

# HALEWOOD INTERNATIONAL LIMITED

## REPORT AND FINANCIAL STATEMENTS

For the 52 week period ended 25 June 2011



## **Report and financial statements 2011**

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## Company Information

|           |                 |                              |
|-----------|-----------------|------------------------------|
| Directors | J E Halewood    | (Deceased 15 October 2011)   |
|           | J M Halewood    | (Appointed 18 October 2011)  |
|           | P G Eaton       | (Appointed 18 October 2011)  |
|           | S J Oldroyd     |                              |
|           | I M Duffy       |                              |
|           | J C Lumby       |                              |
|           | N Milne         |                              |
|           | D I Muntean     |                              |
|           | R V L Rishworth |                              |
|           | A J Vaughan     |                              |
|           | G J Oak         |                              |
|           | M Luddington    | (Appointed 21 February 2011) |
|           | A D Smallman    | (Appointed 18 February 2011) |
|           | N Cotton        | (Appointed 16 August 2010)   |

D Dickson  
P Horsfall

|                   |   |
|-------------------|---|
| Registered office | The Sovereign Distillery<br>Wilson Road<br>Huyton Business Park<br>Huyton<br>Liverpool<br>L36 6AD |
|-------------------|---|

|                   |         |
|-------------------|---------|
| Registered number | 3920410 |
|-------------------|---------|

|         |  |
|---------|--|
| Auditor | Deloitte LLP<br>Chartered Accountants and Statutory Auditor<br>Liverpool<br>United Kingdom |
|---------|--|

|         |  |
|---------|--|
| Bankers | Lloyds TSB Bank plc<br>94 Fishergate<br>Preston<br>Lancashire<br>PR1 2JB |
|---------|--|

## Directors' Report

The directors present their report and audited financial statements for the 52 week period ended 25 June 2011

### PRINCIPAL ACTIVITIES

The company trades as an importer, bottler and manufacturer of wines and spirits

### BUSINESS REVIEW

The company's core brands are licensed from other group undertakings to which the company pays royalties. Halewood International Limited is a wholly owned subsidiary of Halewood International Holdings (UK) Limited, a company incorporated in England. The ultimate parent undertaking is Halewood International Holdings PLC.

The Group monitors performance as a whole, therefore a complete review of the business and future prospects of the Group is included in the Directors' Report of the ultimate parent company's accounts.

The directors are satisfied with the performance of the company during the period. Turnover was £190,669K, which was an increase of £22,696K on the previous period (2010: £167,973K). Operating profit was £3,799K, which was an increase of £1,253K on the previous period (2010: £2,546K).

The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the foreseeable future.

### PRINCIPAL RISKS AND UNCERTAINTIES

The company 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 we operate. To help mitigate this risk the company invests heavily in product development and marketing to ensure the life cycles of the company's products are extended.

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 company 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 company 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 company's results. To ensure relationships are maintained, the company assigns key personnel to manage the relationships with these suppliers and customers with regular feedback being given to the board.

The company also faces the risk of increases to duty. Any increase imposed will directly impact the operating profit of the business. The company's credit risk is primarily attributable to its trade receivables and it has implemented policies that require appropriate credit checks on potential customers before services are provided.

As the company sells and operates in multiple markets around the globe it is exposed to movements in key currencies, in particular the Euro. This risk is managed with forward contracts.

The company has interest bearing liabilities but the directors do not consider the company to be exposed to significant interest cash flow risk.

### FUTURE OUTLOOK

The company continues to operate in a very competitive domestic market. In addition, the company is experiencing significant price increases in its key raw materials. Both of these external factors are expected to apply pressure on margins. To combat these pressures the company 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.

The directors have considered the going concern assumption and continue to adopt the going concern basis in preparing the annual report and financial statements, as documented in note 1 to the accounts.

### RESULTS AND DIVIDENDS

The profit for the period after taxation amounted to £2,438K (2010: profit of £1,595K). The directors do not propose a dividend (2010: same).

## Directors' Report (continued)

### CHARITABLE AND POLITICAL DONATIONS

During the period the company made charitable donations of £44K (2010 £31K) principally to local charities serving the communities in which the company operates

No political donations were made during the period (2010 £nil)

### DIRECTORS

The present directors of the company who served throughout the period and thereafter, unless otherwise stated, are set out on page 1

### EMPLOYEES

During the period the company 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 company's trading position and of any significant organisational changes

It is the policy of the company 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 company, as well as generally through training and career development

### POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The company'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 25 June 2011, the number of days of trade creditors for the company was 42 days (2010 48 days)

### AUDITOR

Each of the persons who are directors 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 auditor is 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 auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting

### Approval

The Report of the Directors was approved by the Board on 14<sup>th</sup> November 2011 and signed on its behalf by



S J Oldroyd  
Director

## Directors' Responsibilities Statement

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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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 Auditor's Report to the Members of Halewood International Limited**

We have audited the financial statements of Halewood International Limited for the 52 week period ended 25 June 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 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 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 auditor**

As explained more fully in the Directors' Responsibilities Statement, within the Director's Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the financial implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 25 June 2011 and of its profit for the 52 week period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

## Independent Auditor's Report to the Members of Halewood International Limited (continued)

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Damian Sanders (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Liverpool  
United Kingdom

18<sup>th</sup> November 2011



## Profit And Loss Account

For the 52 weeks ended 25 June 2011

|  | Note   | 52 weeks<br>ended 25<br>June 2011<br>£'000 | 52 weeks<br>ended 26<br>June 2010<br>£'000 |
|--|--------|--|--|
| Turnover   | 2      | 190,669                                    | 167,973                                    |
| Cost of sales  |        | (156,609)                                  | (140,095)                                  |
| <b>Gross profit</b>                                  |        | <b>34,060</b>                              | <b>27,878</b>                              |
| Selling and marketing costs                          |        | (17,389)                                   | (12,900)                                   |
| Distribution costs                                   |        | (8,619)                                    | (7,972)                                    |
| Administrative expenses                              |        | (4,253)                                    | (4,460)                                    |
| <b>Operating profit</b>                              | 3      | <b>3,799</b>                               | <b>2,546</b>                               |
| Interest receivable and similar income               | 6      | 127  | 29   |
| Interest payable and similar charges                 | 7      | (662)                                      | (501)                                      |
| <b>Profit on ordinary activities before taxation</b> |        | <b>3,264</b>                               | <b>2,074</b>                               |
| Tax charge on profit on ordinary activities          | 8      | (826)                                      | (479)                                      |
| <b>Profit on ordinary activities after taxation</b>  | 16, 17 | <b>2,438</b>                               | <b>1,595</b>                               |

There were no recognised gains or losses other than the profit for the current and previous financial period as shown above. Accordingly, no separate statement of total recognised gains and losses is given.

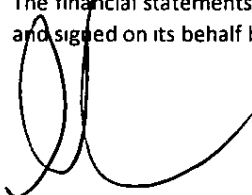
The company's results derive from continuing operations.

# Balance Sheet

At 25 June 2011

|   | Note | 25 June<br>2011<br>£'000 | 26 June<br>2010<br>£'000 |
|---|------|--------------------------|--------------------------|
| <b>Fixed assets</b>   |      |                          |                          |
| Tangible assets   | 9    | 11,120                   | 9,768                    |
| <b>Current assets</b>   |      |                          |                          |
| Stocks  | 10   | 15,346                   | 14,849                   |
| Debtors   | 11   | 42,534                   | 36,015                   |
| Cash at bank and in hand                                      |      | 1,241                    | 6,128                    |
|   |      | 59,121                   | 56,992                   |
| <b>Creditors amounts falling due within one year</b>          | 12   | (54,132)                 | (53,289)                 |
| <b>Net current assets</b>                                     |      | 4,989                    | 3,703                    |
| <b>Total assets less current liabilities</b>                  |      | 16,109                   | 13,471                   |
| <b>Creditors amounts falling due after more than one year</b> | 13   | (854)                    | (677)                    |
| <b>Provision for liabilities</b>                              | 14   | (732)                    | (709)                    |
| <b>Net assets</b>   |      | 14,523                   | 12,085                   |
| <b>Capital and reserves</b>                                   |      |                          |                          |
| Called up share capital                                       | 15   | 1                        | 1                        |
| Profit and loss account                                       | 16   | 14,522                   | 12,084                   |
| <b>Shareholder's funds</b>                                    | 17   | 14,523                   | 12,085                   |

The financial statements of Halewood International Limited, registered number 3920410, were approved by the Board on 14/11/2011 and signed on its behalf by



S J Oldroyd  
Director

# Notes to the Financial Statements

For the 52 weeks ended 25 June 2011

## 1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding period.

### Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable law and United Kingdom accounting standards. The company is exempt from publishing a cash flow statement because it is a wholly owned subsidiary undertaking of Halewood International Holdings PLC, which publishes a consolidated cash flow statement, and whose accounts are publicly available.

### Going concern

The company meets its day-to-day working capital requirements through a combination of bank overdraft secured over trade debts and loans from its parent undertaking and fellow subsidiary companies. The overdraft facility is due for annual renewal in September 2012, however, following recent discussions with the bank the directors are confident the overdraft will be renewed. The company's forecasts and projections, taking account of possible changes in trading performance, show that the company is expected to be able to operate within the level of funding available.

The directors are in receipt of a letter of support from its ultimate parent company, Halewood International Holdings PLC. This letter of support confirms that the inter company loans with fellow subsidiary undertakings and debts due under Licence agreements will not need to be repaid for a minimum of 12 months from the date the accounts are signed.

After making enquiries, the directors have a reasonable expectation that the company has access to adequate resources and believe that the company is well placed to manage its business risks successfully, despite the current uncertain economic outlook, and any impact on consumer spending, and is expected to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

### Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation, less any provision for impairment. Depreciation is provided evenly on the cost 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 amounts. Any such write down would be charged to operating profit. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

|                       |                 |
|-----------------------|-----------------|
| Computer Equipment    | 25% on cost     |
| Fixtures and fittings | 15%/25% on cost |
| Plant and machinery   | 10%/15% on cost |
| Motor vehicles        | 25% on cost     |
| Property              | 2% 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.

## Notes to the Financial Statements (continued)

For the 52 weeks ended 25 June 2011

### 1. ACCOUNTING POLICIES (continued)

#### 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 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. There are no forward contracts open at the current period end (2010: same)

#### 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

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 company 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 company in independently administered funds. The pension cost for these schemes represents contribution payable in the period

# Notes to the Financial Statements (continued)

For the 52 weeks ended 25 June 2011

## 1. ACCOUNTING POLICIES (continued)

### 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. TURNOVER

The analysis of turnover by geographical market is as follows

|                | 52 weeks<br>ended 25<br>June 2011<br>£'000 | 52 weeks<br>ended 26<br>June 2010<br>£'000 |
|----------------|--|--|
| United Kingdom | 185,855                                    | 164,163                                    |
| EC countries   | 3,355                                      | 2,352                                      |
| Rest of Europe | 562  | 756  |
| Other          | 897  | 702  |
|                | <u>190,669</u>                             | <u>167,973</u>                             |

All turnover derives from the principal activities of the company.

Segmental reporting of the origins of the turnover and profit by geographical area has not been provided. In the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the company, and the available exemption under SSAP25 has therefore been taken.

## 3. OPERATING PROFIT

Operating profit is stated after charging/(crediting)

|                                       | 52 weeks<br>ended 25<br>June 2011<br>£'000 | 52 weeks<br>ended 26<br>June 2010<br>£'000 |
|---------------------------------------|--|--|
| Depreciation of tangible fixed assets |  |  |
| - owned                               | 2,100                                      | 2,142                                      |
| - held under finance lease            | 340  | 396  |
| Hire of equipment                     |  |  |
| - plant & machinery                   | 332  | 344  |
| - other                               | 97   | 141  |
| Profit on sale of assets              | (1)  | (46)                                       |
| Grant amortisation                    | 46   | -  |
|                                       | <u></u>                                    | <u></u>                                    |

## Notes to the Financial Statements (continued)

For the 52 weeks ended 25 June 2011

### 3. OPERATING PROFIT (continued)

The analysis of auditor's remuneration is as follows

|  | 52 weeks<br>ended 25<br>June 2011<br>£'000 | 52 weeks<br>ended 26<br>June 2010<br>£'000 |
|--|--|--|
| Fees payable to the company's auditor for the audit of the company's annual accounts | 64   | 61   |
| Total audit fees   | 64   | 61   |
| Tax services   | -  | 58   |
| Total non-audit fees   | -  | 58   |

### 4. EMPLOYEES

Staff costs during the period, including directors, were as follows

|  | 52 weeks<br>ended 25<br>June 2011<br>£'000 | 52 weeks<br>ended 26<br>June 2010<br>£'000 |
|--|--|--|
| Wages and salaries                               | 12,771                                     | 11,481                                     |
| Social security costs                            | 1,323                                      | 1,209                                      |
| Pensions – defined contribution scheme (note 20) | 553  | 494  |
|  | 14,647                                     | 13,184                                     |

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

|                            | 2011 | 2010 |
|----------------------------|------|------|
| Administration and selling | 155  | 150  |
| Warehousing & production   | 225  | 196  |
|                            | 380  | 346  |

## Notes to the Financial Statements (continued)

For the 52 weeks ended 25 June 2011

### 5. DIRECTORS' EMOLUMENTS

| Directors' emoluments were as follows                         | 52 weeks<br>ended 25<br>June 2011<br>£'000 | 52 weeks<br>ended 26<br>June 2010<br>£'000 |
|---|--|--|
| Emoluments for management services including benefits in kind | 2,160                                      | 2,163                                      |
| Pension contributions   | 113  | 100  |
|   | <u>2,273</u>                               | <u>2,263</u>                               |
| The emoluments of the highest paid director were              |  |  |
| Salary  | 765  | 757  |
| Benefits in kind  | 5  | 74   |
|   | <u>770</u>                                 | <u>831</u>                                 |

Pension contributions have been made on behalf of 13 of the directors into defined contribution schemes (2010 11)

### 6. INTEREST RECEIVABLE AND SIMILAR INCOME

|  | 52 weeks<br>ended 25<br>June 2011<br>£'000 | 52 weeks<br>ended 26<br>June 2010<br>£'000 |
|--|--|--|
| Interest due from fellow subsidiary undertakings | 3  | 18   |
| Interest due from parent company                 | 81   | -  |
| Interest income                                  | 43   | 11   |
|  | <u>127</u>                                 | <u>29</u>                                  |

### 7. INTEREST PAYABLE AND SIMILAR CHARGES

|  | 52 weeks<br>ended 25<br>June 2011<br>£'000 | 52 weeks<br>ended 26<br>June 2010<br>£'000 |
|--|--|--|
| Bank overdraft                                 | 396  | 232  |
| Hire purchase interest                         | 30   | 45   |
| Interest due to fellow subsidiary undertakings | 236  | 144  |
| Interest due to parent company                 | -  | 80   |
|  | <u>662</u>                                 | <u>501</u>                                 |

## Notes to the Financial Statements (continued)

For the 52 weeks ended 25 June 2011

### 8. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

|   | 52 weeks<br>ended 25<br>June 2011<br>£'000 | 52 weeks<br>ended 26<br>June 2010<br>£'000 |
|---|--|--|
| <b>United Kingdom Corporation Tax</b>   |  |  |
| Current tax on profit for the period  | 1,010                                      | 364  |
| Adjustment in respect of prior periods  | (207)                                      | (15)                                       |
| <b>Current taxation charge</b>  | <b>803</b>                                 | <b>349</b>                                 |
| <b>Deferred taxation</b>  |  |  |
| Origination and reversal of timing differences  | (47)                                       | 9  |
| Adjustment in respect of prior periods  | 70   | 121  |
| <b>Deferred tax charge</b>  | <b>23</b>                                  | <b>130</b>                                 |
| <b>Tax charge on profit on ordinary activities</b>  | <b>826</b>                                 | <b>479</b>                                 |
| <b>Current tax reconciliation</b>   |  |  |
|   | 52 weeks<br>ended 25<br>June 2011<br>£'000 | 52 weeks<br>ended 26<br>June 2010<br>£'000 |
| Profit on ordinary activities before taxation   | 3,264                                      | 2,074                                      |
| Tax on profit on ordinary activities at standard UK corporation tax rate of 27.5% (2010: 28%) | 898  | 581  |
| Effects of  |  |  |
| - expenditure not tax deductible  | 93   | 53   |
| - adjustment in respect of prior periods  | (207)                                      | (15)                                       |
| - accelerated capital allowances  | 73   | 26   |
| - other short term timing differences   | (54)                                       | (61)                                       |
| - utilisation of tax losses   | -  | (235)                                      |
| <b>Current taxation charge</b>  | <b>803</b>                                 | <b>349</b>                                 |

Following the budget in June 2010, The Finance (No 2) Act 2010 includes a reduction in the rate of Corporation Tax from 28% to 27% from 1 April 2011. On 23 March 2011, the government announced that it intends to further reduce the rate of corporation tax to 26% with effect from 1 April 2011 and then by 1% per annum to 23% by April 2014. As the reduction to 26% had been substantively enacted at the balance sheet date, the deferred tax balances have accordingly been revalued at this rate in these financial statements.



## Notes to the Financial Statements (continued)

For the 52 weeks ended 25 June 2011

### 9. TANGIBLE FIXED ASSETS

|                                 | Property<br>£'000 | Plant & machinery,<br>motor vehicles,<br>fixtures & fittings<br>and computer<br>equipment<br>£'000 | Total<br>£'000 |
|---------------------------------|-------------------|--|----------------|
| <b>Cost</b>                     |                   |  |                |
| At 27 June 2010                 | 422               | 30,394   | 30,816         |
| Additions                       | -                 | 3,918  | 3,918          |
| Disposals                       | -                 | (4,359)  | (4,359)        |
| At 25 June 2011                 | 422               | 29,953   | 30,375         |
| <b>Accumulated depreciation</b> |                   |  |                |
| At 27 June 2010                 | 78                | 20,970   | 21,048         |
| Charge for the period           | 9                 | 2,431  | 2,440          |
| Disposals                       | -                 | (4,233)  | (4,233)        |
| At 25 June 2011                 | 87                | 19,168   | 19,255         |
| <b>Net book value</b>           |                   |  |                |
| At 25 June 2011                 | 335               | 10,785   | 11,120         |
| At 26 June 2010                 | 344               | 9,424  | 9,768          |

The net book value of fixed assets includes an amount of £2,024K (2010 £2,595k) in respect of assets held under hire purchase contracts. Depreciation charged in respect of these assets was £340k (2010 £396k) in the period.

## Notes to the Financial Statements (continued)

For the 52 weeks ended 25 June 2011

### 10. STOCKS

|                  | 25 June<br>2011<br>£'000 | 26 June<br>2010<br>£'000 |
|------------------|--------------------------|--------------------------|
| Raw materials    | 4,419                    | 3,220                    |
| Goods for resale | 10,927                   | 11,629                   |
|                  | <u>15,346</u>            | <u>14,849</u>            |

There is no material difference between the balance sheet value of the stocks and the replacement cost

### 11. DEBTORS

|   | 25 June<br>2011<br>£'000 | 26 June<br>2010<br>£'000 |
|---|--------------------------|--------------------------|
| Trade debtors                                   | 31,403                   | 29,985                   |
| Other debtors                                   | 69                       | 247                      |
| Prepayments                                     | 580                      | 439                      |
| Amounts due from fellow subsidiary undertakings | 2,184                    | 3,144                    |
| Amounts due from parent company                 | 6,020                    | -                        |
| Amounts due from related parties                | 2,278                    | 2,200                    |
|   | <u>42,534</u>            | <u>36,015</u>            |

The intercompany loans have no fixed term of repayment. Interest is received monthly at a commercial rate above the Bank of England base rate.

# Notes to the Financial Statements (continued)

For the 52 weeks ended 25 June 2011

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

|   | 25 June<br>2011<br>£'000 | 26 June<br>2010<br>£'000 |
|---|--------------------------|--------------------------|
| Bank overdraft (secured)                      | 5,712                    | 10,712                   |
| Hire purchase finance                         | 1,043                    | 986                      |
| Trade creditors                               | 9,475                    | 8,480                    |
| Other taxation and social security            | 14,918                   | 13,142                   |
| Corporation tax                               | 1,008                    | 670                      |
| Accruals and deferred income                  | 7,051                    | 8,037                    |
| Amounts due to fellow subsidiary undertakings | 14,092                   | 9,175                    |
| Amounts due to parent company                 | -                        | 1,320                    |
| Amounts due to related parties                | 5                        | 58                       |
| Government grants                             | 88                       | -                        |
| Other creditors                               | 740                      | 709                      |
|   | <u>54,132</u>            | <u>53,289</u>            |

In respect of amounts due to the parent company and fellow subsidiary undertakings, confirmation has been obtained that the balances will not be called for repayment for at least 12 months subsequent to the approval of the Financial Statements. Interest is paid monthly at a commercial rate above the Bank of England base rate.

The bank overdraft is secured over trade debts. Interest is charged at a commercial rate above the Bank of England base rate. The overdraft is repayable when trade debt is repaid. The balance outstanding at 25 June 2011 was £5,712k (26 June 2010 £10,712k).

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

|                          | 25 June<br>2011<br>£'000 | 26 June<br>2010<br>£'000 |
|--------------------------|--------------------------|--------------------------|
| Government grants        | 751                      | -                        |
| Hire purchase agreements | 103                      | 677                      |
|                          | <u>854</u>               | <u>677</u>               |
| <b>Repayable</b>         |                          |                          |
| 1-2 years                | 280                      | 588                      |
| 2-5 years                | 574                      | 89                       |
|                          | <u>854</u>               | <u>677</u>               |

## Notes to the Financial Statements (continued)

For the 52 weeks ended 25 June 2011

### 14. DEFERRED TAXATION

|  | 25 June<br>2011<br>£'000 | 26 June<br>2010<br>£'000 |
|--|--------------------------|--------------------------|
| Opening provision                                | 709                      | 578                      |
| Adjustment to opening balance                    | 70                       | 122                      |
| (Credit) / charge to the profit and loss account | (47)                     | 9                        |
|  | <hr/>                    | <hr/>                    |
| Closing provision                                | 732                      | 709                      |
|  | <hr/>                    | <hr/>                    |
| Deferred tax is analysed as follows              | 25 June<br>2011<br>£'000 | 26 June<br>2010<br>£'000 |
| Capital allowances in excess of depreciation     | 734                      | 764                      |
| Short term timing differences                    | (2)                      | (55)                     |
|  | <hr/>                    | <hr/>                    |
|  | 732                      | 709                      |
|  | <hr/>                    | <hr/>                    |

### 15. SHARE CAPITAL

|  | 25 June<br>2011<br>£'000 | 26 June<br>2010<br>£'000 |
|--|--------------------------|--------------------------|
| Allotted, called-up and fully paid<br>1,000 ordinary shares of £1 each | 1                        | 1                        |
|  | <hr/>                    | <hr/>                    |

### 16. PROFIT AND LOSS ACCOUNT

|                                   | 2011<br>£'000 | 2010<br>£'000 |
|-----------------------------------|---------------|---------------|
| As at the beginning of the period | 12,084        | 10,489        |
| Profit for the period             | 2,438         | 1,595         |
|                                   | <hr/>         | <hr/>         |
| As at the end of the period       | 14,522        | 12,084        |
|                                   | <hr/>         | <hr/>         |

## Notes to the Financial Statements (continued)

For the 52 weeks ended 25 June 2011

### 17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

|                                     | 2011<br>£'000 | 2010<br>£'000 |
|-------------------------------------|---------------|---------------|
| Profit for the period               | 2,438         | 1,595         |
| Net addition to shareholder's funds | 2,438         | 1,595         |
| Opening shareholder's funds         | 12,085        | 10,490        |
| Closing shareholder's funds         | 14,523        | 12,085        |

### 18. FINANCIAL COMMITMENTS

#### Operating lease commitments

The company is committed to make payments under operating leases in respect of plant and machinery in the next year as follows

|                                    | 25 June 2011<br>£'000 | 26 June 2010<br>£'000 |
|------------------------------------|-----------------------|-----------------------|
| Lease expiring,<br>within one year | 42                    | 179                   |
| within 1-2 years                   | -                     | 9                     |
| within 2-5 years                   | 121                   | 120                   |
|                                    | 163                   | 308                   |

### 19. CONTINGENT LIABILITY

The company is party to group borrowings facilities under which the various UK companies in the group have cross-guaranteed the borrowings due to Lloyds TSB Bank plc. The borrowings are secured on the assets of the Group. At 25 June 2011, the borrowings of the group amounted to £15,132K (2010: £23,496K).

### 20. PENSION ARRANGEMENTS

The company operates a number of defined contribution schemes for which the pension cost charge for the year amounted to £553k (2010: £494k), which represented contributions to these schemes. The assets of this scheme are held separately for those of the company in independently administered funds.

## Notes to the Financial Statements (continued)

For the 52 weeks ended 25 June 2011

### 21. RELATED PARTY TRANSACTIONS

The company has undertaken transactions with other companies within the Halewood International Holdings PLC group. 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 company entered into the following transactions with companies over which Mr J E Halewood, the principal shareholder, exercises significant influence:

- 1) The company entered into a number of transactions with H&A Prestige Packing Company Limited, a company owned by the Estate of Mr J E Halewood. Details of transactions made during the period are as follows:

|                                  | 2011<br>£'000 | 2010<br>£'000 |
|----------------------------------|---------------|---------------|
| Sales                            | 3,920         | 3,342         |
| Purchases                        | 8,424         | 8,481         |
| Amounts due from related parties | 55            | 204           |

- 2) During the period, the company has a trading account balance to Hatton House Farm, a business owned by the Estate of Mr J E Halewood. The value of the transaction account reached a maximum of £24K during the period. The balance at 25 June 2011 was £10K (2010: £3K).
- 3) The company has an existing loan to the directors of HIFX PLC, a company owned by the Estate of Mr J E Halewood. The balance at 25 June 2011 was £2,050k (2010: £2,050K). The loan has no fixed repayment terms and is not interest bearing.

### 22. ULTIMATE PARENT AND CONTROLLING PARTY

The immediate parent undertaking is Halewood International Holdings (UK) Limited. The ultimate parent company and parent undertaking of the largest and smallest group which includes the company is Halewood International Holdings PLC, a company registered in England. Group accounts for Halewood International Holdings PLC are available to the public on payment of the appropriate fee, from Companies Registration Office, Crown Way, Maindy, Cardiff, CF4 3UZ.

The ultimate controlling party of the company is the Estate of J E Halewood, a director of the company, owing to his overall control of the parent company.