases which expire:		
Within one year	114	99
Between one and two years	277	290
Between two to five years	94	94
	<hr/> 485	<hr/> 483
Capital		
Contracted	-	33
	<hr/>	<hr/>

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

	2004 £ '000	Restated 2003 £ '000
Operating profit	2,595	2,269
Depreciation of tangible fixed assets	3,265	3,420
Write down of investments	278	97
Loss/(profit) on sale of tangible fixed assets	(95)	140
Profit on disposal of investments	(14)	-
Release of capital grants	(57)	(130)
Amortisation - positive goodwill	15	16
- negative goodwill	(23)	(39)
- brands and IPR	149	29
Movements in working capital:		
Decrease in stocks	4,403	2,671
Decrease in debtors	274	6,889
Increase/(decrease) in creditors	6,596	(2,434)
	<hr/> 17,386	<hr/> 12,928
	<hr/>	<hr/>

Notes to the Financial Statements

30 June 2004

21. ANALYSIS OF NET DEBT

	30 June 2003 £ '000	Non cash movements £ '000	Cash flow £ '000	30 June 2004 £ '000
Cash at bank and in hand	6,798	-	(3,892)	2,906
Bank overdraft	(3,495)	-	223	(3,272)
Cash	3,303	-	(3,669)	(366)
Bank loans	(24,100)	-	14,950	(9,150)
Other loans	(1,520)	107	143	(1,270)
Hire purchase	(3,901)	(551)	1,546	(2,906)
Borrowings	(29,521)	(444)	16,639	(13,326)
Net debt	(26,218)	(444)	12,970	(13,692)

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

	2004 £ '000	2003 £ '000
(Decrease)/increase in cash	(3,669)	24,786
Cash outflow/(inflow) from decrease/(increase) in debt and lease finance	16,639	(14,737)
Decrease in net debt from cash flows	12,970	10,049
Inception in hire purchase	(551)	(1,225)
Transfer from investments	410	817
Foreign exchange	(303)	324
Decrease in net debt	12,526	9,965
Opening net debt	(26,218)	(36,183)
Closing net debt	(13,692)	(26,218)

Notes to the Financial Statements

30 June 2004

23. RELATED PARTY TRANSACTIONS

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

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

- 1) The company owns £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 year ended 30 June 2004 (2003: £nil).
- 2) The Group purchased foreign currency to the value of £1,940,000 (2003: £12,545,000) during the year from HIFX Limited.

24. PRIOR YEAR ADJUSTMENT

In the course of 2004 the directors became aware of certain potential costs in respect of prior periods that have not previously been accounted for. These costs comprised some £523,000 in respect of accounting errors uncovered during an interim audit at Halewood Breweries S.A. Pty Limited, the majority of which related to issues arising from changes in duty legislation, and £623,000 arising on incorrect accounting for exchange on consolidation. In addition there was a further £214,000 relating to the correction of minority interest in China.

Notes to the Financial Statements

30 June 2004

26. SUBSIDIARY COMPANIES

The complete list of subsidiary companies is set out below.

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

* Dormant company