

HALEWOOD INTERNATIONAL MARKETING LIMITED

ANNUAL REPORT

Year ended 30 June 2002



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Company Information

Directors	Mr J E Halewood S J Oldroyd
Secretary	Mr S J Oldroyd
Registered office	The Sovereign Distillery Wilson Road Huyton Industrial Estate Huyton Liverpool L36 6AD
Registered number	3861237
Auditors	RSM Robson Rhodes Chartered Accountants Registered Auditors 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 have pleasure in presenting the financial statements of the company for the year ended 30 June 2002, together with the auditors' report thereon.

PRINCIPAL ACTIVITIES

The company provides marketing services within the Halewood International group.

REVIEW OF BUSINESS AND FUTURE PROSPECTS

A review of the business and future prospects of the group is included in the Directors' Report of the parent company accounts.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £1,930,070 (2001: £2,413,000). The directors propose a dividend of £nil (2001: £100,000) and the balance of profit has been transferred to reserves.

ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Halewood International Holdings PLC, a company incorporated in England.

DIRECTORS

The present directors of the company who served throughout the year are set out on page 1. H Melling resigned as a director on 9 November 2001.

The directors did not hold any shares in the company at 30 June 2002 or 30 June 2001. The directors' interests in the shares of the ultimate parent undertaking are disclosed in the financial statements of that company.

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 its profit or loss 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 the company law in the United Kingdom.

REPORT OF THE DIRECTORS
(Continued)

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 group's policy is to pay 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 2002, the number of days of trade creditors for the group was 54 (2001 : 61 days).

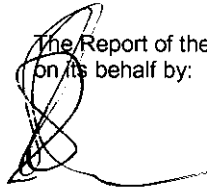
AUDITORS

RSM Robson Rhodes have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

APPROVAL

The Report of the Directors was approved by the Board on 11/04/03
on its behalf by:

and signed



S J Oldroyd
Secretary

Independent Auditors' Report to the Shareholders of

HALEWOOD INTERNATIONAL MARKETING LIMITED

We have audited the financial statements on pages 5 to 12.

This report is made solely to the 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 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 company and the 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 information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the Annual Report.

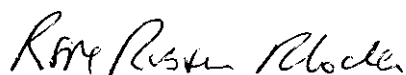
Basis of audit opinion

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 as at 30 June 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



RSM Robson Rhodes
Chartered Accountants and Registered Auditors

Manchester, England

11.6.03

Profit and Loss Account

for the year ended 30 June 2002

	Note	2002 £	2001 £
Turnover: continuing operations	1 & 2	10,696,219	12,780,000
Cost of sales		(7,314,618)	(9,452,424)
Gross profit		3,381,601	3,327,576
Administration expenses		(62,072)	(90,362)
Operating profit: continuing operations	3	3,319,529	3,237,214
Interest payable	6	(112,123)	(41,214)
Profit on ordinary activities before taxation		3,207,406	3,196,000
Tax on profit on ordinary activities	7	(1,277,336)	(783,000)
Profit for the year on ordinary activities after taxation		1,930,070	2,413,000
Dividends	8	-	(100,000)
Retained profit for the year	15	1,930,070	2,313,000

There were no recognised gains or losses other than those stated above.

Balance Sheet

At 30 June 2002

	Note	2002 £	2001 £
Fixed assets			
Tangible assets	9	170,303	401,842
Investments	10	308,206	384,670
		478,509	786,512
Current assets			
Debtors	11	8,239,997	3,933,537
Cash at bank and in hand		3,727,590	4,281,241
		11,967,587	8,214,778
Creditors: amounts falling due within one year	12	(8,190,033)	(6,633,343)
Net current assets		3,777,554	1,581,435
Total assets less current liabilities		4,256,063	2,367,947
Creditors: amounts falling due after more than one year	13	(11,100)	(53,054)
Net assets		4,244,963	2,314,893
Capital and reserves			
Called up share capital	14	100	100
Profit and loss account	15	4,244,863	2,314,793
Equity shareholders' funds	16	4,244,963	2,314,893

The financial statements were approved by the Board on 11/04/03 and signed on its behalf by:


S J Oldroyd
Director

Notes to the Financial Statements

30 June 2002

1. ACCOUNTING POLICIES

Convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards. The principal accounting policies which the directors have adopted within that convention are set out below.

New accounting standards

FRS 19 "Deferred Tax" has been adopted for the first time in these accounts. The change had no effect on the company as deferred tax had previously been accounted for on a full provision basis. FRS 18 "Accounting Policies" has also been adopted. It did not cause any other changes in policy, as after careful review, the directors are satisfied that the current accounting policies are the most appropriate for the company.

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.

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. The principal annual rates used for other assets are:

Fixtures and fittings, plant and machinery	10% to 25%
Motor vehicles	25%

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.

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.

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 ruling at the date of transaction.

Leasing

Where assets are financed by hire purchase the assets are included in the balance sheet at cost less depreciation in accordance with the company'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.

Investments

Investment assets are stated at cost. Depreciation is to be charged on investments to write them down to a residual value over a five year period. In addition to systematic amortisation, the book value is written down to recoverable amount when any impairment is identified.

Turnover

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

Pensions

The company operates a defined contribution pension scheme in respect of certain employees. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost for the scheme represents contributions payable by the company in the year.

Notes to the Financial Statements

30 June 2002

2. SEGMENTAL ANALYSIS

All turnover derives from the principal activity analysed by geographical market as follows:

	2002 £	2001 £
United Kingdom	10,696,219	12,780,000

3. OPERATING PROFIT

Operating profit is arrived at after charging:

	2002 £	2001 £
Auditors' remuneration - audit services	2,500	2,500
- non audit services	-	-
Depreciation of tangible fixed assets	126,855	112,252

4. EMPLOYEES

Staff costs, including directors:

	2002 £	2001 £
Wages and salaries	751,532	2,575,342
Social security costs	78,301	61,007
Pensions - defined contribution scheme	61,532	74,633
	891,365	2,710,982

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

	2002 Number	2001 Number
Administration & selling	15	16

5. DIRECTORS' EMOLUMENTS

The company directors are also directors of the ultimate parent company, Halewood International Holdings PLC, and their remuneration is disclosed in the parent company financial statements.

Pension contributions have been made on behalf of two directors (2001: two).

Notes to the Financial Statements

30 June 2002

6. INTEREST PAYABLE

	2002 £	2001 £
Bank overdraft	84,148	19,752
Hire purchase interest	10,975	8,775
Other interest	17,000	12,687
	<u>112,123</u>	<u>41,214</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £	2001 £
United Kingdom Corporation Tax		
Current tax on income for the year	1,039,756	781,000
Adjustments in respect of prior years	237,580	2,000
	<u>1,277,336</u>	<u>783,000</u>
Tax on profit on ordinary activities		
	<u>1,277,336</u>	<u>783,000</u>

Current tax reconciliation

	2002 £	2001 £
Profit on ordinary activities before taxation	3,207,406	3,196,000
	<u>3,207,406</u>	<u>3,196,000</u>
Theoretical tax at UK corporation tax rate 30% (2001: 30%)	962,222	958,800
Effects of:		
- expenditure not tax deductible	55,852	89,870
- other adjustments	-	(282,000)
- movement on deferred tax unprovided	21,682	14,330
- prior year adjustment	237,580	2,000
	<u>1,277,336</u>	<u>783,000</u>

8. DIVIDENDS

	2002 £	2001 £
Proposed dividend on ordinary shares	-	100,000
	<u>-</u>	<u>100,000</u>

Notes to the Financial Statements

30 June 2002

9. TANGIBLE FIXED ASSETS

	Plant & machinery £	Motor vehicles £	Fixtures, fittings and computer equipment £	Total £
Cost				
At 1 July 2001	49,706	529,549	27,176	606,431
Additions	-	80,448	9,606	90,054
Disposals	-	(319,965)	-	(319,965)
Reclassification	(49,706)	-	49,706	-
At 30 June 2002	-	290,032	86,488	376,520
Accumulated depreciation				
At 1 July 2001	37,541	153,210	13,838	204,589
Charge for the year	-	114,521	12,334	126,855
Disposals	-	(125,227)	-	(125,227)
Reclassification	(37,541)	-	37,541	-
At 30 June 2002	-	142,504	63,713	206,217
Net book value				
At 30 June 2002	-	147,528	22,775	170,303
At 30 June 2001	12,165	376,339	13,338	401,842

The book value of fixed assets includes an amount of £147,530 (2001: £345,538) in respect of assets held under hire purchase contracts. Depreciation charged in respect of these assets was £112,513 (2001: £59,850).

10. INVESTMENTS

	£
Net book value	
At 1 July 2001	384,670
Additions	68,948
Disposals	(60,324)
Depreciation	(85,088)
At 30 June 2002	308,206

Investments represent the cost of race horses.

Notes to the Financial Statements

30 June 2002

11. DEBTORS

	2002 £	2001 £
Trade debtors	1,952	1,200
Other debtors	750	158,565
Prepayments	2,232	-
Amount due from fellow subsidiaries	8,235,063	3,773,772
	<u>8,239,997</u>	<u>3,933,537</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Hire purchase finance	89,607	155,453
Debt due within one year	89,607	155,453
Trade creditors	494,414	342,998
Corporation tax	1,039,395	787,000
Other taxation and social security	287,087	315,568
Accruals and deferred income	447,950	2,126,552
Due to parent undertaking	482,470	627,953
Due to fellow subsidiaries	5,349,110	2,177,819
Proposed dividends	-	100,000
	<u>8,190,033</u>	<u>6,633,343</u>

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

	2002 £	2001 £
Hire purchase finance, repayable in one to two years	11,100	53,054

14. SHARE CAPITAL

	2002 Number	2001 Number
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Issued and fully paid		
100 ordinary shares of £1 each	100	100

Notes to the Financial Statements

30 June 2002

15. RESERVES

	Profit and loss account £
At 1 July 2001	2,314,793
Retained profit for the year	1,930,070
At 30 June 2002	4,244,863

16. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2002 £	2001 £
Recognised gain	1,930,070	2,313,000
Opening equity shareholders' funds	2,314,893	1,893
Closing equity shareholders funds	4,244,963	2,314,893

17. 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. At 30 June 2002 these borrowings amounted to £28,400,000 (2001: £18,351,000).

18. RELATED PARTY TRANSACTIONS

The company has undertaken transactions with fellow subsidiaries of Halewood International Holdings PLC. Under the provisions of Financial Reporting Standard No.8 "Related Party Disclosures" the company is exempt from disclosing the details of these transactions.

19. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking 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.