



# Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

21 October 2003

## ALLIED DOMEQC DELIVERS STRONG BRAND GROWTH

Allied Domecq announces its preliminary results for the year ended  
31 August 2003  
with another strong year of growth

### FINANCIAL HIGHLIGHTS

	2003	As reported 2002	Reported growth %	Growth at constant currency %
- Turnover	GBP3,410m	GBP3,334m	2	6
- Trading profit	GBP621m	GBP610m	2	5
- Profit before tax	GBP495m	GBP480m	3	9
- Normalised earnings per share	33.5p	32.6p	3	9
- Dividend	14.0p	13.0p	8	
- Spirits & Wine volumes (9L cases)	68.6m	63.5m	8	
- Net cash flow from operating activities	GBP702m	GBP557m	26	

Profits and normalised earnings are stated before goodwill and exceptional items unless otherwise stated. The pre-tax benefit of the Mexican excise rebate for the year to 31 August 2003 was GBP38m and has been treated as an exceptional item. Cash flow from operating activities excludes the pre-tax benefit of the Mexican excise rebate (2003: GBP46m; 2002: GBP203m).

Philip Bowman, Chief Executive, said: "These results demonstrate the resilience of Allied Domecq's performance internationally. We have delivered increased profits, strong brand growth and excellent cash generation across the business after dealing with the pension and foreign exchange issues we reported in the first half and the economic uncertainty created by the Iraq war and the SARS virus. At constant currencies, earnings per share grew 9%. Excluding pension costs and foreign exchange, underlying profits grew by 20%.

"Our geographical diversity with our core markets in Mexico, US, South Korea and Spain provides us with a hedge against localised economic downturn and the strong performance in the US this year has helped us ride out difficult conditions in the Eurozone.

"The spirits brand portfolio, revitalised over the past three years by the acquisition of complementary brands, innovation and our new approach to marketing, has provided the company with a bedrock of brand strength and resilience.

"Our premium wine brands have performed strongly and are on track to deliver the targeted return on investment. Our strategy based around geographical and varietal diversity, brand laddering and economies in procurement has shielded us from the difficult year experienced by most other wine companies.

"The Quick Service Restaurants business has delivered strong growth with profit up 8%. Our continued investment in innovation and marketing has ensured the continued vibrancy of the Dunkin' Donuts and Baskin-Robbins brands.

## Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

"There are continued uncertainties in the world economy and the Eurozone remains difficult. We are confident, however, that our business is well positioned to meet the challenges. Early indications are that the 2004 financial year has started well and we are on track to meet current expectations."

### OPERATIONAL HIGHLIGHTS

- Revitalised spirits portfolio delivering growth with seven of the nine core brands in volume growth
- Premium wine brands growing organic profit by 12% through positive mix and on track to deliver target returns
- Quick Service Restaurants delivering strong like-for-like growth and new store openings
- Strong cash generation and debt reduction

### FURTHER FINANCIAL HIGHLIGHTS

Comparative information here and in the Operating and Financial Review is based on constant exchange rates.

#### Total growth in Spirits & Wine

- Volumes up 8%
- Net turnover up 7%
- Net brand contribution up 7%
- Trading profit up 4%

#### Organic growth in Spirits & Wine

- Volumes up 1%
- Net turnover up 2%
- Net brand contribution up 2%
- Trading profit down 5%

#### Driven by organic growth in core brands

- Volumes up 5%
- Net turnover up 5%
- Marketing spend up 2%
- Net brand contribution up 7%

#### Good organic performance in premium wine

- Volumes down 2%
- Net turnover up 4%
- Marketing spend up 13%
- Trading profit up 12%

#### Profit growth in Quick Service Restaurants

- Distribution points up 8%
- Trading profit up 8%
- System-wide sales up 5%

#### Growth despite challenging environment

- Increased pension costs (up GBP48m)
- Adverse foreign exchange (GBP19m)
- Slowing economies and SARS virus

#### Improving cash generation

- Cash flow from operating activities up 26% to GBP702m (excluding Mexican excise rebate)
- Free cash flow after dividends improved from GBP211m to GBP281m
- Pre-tax exceptional cash benefit of Mexican excise rebate of GBP46m (2002: GBP203m)

For further information:

#### Media enquiries:

Stephen Whitehead, Director of Corporate Affairs +44 (0) 7880 783532  
+44 (0) 20 7009 3927  
Anthony Cardew, CardewChancery +44 (0) 20 7930 0777

#### Investor enquiries:

Graham Hetherington, Chief Financial Officer +44 (0) 20 7009 3910  
Peter Durman, Director of Investor Relations +44 (0) 7771 974817

#### Internet:

Corporate information can be downloaded from the website at [www.alliedomecq.com](http://www.alliedomecq.com)

## Edgar Filing: ALLIED DOMECQ PLC - Form 6-K

### Presentation material:

The results presentation will be available on the corporate website from 09.00 (UK time) on Tuesday 21 October 2003.

### Presentation webcast/audio broadcast:

A live webcast of the presentation to analysts will be available on the investor relations section of the corporate website at 09.30 (UK time) on Tuesday 21 October. A recording of the webcast will be available from around 14.00 (UK time).

A live audio broadcast of the presentation and question and answer session will also be available. The presentation can be accessed by dialling:

UK/Europe: 0845 144 0006/+44 1452 569 102  
US/Canada: +1 866 224 2843

### Conference call:

A conference call will be held for analysts and investors at 16.00 (UK time) on Tuesday 21 October. The call can be accessed by dialling:

UK/Europe: 0845 140 0165/+44 1452 568 061  
US/Canada: +1 866 224 2972

A recording of the conference call will be available from 19.00 (UK time) on 21 October until 28 October 2003. Call the following numbers to listen to the recording:

UK/Europe: 0845 245 5205/+44 1452 550 000      Passcode: 565087#  
US/Canada: +1 866 276 1167                      Passcode: 565087#

### Photography:

Original high resolution photographs are available to the media free of charge at [www.newscast.co.uk](http://www.newscast.co.uk) +44 20 7608 1000.

### Cautionary statement regarding forward-looking information:

Some statements in this press release contain "forward-looking" statements as defined in Section 21E of the United States Securities Exchange Act of 1934. They represent our expectations for our business, and involve risks and uncertainties. You can identify these statements by the use of words such as "believes", "expects", "may", "will", "should", "intends", "plans", "anticipates", "estimates" or other similar words. We have based these forward-looking statements on our current expectations and projections about future events. We believe that our expectations and assumptions with respect to these forward-looking statements are reasonable. However, because these forward-looking statements involve known and unknown risks, uncertainties and other factors which are in some cases beyond our control, our actual results or performance may differ materially from those expressed or implied by such forward-looking statements.

### Explanatory notes

Comparative information is based on constant exchange rates. Net turnover is turnover excluding excise duty. Profit and normalised earnings are stated before goodwill and exceptional items, which include the benefit of the Mexican excise rebate. Organic growth comparisons exclude the contribution of acquisitions until they have been incorporated in the business for a full 12 months from the date of acquisition. Volumes are quoted in nine litre cases unless otherwise specified.

### Brands

All brands mentioned in this press release are trademarks and are registered and /or otherwise protected in accordance with applicable law.

### OPERATING AND FINANCIAL REVIEW

### Summary

## Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

The results reflect an exceptionally strong underlying trading performance. Reported earnings per share have increased by 3% to 33.5p, after absorbing the impact of two non-trading factors: foreign exchange and pensions. At constant currency, earnings per share growth improves to 9% and, excluding the effect of increased pension costs, earnings growth increases to 20%. This is after we have absorbed the impact of trade inventory reductions in Spain and demonstrates the strength of our trading performance particularly in the US, Asia Pacific, Latin America, Premium Wines and Quick Service Restaurants.

Reported turnover for the Group was up 2% to GBP3,410m and trading profit up 2% to GBP621m.

At constant exchange rates, turnover was up 6% in the period and trading profit increased by 5%. Organic trading profit decreased by 2% to GBP578m. We have delivered these results through increased Spirits & Wine gross profit and the continued improved performance of our Quick Service Restaurants business. At the same time, we absorbed a GBP48m increase in pension costs and the impact of a reduction in wholesalers' inventories in Spain (GBP20m). We also completed our programme to reduce trade inventories in the US at a cost of GBP10m (2002: GBP19m). Normalised profit before tax grew by 9% to GBP495m. We have grown earnings with a 9% improvement in normalised earnings per share to 33.5p per share. The contribution from businesses acquired during last year was 1.6p per share.

The Directors are recommending a final dividend of 8.7p per share giving a total for the year of 14.0p, an increase of 8%.

### Outlook

There are continued uncertainties in the world economy and the Eurozone remains difficult. We are confident, however, that our business is well positioned to meet the challenges. Early indications are that the 2004 financial year has started well and we are on track to meet current market expectations.

### Business drivers

Allied Domecq has delivered strong organic growth in its core spirits brands and robust performances from Premium Wine and Quick Service Restaurants. We are focusing on three areas to drive competitive advantage and build a robust platform for future sustainable growth:

- **Portfolio:** By building and innovating our brand portfolio through effective marketing, we will retain consumers who enjoy our brands and attract and excite new consumers to win greater market share.
- **Presence:** Through prioritising, developing and extending our geographic presence, we will establish strong positions in key markets across the world.
- **People:** By developing our people, harnessing their talents and being an 'employer of choice', we will attract and retain the best people to deliver our business goals.

**Portfolio:** Through a focused programme of effective marketing and innovation over recent years, we have revitalised the growth of our portfolio - particularly our core brands. Our "Go Play" programme of marketing activity has stimulated continued market share growth for Ballantine's across Europe. New marketing programmes and executions were launched during the year for Kahlua, Sauza, Malibu and Stolichnaya to build brand equity and drive future growth. We have also continued our focus on the effectiveness of our marketing spend.

Innovation is also fuelling growth in our core brands. The successful launch of Tia Lusso, a cream liqueur extension of Tia Maria, has helped to grow the Tia Maria brand by 14%. During the year, we continued our innovation programme with

## Edgar Filing: ALLIED DOMEQ PLC - Form 6-K

the launch of Wet by Beefeater - a premium extension of Beefeater, and Kuya - a spiced fusion rum extension of Kahlua. In addition, we have developed a range of ready-to-drinks in markets such as Mexico and Australia which are growing strongly.

The portfolio continues to benefit from the targeted acquisitions made over the past three years in growing categories such as rum, vodka and premium wine. Malibu has exceeded our expectations with good share growth in its key markets. Stolichnaya has continued to grow volume and share in the competitive US vodka market. Our premium wine brands have delivered strong growth demonstrating the resilience of our wine operations - remaining firmly on track to meet their targeted returns.

Presence: We have increased our exposure to key markets through focused investment in distribution and sales capabilities. We will capitalise upon existing market strengths and establish new positions in markets with the capacity for growth. For example, we have further strengthened our partnership with US distributors with the continued implementation of our "first choice supplier" approach, with new contracts established in Illinois and California. Our strong portfolio and distributor relationships has helped us to grow market share in the US. We have significantly increased our sales force capabilities, particularly in the on-trade in the UK and US. The profits from our Asia Pacific business have increased fourfold since we invested in Jinro Ballantines in South Korea in 2000. We have established market-leading positions in a number of key countries in Central & Eastern Europe which will continue to drive future growth in Europe.

We have also doubled the pace at which we are opening new distribution points in our Quick Service Restaurants business such that distribution points increased by 8% in the year. There remain considerable opportunities to increase our brand presence within USA and internationally and we have a programme to open over 1,000 new distribution points in 2004.

People: Our people are key to unlocking the value of our brands. We encourage our people to be passionate about our brands by providing opportunities for development, rewarding good performance and recognising achievement. Through rigorous evaluation and effective recruitment, we have progressively increased the quality of our people. There is also now a clearer link between performance and reward to create the right environment to drive the success of our people and our brands.

Measured by turnover, our Spirits & Wine business is 49% larger than it was in 1999 as a result of targeted acquisitions and organic growth. We are leveraging this increased scale by introducing new ways of working. This will reduce overlap between central, regional and market-focused functions and will allow us to be leaner and more responsive - to speed up decision making and to push accountability out into the business. This is enabling us to be more competitive and to respond more quickly to customers and changing market conditions. Our objective is to grow the profitable volume of our brands while optimising the efficiency of our operations.

### SPIRITS & WINE

	Total		Organic	
	2003 Growth		2003 Growth	
- Volume (9L cases)	68.6m	8%	64.2m	1%
- Net turnover	GBP2,480m	7%	GBP2,352m	2%

## Edgar Filing: ALLIED DOMEQ PLC - Form 6-K

- Advertising and promotion	GBP437m	1%	GBP414m	(5)%
- Trading profit	GBP522m	4%	GBP479m	(5)%

We have grown our Spirits & Wine net turnover through organic growth and acquisition. Total Spirits & Wine volumes and net turnover increased by 8% and 7% respectively. Trading profit grew 4%.

Before acquisitions, volumes and net turnover grew 1% and 2% respectively. On an organic basis, trading profit declined by 5% primarily as a result of the increased pension costs (GBP48m). We have also absorbed the impact of the trade inventory reductions in Spain (GBP20m) and US (GBP10m). These results reflect a performance against a prior year that was particularly strong in the second half.

Marketing excellence: During the year we increased advertising and promotion spend by 1%. Before acquisitions, advertising and promotion declined by 5%, following a 21% increase last year. This decline is driven partly by a 32% reduction in Asia Pacific following a 57% increase last year driven by new campaigns for Imperial and Ballantine's Masters. Spend in the region was reduced during the second half because of the short term impact of SARS. We have also reduced spend behind the Mexican brandies and our Other Spirits & Wine brands. There has also been some reduction as a result of the transitioning of marketing assignments between advertising agencies.

Over the past four years we have progressively increased our investment in marketing our spirits portfolio particularly our core brands. Advertising and promotion has increased by 59% since 1999 while turnover has increased by 49% over the same period. Advertising and promotion for spirits brands, measured as a percentage of net turnover, has increased by two percentage points since 1999 to 20%. Our wine brands, including premium wine brands, typically require lower levels of spend at around 11% of net turnover.

In addition, we are increasingly rigorous in the way we allocate spend between brands and markets: directing more spend behind new marketing campaigns and product launches particularly for the core brands and withdrawing spend from less effective areas. The investment is increasingly focused behind the core brands which now receive 57% of the advertising and promotion spend. Our organic spend behind the core brands increased by 2% in the year, particularly behind Kahlua and Tia Maria. We have also increased organic spend behind the premium wine brands by 13%, particularly the champagnes which have performed well.

Over the past four years, we have sought to improve the effectiveness of our marketing spend through improved consumer research techniques, media and brand tracking studies and through the way we work with our agencies. During the year, we completed the agency realignment programme that we started in 2001, rationalising from over 150 marketing agencies to one global agency. This programme has already generated annual savings of around GBP20m since 2001 and will ensure that we continue to leverage improved efficiencies for future marketing activities. As a result, we are achieving a greater impact from our increased spend such that we anticipate that our ongoing investment is likely to track broadly in line with sales growth with some variation as specific brand campaign and innovation opportunities arise.

### Brand review

We manage our Spirits & Wine portfolio as four groups: core brands, local market leaders, premium wine and other Spirits & Wine brands. Brand performance is reviewed below under these groups.

## Edgar Filing: ALLIED DOMECQ PLC - Form 6-K

Core brands: The volumes and net turnover of our core brands, on a like-for-like basis, both grew by 5% driven by strong growth across nearly all the brands. Organic advertising and promotion behind the core brands was up 2% resulting in net brand contribution up 7%.

Ballantine's has benefited from the "Go Play" campaign launched in 2002 and has grown share strongly across its key markets in Europe and Asia Pacific. Both Ballantine's and Beefeater have continued to grow market share in Spain. However, despite these gains, both brands have recorded declines in overall shipment volumes as a result of the change in buying patterns by wholesalers in Spain. Outside Spain, Ballantine's volumes grew 3% and Beefeater volumes were flat.

Canadian Club has grown share in the US and performed well with ready-to-drink extensions in Australia driving total volumes up 9% and net turnover up 7%. Excluding the ready-to-drink extensions, the Canadian Club mother brand grew volumes by 5% and net turnover by 6%. Courvoisier has performed well in the US and UK with overall volumes up by 5% and net turnover up by 4% although it has slowed in the second half against a very strong performance last year.

### Spirits & Wine volume and net turnover growth

	Volume million cases	Volume growth %	Net turnover growth %
-----			
Core brands			
Ballantine's	5.5	(4)	(3)
Beefeater	2.2	(2)	2
Canadian Club	2.4	9	7
Courvoisier	1.1	5	4
Kahlua	3.1	1	1
Maker's Mark	0.5	14	16
Malibu (organic)	0.8	50	47
Sauza	2.4	28	20
Tia Maria	0.9	14	15
Organic core brands	18.9	5	5
Malibu (acquired)	1.7	-	-
Local market leaders	11.9	(4)	(6)
Organic premium wine	13.1	(2)	4
Premium wine acquisitions	2.7	-	-
Other Spirits & Wine brands			
Other spirits	12.7	2	5
Other wine	7.6	4	(1)
Other Spirits & Wine Total	20.3	3	4
-----			
Total (including acquisitions)	68.6	8	7
-----			
organic (excluding acquisitions)	64.2	1	2
-----			

The performance of Kahlua has improved this year with volumes and net turnover both up 1%. This has been driven by good performances in Latin America and Duty Free and the launch of a new advertising campaign, "Unleash It", in the US.



## Edgar Filing: ALLIED DOMECQ PLC - Form 6-K

Kahlua has also benefited from the launch in the US of Kuya, a spiced fusion rum. This is the world's first fusion rum which is aimed at 21-29 year olds and is being promoted through the "Do Ya Kuya?" campaign. Maker's Mark had another good year with volumes up 14% and net turnover up 16%. Malibu is now fully integrated as one of our core brands and has begun contributing to the organic portfolio growth with three months of like-for-like sales. The brand has performed well in its core markets with market share growth in the UK, US, France and Spain.

Sauza became the world's fastest growing premium spirits brand with significant market share growth in both US and Mexico. Sauza volumes grew 28% and net turnover grew 20% with pricing down driven by the reduced cost of the raw material, agave. A new fully integrated marketing campaign, "Get Lost" has helped to drive brand awareness. The Tia Maria brand has continued to benefit from the successful launch of Tia Lusso, a new light cream liqueur. Overall Tia Maria volumes grew by 14% and net turnover by 15%.

Local market leaders: Stolichnaya has continued to perform strongly in the US with good market share gains in volume and value. A new marketing campaign, "Little Truths", was launched this summer to fuel future brand growth. The range Stolichnaya flavours was also expanded with Stolichnaya Cranberi and Stolichnaya Citros. Hiram Walker Liqueurs benefited from the successful launch of a new range of fruit liqueurs in North America called Fruja which helped to grow its volumes and net turnover up by 12%. Fundador continued to build on its position as the largest international spirit brand in the Philippines with 6% growth in volumes and 11% improvement in net turnover. The combined impact of a decline in the shipment volumes of Whisky DYC and Centenario because of the change in buying patterns by wholesalers in Spain and declines in Mexican brandies caused overall local market leader brand volumes to fall by 4% and net turnover to decline by 6%. Outside Spain, the local market leader volumes grew 1%.

Premium wine: The premium wine business grew volumes by 18% primarily as a result of the acquisition of Bodegas y Bebidas in December 2001 and Mumm Cuvee Napa in May 2002. Before the benefit of acquisitions, premium wine volumes fell 2% while net turnover grew 4% primarily as a result of the improving mix. A full review of the premium wine brands is provided in the regional review below.

Other Spirits & Wine brands: The volumes of Other Spirits & Wine brands were up 3% with net turnover up 4%, while net brand contribution grew by 6%. This has been driven by strong performances by the ready-to-drink brands, Caribe Cooler and Spirit by Terry, in Mexico and by good growth in various North American brands such as Wiser's whisky and Polar Ice.

### Market review

The regional performance of our business is reviewed below.

#### Europe

	Organic growth	Total growth
- Volumes (9L cases)	(6)%	(2)%
- Net turnover	(3)%	2%
- Advertising and promotion	8%	16%
- Trading profit	(33)%	(21)%

Reported net turnover grew 2% to GBP762m while trading profit declined 21% to GBP114m. Before acquisitions, trading profit was down 33% reflecting net turnover down 3% and advertising and promotion up 8%. Europe's profit decline

## Edgar Filing: ALLIED DOMEQ PLC - Form 6-K

reflects increased marketing investment behind the launch of Tia Lusso. It was also affected by a change in the buying patterns by Spanish wholesalers as they reduced inventories. Outside Spain, our organic European volumes were flat and net turnover grew 2% reflecting the sluggish economies in the region, particularly Germany and France. Organic net brand contribution outside Spain declined 5% reflecting the increased marketing spend for the launch of Tia Lusso.

Our business in Spain grew its volume and value share of the total spirits market, which continued to grow at around 2% in the year to July 2003. However, a change in buying patterns by Spanish wholesalers caused shipment volumes to fall by 17% on an organic basis for the year. The whisky category has continued to grow, although at a slower rate than last year, but Ballantine's has gained share by growing twice as fast as the category. We have continued to invest behind Ballantine's "Go Play" in Spain with an 18% increase in advertising and promotion to drive awareness in this important market. Beefeater has continued to make progress with strong market share gains in the gin category. Centenario has increased its share of the brandy category by two percentage points making it the clear category leader. Malibu has performed very well under our ownership with good growth in the on-trade helping to grow its market share.

The UK business had a good year with market share gains in the off-trade driven by strong performances by Teacher's, Courvoisier, Tia Maria and Malibu. Courvoisier grew volumes 6% and has retained its position as the number one selling cognac in the UK. Tia Maria grew volumes 33% as a result of the launch of Tia Lusso, which has become the number two selling cream liqueur in the UK. Malibu has performed particularly strongly as the fastest growing speciality liqueur brand in the on-trade.

Germany and France have both experienced sluggish economies which has slowed consumer spending. However, key brands have made good progress with market share growth in these markets. In Germany, Ballantine's has established itself as the market leader in whisky. Ballantine's has also achieved market share gains in France where Malibu has also returned to growth.

### North America

	Organic growth	Total growth
- Volumes (9L cases)	4%	9%
- Net turnover	7%	12%
- Advertising and promotion	(4)%	3%
- Trading profit	20%	31%

Our North American business delivered a strong performance with reported net turnover up 12% to GBP649m and trading profit up 31% to GBP182m. This was driven primarily by the growth of core brand volumes and acquisitions. On an organic basis, net turnover grew 7% on volumes up 4% leading to an increase in trading profit of 20%. Organic advertising and promotion spend grew by 3% in the second half primarily behind new above-the-line campaigns for the core brands.

The US business has delivered a robust trading performance to record overall market share gains reflecting the strength of our brand portfolio and the benefits of our partnership approach with our US distributors. Our focused approach has delivered good growth across the brand portfolio.

Sauza has become a million case brand in the US with volumes up 16% to 1.1m cases and net turnover up 14%. The strong market share gains have been helped by the launch of a new marketing campaign, "Get Lost". The fully integrated

## Edgar Filing: ALLIED DOMECQ PLC - Form 6-K

campaign features national and regional print adverts, broadcast advertising and a national tour encompassing over 1,000 events. Maker's Mark continues to outpace the bourbon category with volumes up 17% and net turnover up 19%.

The fast-growing vodka category has become increasingly competitive but Stolichnaya has continued to gain share with volumes up 14%. The brand has benefited from the launch in June of a new campaign, "Little Truths", which is running in leading magazines and on billboards and radio. Hiram Walker Liqueurs are up 12% as they begin to receive increased focus and as they benefit from the launch of a new range of fruit liqueurs called Fruja.

Kahlua has begun to show improving consumer trends over recent months as the new campaign called "Unleash It" has begun to receive above-the-line investment during the second half. Volumes show a 1% decline but net turnover up 1%. The brand was also extended with the launch of Kuya in the US - a spiced fusion rum which combines imported rums with spices and citrus flavours.

Our US business has benefited significantly from the addition of Malibu which has grown market share of the rum category. Courvoisier has grown volumes by 6%, thereby taking market share. Beefeater volumes grew well helped by the premium brand extension Wet by Beefeater, which has been launched in key on-trade outlets in selected cities. Canadian Club continued to grow share with volumes up 8%.

In August, Jim Clerkin was appointed President of the US spirits business. During the year, we have implemented a new organisational structure, which is allocating increased resource closer to the market. It is particularly directed at brand building in the on-trade channel and towards improving our market share in the Control States. This is supporting a better understanding of customers and consumers and further strengthening our relationships with distributors. Our objective is to work closely with our US distributors through a programme where we are their "first choice supplier". We are focused on developing long-term partnerships, which are sustainable and mutually beneficial.

During the second half, we completed our initiative to reduce the inventories in the US supply chain with a GBP10m impact on trading profit. The destock resulted in a reduction in shipments compared with depletions of 270,000 cases and primarily affected Kahlua, Canadian Club, Beefeater and Hiram Walker Liqueurs. During the last fiscal year, this planned destock had an adverse trading profit impact of GBP19m, GBP8m of which was incurred in the first half of the year.

### Latin America

	Organic growth	Total growth
- Volumes (9L cases)	14%	15%
- Net turnover	8%	9%
- Advertising and promotion	(9)%	(9)%
- Trading profit	8%	10%

Despite challenging trading conditions in many economies across the region, reported net turnover was up 9% to GBP303m and trading profit was up 10% to GBP54m (excluding the Mexican excise rebate). Improving agave supply and our recent investment in research and development to improve yields has resulted in reduced tequila production costs and, together with a successful series of promotions, has helped to grow Sauza volumes in the region by 41%. Mexican brandy volumes declined by 4% reflecting the on-going declines across the domestic brandy category. As a result, we have reduced spend behind the Mexican brandy portfolio such that overall organic advertising and promotion for the

## Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

region declined by 9%. This follows a 27% increase last year. We have maintained our position as market leader of the ready-to-drink category in Mexico with volumes and net turnover up 13% and 25% respectively. This has been driven by Spirit by Terry and Caribe Cooler, a wine cooler.

We have achieved good performances in Argentina and Brazil in spite of the difficult economic environment. Our Argentine business has benefited significantly from the acquisition of Graffigna in July 2001, making it the leading spirits and wine business in Argentina. We have regained leadership of the whisky category in Argentina through strong growth of Old Smuggler and the launch of Teacher's. In Brazil, Ballantine's, Teacher's and Brandy Domecq have all performed well.

During the period, the pre-tax profit of the Mexican excise rebate following the Mexican Supreme Court ruling was GBP38m. This has been treated as an exceptional item. This is the final payment giving a pre-tax total of GBP298m received over the last three years.

### Asia Pacific

	Organic growth	Total growth
- Volumes (9L cases)	5%	7%
- Net turnover	0%	1%
- Advertising and promotion	(32)%	(32)%
- Trading profit	27%	30%

Asia Pacific has delivered strong trading profit growth in spite of a slowdown in the region in the second half caused by weaker economies and the impact of SARS on the Duty Free channel in a number of markets. Trading profit was up 30% to GBP78m while net turnover grew 1% to GBP258m. On an organic basis, trading profit grew 27%. The profit growth has been driven principally by South Korea and good performances in the Philippines, Australia, the Middle East and Thailand Duty Free. Organic advertising and promotion declined, following a 57% increase in marketing investment last year. This decline is principally behind Ballantine's, following the launch costs for Ballantine's Masters last year, and Imperial, after a large increase last year for the "Imperial Keeper" campaign. We also reviewed our spend in the second half as a result of the SARS impact in the region.

Our South Korean business, Jinro Ballantines, grew strongly in the year with market share growth over the last year. Ballantine's volumes grew 8% driven particularly by growth in the super-premium aged Ballantine's range. Imperial remains the clear leader in premium whisky and the largest volume whisky brand in Korea although its volumes declined by 1% reflecting slowdown in the overall scotch category during the second half. This category slowdown was driven by a weaker Korean economy and by pressures on consumer credit.

Fundador continues to perform well in the Philippines with volumes up 6% and net turnover growth of 11% driven by market share growth. Fundador is the largest international spirits brand in the Philippines. Our business in Australia has benefited from growth in the Canadian Club mother brand and CC Club and CC Cola ready-to-drinks supported by the successful "similar yet different" message.

### Premium Wine

	Organic growth	Total growth
- Volumes (9L cases)	(2)%	18%

## Edgar Filing: ALLIED DOMEQ PLC - Form 6-K

- Net turnover	4%	18%
- Advertising and promotion	13%	23%
- Trading profit	12%	23%

Our premium wine brands have performed well against tough trading conditions in many wine markets around the world. Reported net turnover grew 18% to GBP463m and trading profit up 23% to GBP95m. We remain firmly on track to meet our stated targets to grow the returns from our premium wines. This demonstrates the resilience of our wine brands and the benefits of their broad geography which provides a natural hedge against variations in recent wine cycles.

On an organic basis, trading profit grew 12% to GBP86m with volumes down 2% but net turnover up 4%. This growth in turnover on declining volumes is directly in line with our plans to improve the mix of the business by shifting our focus towards premium wine brands. This is a long term strategy that we are implementing across all our premium wine operations. For example, Bodegas y Bebidas is part way through its transition to a premium branded business focusing on the high value DO wines. As a result, volume reductions at Bodegas y Bebidas distort the overall organic volumes, which have otherwise grown by 1%.

We have made good progress in the US where organic volumes have grown 2%. This was driven mainly by a 5% volume growth of our largest US brand, Clos du Bois. Volumes were also helped by good growth from Perrier Jouet and our Montana brand, Brancott. Brancott has benefited significantly from being added to our comprehensive distribution network in the US with volumes up 17% and a doubling of net brand contribution. Mumm Cuvee Napa joined the portfolio in May 2002 and like-for-like volumes increased 7%. There have been declines in some non-core domestic brands as we have repositioned the portfolio towards our premium brands.

Our UK wine business performed very strongly with organic volumes up 32%. The main drivers have been the good performance of Mumm champagne and our Argentine wine, Graffigna, which is now sold through our distribution network in the UK and has more than doubled its volumes.

The Australian and New Zealand wine businesses performed well in spite of the difficult trading conditions caused by an oversupply of certain grape varieties and pricing pressure in the region. Our volumes in these markets grew 1%. In New Zealand, Montana has continued to grow market share in the super premium category where it also successfully grew sparkling wine volumes by 5%. The Montana portfolio grew strongly in Australia with volumes up 39% as we have extended our distribution presence.

### Global Operations and Duty Free

The productivity of our Global Operations has continued to improve largely as a result of increased production volumes through our existing sites. For example, we have benefited from the integration of Malibu production at our sites in Dumbarton, Jerez and Walkerville. The strong growth of Courvoisier has improved productivity measures at Jarnac. In addition, procurement is now fully co-ordinated across our Spirits & Wine business, and that has enabled us to leverage synergies, especially in the areas of packaging and other services.

Our Duty Free operations have performed well within a difficult environment. The first half saw strong organic growth and showed a recovery against the previous year which was affected by the events of 11 September 2001. However, the impact of the SARS virus, the Iraq war and slowing economies in many markets caused the recovery to falter in the second half reflecting a decline in passenger traffic. Our actions to mitigate these effects was successful with Ballantine's Aged performing particularly well, retaining its market leadership position in super

## Edgar Filing: ALLIED DOMECQ PLC - Form 6-K

premium scotch in duty free. The addition of Malibu and our premium wine brands has made a very positive contribution to our Duty Free business. In particular, our premium wines have benefited from the access to this channel provided by our global distribution network.

### QUICK SERVICE RESTAURANTS

- Distribution points up 8%
- Number of combination stores up 37%
- System-wide sales growth of 5%
- Trading profit up 8% to GBP79m

The strong profit growth in our Quick Service Restaurants business has been driven by continued growth in same store sales and the contribution from new stores. Distribution points increased by 8% as we significantly increased the pace of store openings in both the US and internationally during the year. We have plans to rapidly expand the number of distribution points over the coming year. Overall turnover has fallen by 11% to GBP259m reflecting the final stage in the process to full outsourcing of ice-cream manufacture for Baskin-Robbins to Dean Foods in the US.

Dunkin' Donuts delivered a 7% growth in system-wide sales driven by a 4.4% increase in US same store sales and a 7% increase in global distribution points. Its same store sales growth has continued to outpace the overall QSR industry driven by effective marketing work and innovation. Dunkin' Donuts has promoted the sale of boxed donuts through a programme called "express donuts" which are 12 packs containing the top six flavours. This programme has also been supported by a new campaign, "Who brought the donuts?", which encourages the purchase of boxed donuts, thereby increasing the value of each customer transaction. In addition, Dunkin' Donuts has driven its successful innovation programme with new beverage offerings such as caramel iced coffee and lemonade coolatta which benefited from a promotional competition with MTV called "Route to Cool". We have also continued our focus on coffee with sales of "coffee by the pound" growing well and a successful trial of a broader range of coffee offerings such as cappuccino, latte, and espresso.

Baskin-Robbins same store sales in the US declined by 4.5% and global system-wide sales were up 1% for the year reflecting the poor weather in key US markets and the sluggish US economy - particularly in its core market of California. Global distribution points increased by 9%. Baskin-Robbins ran movie tie-ins with "X2:X-Men United" and "Sinbad" with new flavours such as Oreo X-Mint, X-Treme Berry Sherbet and Sinbad's Triple Punch Sherbet. Free-Scoop Nights continue to attract significant publicity to drive brand awareness.

Togo's has also been affected by the poor economic situation in California resulting in a 5% decline in system-wide sales. Togo's has been refreshing its product offering with the introduction of toasted sandwiches, a new line of breads, meat and cheese and has expanded into a new range of salads and lighter meals as well as kids meals.

Our strategy of multi-branded combination stores continues to be a driver of growth in new store openings, with a 37% increase in the number of combination stores to over 1,100 stores. This strategy is supported by our brands' complementary day-part offering and brings significant benefits to our franchisees through improved scale and operating efficiencies, along with increased choices for consumers.

In January 2003, Jon Luther was appointed as Chief Executive Officer of the Quick Service Restaurants business. During 2003, we restructured the business to concentrate around the three brands and to provide improved focus on operational systems and standards, menu and product development and the expansion of the international business. The reorganisation has resulted in a leaner and more

## Edgar Filing: ALLIED DOMECQ PLC - Form 6-K

focused organisation providing operational synergies. This resulted in an exceptional charge of GBP9m which will generate annual cost savings of GBP7m.

### BRITANNIA SOFT DRINKS

The Group's share of Britannia's profits for the period was GBP20m (2002: GBP16m).

### TAXATION

The normalised tax rate for the year has decreased from 25% to 24%, as we continue to manage our tax liabilities. We anticipate that the normalised rate for the year ending 31 August 2004 will remain at this level.

### GOODWILL AND EXCEPTIONAL ITEMS

Goodwill amortisation totalled GBP40m (2002: GBP38m), the increase reflecting a full year of amortisation relating to the acquisition of Bodegas y Bebidas.

The exceptional items of GBP28m reflect the benefit of the Mexican excise rebate: pre-tax GBP38m (2002: GBP213m); post-tax GBP25m (2002: GBP138m). It also includes a charge for the restructuring of Quick Service Restaurants (GBP9m) and the completion of the acquisition integration programme announced in 2002 (GBP3m).

### CASH FLOW

Net cash flow from operating activities was GBP748m (2002: GBP760m) and free cash flow was GBP281m (2002: GBP211m). Cash flow benefited from a rebate of excise duty (net of tax) in Mexico of GBP38m this year (2002: GBP128m). If this non-repeatable item is excluded, free cash flow improved by GBP160m to GBP243m. This improvement is a result of improved working capital management, particularly debtor and creditor management, and lower tax payments.

Net debt decreased by GBP166m during the period from GBP2,578m to GBP2,412m which includes an adverse currency translation impact on our borrowings of GBP82m largely as a result of the strengthening Euro partially offset by a weakening US dollar.

### TREASURY OPERATIONS

The Group treasury operates as a centralised service managing interest rate and foreign exchange risk and financing. The Board agrees and reviews policies and financial instruments for risk management.

We operate a prudent hedging policy. The Group broadly has a natural hedge to the impact of fluctuations of the Euro on transaction costs from selling into and out of the Eurozone. Business trading flows are netted by currency and hedged forward for up to 18 months using a combination of forward exchange contracts and purchased foreign exchange options: the first 12 months being non-discretionary. As a result, there was no material transaction impact on the profit for 2003 although we expect a GBP5-10m negative effect in 2004.

It is our policy not to hedge the impact of foreign exchange movements on the translation of our overseas earnings. As a result, our prior year profits at current exchange rates are reduced by GBP19m, primarily as a result of the weakening US dollar and Mexican peso. We anticipate, based on current exchange rates, that 2004 trading profits will be adversely affected by between GBP5m and GBP10m.

Our balance sheet can be significantly affected by currency translation movements. Our policy is to match foreign currency debt in proportion to foreign currency earnings so as to provide a natural hedge for part of the translation exposure.

The amount of risk to any one counterpart is restricted according to credit rating. We continually monitor our exposure to counterparties and their credit

## Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

ratings.

Exposures to interest rate fluctuations on borrowings and deposits are managed by using interest rate swaps and interest rate options. It is our policy to keep between 60% and 80% of net debt at fixed rates of interest with a target of 70%.

At 31 August 2003, EV gearing (net debt as percentage of market capitalisation plus net debt) was 36%, in line with last year. Interest cover based on EBITDA was 5.5 times and cover based on EBIT was 4.9 times.

In July, Allied Domecq put in place a new GBP1.1 billion five year bank facility which replaced the existing GBP1 billion facility which was due to mature in May 2004.

### PENSIONS

Like many other companies, charges for pension and post retirement benefits have again increased substantially during the year, growing by GBP48m as a result of changing market and demographic dynamics. During the year, formal triennial valuations were completed for the two UK funds representing around 80% of our pension liabilities. The Company has agreed a plan with the Trustees to address the funding deficits disclosed in the valuation reports and cash contributions of around GBP45m will be made in each of the next three years. In the year under review, we contributed GBP42m to the pensions and post retirement benefit schemes around the world, of which GBP26m related to the UK funds.

We intend to adopt the UK accounting standard FRS17 for the financial year 2003/04. Had this standard applied for 2002/03, the overall charge to the profit and loss account would have been GBP49m. We expect a similar charge under FRS17 for the 2004 financial year. The post tax deficit included in the balance sheet at 31 August 2003 would have been GBP405m compared with GBP336m at 31 August 2002 reflecting further deterioration in equity markets and a reduction in benchmark bond yields.

### CONSTANT EXCHANGE RATE REPORTING

The following tables provide a reconciliation between the 2002 reported results and those shown at constant exchange rates in the Operating and Financial Review.

GROUP	2002			2003	
	Reported 2002 GBPm	Foreign Exchange GBPm	At 2003 Exchange GBPm	Reported 2003 GBPm	Growth at 2003 exchange %
Turnover	3,334	(114)	3,220	3,410	6
Trading profit	610	(19)	591	621	5
Finance charges	(130)	(6)	(136)	(126)	(7)
Profit before tax	480	(25)	455	495	9
Taxation	(120)	6	(114)	(119)	4
Minority interests	(13)	-	(13)	(16)	23



Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

Earnings	347	(19)	328	360	10
-----					
Weighted average number of ordinary shares (millions)	1,066		1,066	1,075	
-----					
Earnings per share (pence)	32.6		30.8	33.5	9
-----					

	2002			2003	
	Reported 2002 GBPm	Foreign Exchange GBPm	At 2003 Exchange GBPm	Reported 2003 GBPm	Growth at 2003 exchange %
-----					
SPIRITS & WINE					
Turnover	3,018	(88)	2,930	3,151	8
Duty	(638)	20	(618)	(671)	9
Net turnover	2,380	(68)	2,312	2,480	7
-----					
Advertising and promotion	443	(9)	434	437	1
-----					

The foreign exchange adjustment restates prior year profits and sales at current year average exchange rates. Where this would distort the reporting of underlying performance following a material devaluation or under conditions of hyperinflation, profits and sales are not restated and retain their original value as reported in pounds sterling.

Geographical Analysis - Group trading profit

In line with previous statements, the trading profits of the regions shown in this review are on a management reporting basis at constant exchange rates, rather than on a statutory basis at each year's actual exchange rates, as shown in note 2 to the accounts. The table below shows the foreign exchange affect of restating last year's reporting trading profit for each region at this year's actual exchange rates. "Others" in the table includes Global Operations (including profit from the sale of bulk whisky), stand-alone Duty Free operations and central costs not allocated to marketing regions. In addition, the table sets out the impact of market transfers on last year's regional Spirits & Wine trading profits. The market transfers column includes the movement of European Duty Free from Europe to our stand-alone Duty Free operations reported in "Others". The column also includes the movement of some existing Spanish wine operations from Europe to Premium Wine and the reallocation of central costs, primarily central marketing costs such as consumer research activities, to the regions. The profit decline "Others" principally reflects increased pension costs (GBP48m) partly offset by the year on year benefit of some one-off costs which were not repeated in the current year.

Geographical Analysis - Group trading profit

Edgar Filing: ALLIED DOMECCQ PLC - Form 6-K

	2002				2003 Total	2003 Organic		
	Reported 2002 GBPm	Market transfers GBPm	Foreign exchange GBPm	At 2003 exchange GBPm	2003 GBPm	Growth at 2003 exchange %	2003 GBPm	Growth at 2003 exchange %
Europe	160	(27)	12	145	114	(21)	97	(33)
North America	169	(11)	(19)	139	182	31	167	20
Latin America	61	(3)	(9)	49	54	10	53	8
Asia Pacific	66	(4)	(2)	60	78	30	76	27
Premium Wine	68	8	1	77	95	23	86	12
Others	(8)	37	3	32	(1)	(103)	-	(100)
Spirits & Wine	516	-	(14)	502	522	4	479	(5)
QSR	78	-	(5)	73	79	8	79	8
Britannia	16	-	-	16	20	25	20	25
TOTAL	610	-	(19)	591	621	5	578	(2)

Accounting policies

Year to 31 August 2003

Basis of accounting

The accounts are prepared under the historical cost convention and comply with accounting policies generally accepted in the United Kingdom ("UK GAAP"). The accounts have complied with the disclosure requirements of Financial Reporting Standard (FRS) 17 Retirement Benefits in line with the transitional timetable laid down by the standard. The Group intends to adopt FRS 17 in full from 1 September 2003.

Pages 49 to 51 describes the significant differences between UK GAAP and US generally accepted accounting principles ("US GAAP") and presents a reconciliation of net income and shareholders' equity from UK GAAP to US GAAP as a result of such differences.

Basis of consolidation

Allied Domecq PLC (the "Group" or "Company") accounts consolidate the accounts of the Company and its interests in subsidiary undertakings. Interests in associated undertakings are included using the equity method of accounting. The results of businesses acquired or disposed of during the year are consolidated for the period from, or up to, the date control passes.

Acquisitions

On the acquisition of a business, or an interest in an associate, fair values, reflecting conditions at the date of the acquisition, are attributed to the net

## Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

assets acquired. Adjustments are also made to bring accounting policies in line with those of the Group.

### Intangible fixed assets

Goodwill arising on acquisitions of a business since 1 September 1998 is capitalised and amortised by equal instalments over its anticipated useful life, but not exceeding 20 years. Goodwill arising on acquisitions prior to 1 September 1998 was charged directly to reserves. On disposal of a business, any attributable goodwill previously eliminated against reserves is included in the calculation of any gain or loss. Other purchased intangible assets are capitalised and amortised over their useful economic lives on a straight line basis. Where intangible assets, such as brands, are regarded as having indefinite useful economic lives, they are not amortised but are subject to annual impairment reviews.

### Tangible fixed assets

Tangible fixed assets are capitalised at cost. Depreciation is provided to write off the cost less the estimated residual value of assets by equal instalments over their estimated useful economic lives as follows: Land and buildings - the shorter of 50 years or the length of the lease; distilling and maturing equipment - 20 years; storage tanks - 20 to 50 years; other plant and equipment and fixtures and fittings - 5 to 12 years; and computer software - 4 years. Vineyard developments are not depreciated in the first 3 years unless they become productive within that time. No depreciation is provided on freehold land.

### Fixed asset investments

Fixed asset investments are stated at cost, less provision for any permanent diminution in value.

### Turnover

Turnover represents sales to external customers (including excise duties but excluding sales taxes) and franchise income.

### Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises purchase price or direct production cost, together with duties and manufacturing overheads. The cost of spirits and wine stocks is determined by the weighted average cost method. Stocks are included in current assets, although a portion of such stocks may be held for periods longer than one year.

### Deferred tax

Full provision is made for deferred tax assets and liabilities arising from timing differences. Deferred tax assets are recognised to the extent that they are regarded as recoverable.

### Financial instruments

The Group uses financial derivative instruments to manage exposures to movements in interest and exchange rates. Transactions involving financial instruments are accounted for as follows:

- i) Gains or losses arising on forward exchange contracts are taken to the profit and loss account in the same period as the underlying transaction. Premiums paid or received on foreign currency options are taken to the profit and loss account when the option expires or matures.
- ii) Net interest arising on interest rate agreements is taken to the profit and loss account over the life of the agreement.
- iii) Gains and losses on foreign currency debt and foreign exchange contracts held for the purposes of hedging balance sheet translation exposures are taken to reserves.

### Foreign currencies

Monetary assets and liabilities arising from transactions in foreign currencies

## Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

are translated at the rate of exchange prevailing at the date of transaction. Subsequent movements in exchange rates are included in the Group profit and loss account. The results of undertakings outside the UK are translated at weighted average exchange rates each month. The closing balance sheets of undertakings outside the UK are translated at year end rates. Exchange rate differences arising from the translation of foreign currency denominated balance sheets to closing rates are dealt with through reserves.

### Pension and post employment benefits

Pension and post retirement medical benefit costs are charged to the profit and loss account on a systematic basis over the service life of employees, with the advice of actuaries, using the projected unit credit method.

### Group profit and loss account Year to 31 August 2003

		Year to 31 August 2003			Year to 31 August 2002		
		Note	Before goodwill and exceptional items GBPm	Goodwill and exceptional items GBPm	Total GBPm	Before goodwill and exceptional items GBPm	Goodwill and exceptional items GBPm
Turnover		1	3,410	-	3,410	3,334	-
Operating costs	- goodwill amortisation	6	-	(40)	(40)	-	(38)
	- Mexican excise rebate	6	-	38	38	-	213
	- other	6	(2,813)	(10)	(2,823)	(2,739)	(84)
Operating profit from continuing operations			597	(12)	585	595	91
Share of profits of associated undertakings		15	24	-	24	15	-
Trading profit on ordinary activities before finance charges		1	621	(12)	609	610	91
Finance charges		8	(126)	-	(126)	(130)	-
Profit on ordinary activities before taxation			495	(12)	483	480	91
Taxation		9	(119)	(8)	(127)	(120)	(46)
Profit on ordinary activities after taxation			376	(20)	356	360	45

Edgar Filing: ALLIED DOMECQ PLC - Form 6-K

Minority interests - equity and non-equity	24	(16)	-	(16)	(13)	-
-----						
Profit earned for ordinary shareholders for the year	23	360	(20)	340	347	45
Ordinary dividends	11			(150)		
-----						
Retained profit				190		
-----						
Earnings per ordinary share:						
- basic	10			31.6p		
- diluted	10			31.6p		
- normalised	10	33.5p			32.6p	
-----						

Group balance sheet  
At 31 August 2003

	Note	31 August 2003 GBPm	31 August 2002 GBPm
-----			
Fixed assets			
Intangible assets	12	1,273	1,316
Tangible assets	13	966	877
Investments and loans	14	160	126
Investments in associates	15	85	71
-----			
Total fixed assets		2,484	2,390
-----			
Current assets			
Stocks	16	1,407	1,302
Debtors due within one year	17	679	736
Debtors due after more than one year	17	326	332
Cash at bank and in hand		175	169
-----			
Total current assets		2,587	2,539
-----			
Creditors (due within one year)			
Short-term borrowings	20	(772)	(971)
Other creditors	18	(1,161)	(1,022)
-----			
Total current liabilities		(1,933)	(1,993)
-----			
Net current assets		654	546
-----			
Total assets less current liabilities		3,138	2,936
Creditors (due after more than one year)			
Loan capital	20	(1,815)	(1,776)
Other creditors	18	(46)	(90)
-----			
Total creditors due after more than one year		(1,861)	(1,866)

Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

Provisions for liabilities and charges	19	(283)	(284)
Net assets		994	786
Capital and reserves			
Called up share capital	22	277	277
Share premium account	23	165	165
Merger reserve	23	(823)	(823)
Profit and loss account	23	1,299	1,087
Shareholders' funds - equity		918	706
Minority interests - equity and non-equity	24	76	80
		994	786

Approved by the Board on 20 October 2003 and signed  
on its behalf by:

Gerry Robinson,  
CHAIRMAN

Graham Hetherington,  
DIRECTOR

Group cash flow information  
Year to 31 August 2003

	Note	Year to 31 August 2003 GBPm
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit		585
Goodwill amortisation		40
Exceptional operating costs		4
Depreciation		75
Increase in stocks		(72)
Decrease/(increase) in debtors		58
Increase in creditors		65
Expenditure against provisions for reorganisation and restructuring costs		(29)
Other items		22
Net cash inflow from operating activities		748
Group cash flow statement		
Net cash inflow from operating activities		748
Dividends received from associated undertakings		13
Returns on investments and servicing of finance	25	(148)
Taxation paid	25	(65)
Capital expenditure and financial investment	25	(156)
Acquisitions and disposals	25	-
Equity dividends paid		(144)
Cash inflow/(outflow) before use of liquid resources and financing		248

## Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

Management of liquid resources		50
Financing	25	(164)
<hr style="border-top: 1px dashed black;"/>		
Increase/(decrease) in cash in the year		134
<hr style="border-top: 1px dashed black;"/>		
Reconciliation of net cash flow to movement in net debt		
<hr style="border-top: 1px dashed black;"/>		
Increase/(decrease) in cash in the year		134
(Decrease)/increase in liquid resources		(50)
Decrease/(increase) in loan capital		164
<hr style="border-top: 1px dashed black;"/>		
Movement in net debt resulting from cash flows		248
Exchange adjustments		(82)
<hr style="border-top: 1px dashed black;"/>		
Movement in net debt during the year		166
Opening net debt		(2,578)
<hr style="border-top: 1px dashed black;"/>		
Closing net debt	27	(2,412)
<hr style="border-top: 1px dashed black;"/>		

Group statement of total recognised gains and losses  
Year to 31 August 2003

	Year to 31 August 2003 GBPm	Year to 31 August 2002 GBPm
Profit earned for ordinary shareholders for the year	340	392
Currency translation differences on foreign currency net investments	3	(23)
Taxation on translation differences	19	(12)
<hr style="border-top: 1px dashed black;"/>		
Total recognised gains and losses for the year	362	357
<hr style="border-top: 1px dashed black;"/>		

Group note of historical cost profits and losses  
Year to 31 August 2003

There is no difference between the profit earned for ordinary shareholders as disclosed in the profit and loss account and the profit stated on an historical cost basis.

Group reconciliation of movements in shareholders' funds  
Year to 31 August 2003

	Year to 31 August	Year to 31 August
--	----------------------	----------------------

Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

	2003 GBPm	2002 GBPm
Shareholders' funds at the beginning of the year	706	341
Total recognised gains and losses for the year	362	357
Ordinary dividends	(150)	(141)
Ordinary share capital issued (net of costs)	-	149
Net movement in shareholders' funds	212	365
Shareholders' funds at the end of the year	918	706

Parent company balance sheet  
At 31 August 2003

	Note	31 August 2003 GBPm	31 August 2002 GBPm
Fixed asset investments	14	4,215	4,179
Current assets			
Debtors	17	12	14
Creditors (due within one year)			
Other creditors	18	(180)	(88)
Net current liabilities		(168)	(74)
Net assets		4,047	4,105
Capital and reserves			
Called up share capital	22	277	277
Share premium account	23	165	165
Merger reserve	23	2,420	2,420
Capital reserve	23	651	651
Profit and loss account	23	534	592
Shareholders' funds - equity		4,047	4,105

Approved by the Board on 20 October 2003 and signed  
on its behalf by:

Gerry Robinson,  
CHAIRMAN

Graham Hetherington,  
DIRECTOR

Profits of the parent company

Under s230 (4) of the Companies Act 1985, a separate profit and loss account for the parent company is not presented.

Profits for the year arising in the parent company are disclosed in note 23.



## Edgar Filing: ALLIED DOMECCQ PLC - Form 6-K

### Notes to the accounts

#### 1. Activity analysis

	Spirits & Wine GBPm	QSR GBPm	Britannia GBPm
-----			
Year to 31 August 2003			
Turnover	3,151	259	-
Trading profit before exceptional items and goodwill	522	79	20
Goodwill amortisation	(40)	-	-
Exceptional items	37	(9)	-
Profit before finance charges	519	70	20
Finance charges			
Profit on ordinary activities before taxation			
Depreciation	64	11	-
Capital expenditure	114	27	-
Assets employed	3,711	103	49
Average numbers of employees	11,343	1,206	-
-----			
Year to 31 August 2002			
Turnover	3,018	316	-
Trading profit before exceptional items and goodwill	516	78	16
Goodwill amortisation	(38)	-	-
Exceptional items	129	-	-
Profit before finance charges	607	78	16
Finance charges			
Profit on ordinary activities before taxation			
Depreciation	65	10	-
Capital expenditure	99	34	-
Assets employed	3,620	120	46
Average numbers of employees	10,940	1,173	-
-----			

#### Notes:

- a) Normalised profit before tax is GBP495m (2002: GBP480m) being trading profit GBP621m (2002: GBP610m) less finance charges GBP126m (2002: GBP130m).
- b) Spirits & Wine goodwill is amortised over 20 years and relates principally to Mumm, Perrier Jouet and Montana acquired in 2001 and Jinro Ballantines acquired in 2000.
- c) Assets employed are before deducting net borrowings of GBP2,412m (2002: GBP2,578m), tax payable of GBP364m (2002: GBP334m) and dividends payable of GBP93m (2002: GBP88m) to give net assets of GBP994m (2002: GBP786m).
- d) Trading profit includes the Group's share of profits of associated

## Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

undertakings whose turnover is not included.

### 2. Geographical analysis

	Europe GBPm	Americas GBPm	Rest of World GBPm	Total GBPm
-----				
By country of operation				
Year to 31 August 2003				
Turnover				
- continuing activities	2,097	1,821	419	4,337
-----				
- to Group companies				(927)
-----				
- external				3,410
-----				
Trading profit				
- continuing activities	229	327	65	621
- goodwill amortisation in continuing activities	(20)	(2)	(18)	(40)
- exceptional items in continuing activities	4	24	-	28
-----				
Profit before finance charges	213	349	47	609
-----				
Assets employed	1,896	1,347	620	3,863
-----				
Year to 31 August 2002				
Turnover				
- continuing activities	1,892	1,836	419	4,147
-----				
- to Group companies				(813)
-----				
- external				3,334
-----				
Trading profit				
- continuing activities	252	312	46	610
- goodwill amortisation in continuing activities	(19)	(1)	(18)	(38)
- exceptional items in continuing activities	(32)	161	-	129
-----				
Profit before finance charges	201	472	28	701
-----				
Assets employed	1,650	1,376	760	3,786
-----				

#### Notes:

- a) Export sales from the United Kingdom were GBP419m (2002: GBP448m) including GBP300m (2002: GBP336m) sales to Group companies.
- b) Trading profit includes the Group's share of profits of associated undertakings whose turnover is not included.

### 2. Geographical analysis (continued)

## Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

		Europe GBPm	Americas GBPm	Rest of World GBPm	Total GBPm
-----					
By country of destination					
Year to 31 August 2003					
Turnover	- continuing activities	1,387	1,495	528	3,410
-----					
Trading profit	- continuing activities	188	330	103	621
	- goodwill amortisation in continuing activities	(20)	(2)	(18)	(40)
	- exceptional items in continuing activities	4	24	-	28
-----					
		172	352	85	609
-----					
Year to 31 August 2002					
Turnover	- continuing activities	1,213	1,599	522	3,334
-----					
Trading profit	- continuing activities	209	311	90	610
	- goodwill amortisation in continuing activities	(19)	(1)	(18)	(38)
	- exceptional items in continuing activities	(32)	161	-	129
-----					
		158	471	72	701
-----					

Notes:

- a) Turnover excludes sales to Group companies.
- b) Trading profit includes the Group's share of profits of associated undertakings whose turnover is not included.

3. Exchange Rates

The significant translation rates to GBP1 :-

	Average rate for the year		Closing rate	
	2003	2002	31 August 2003	31 August 2002
United States dollar	1.60	1.46	1.58	1.55
Mexican peso	16.72	13.70	17.48	15.33
Euro	1.49	1.60	1.45	1.58

## Edgar Filing: ALLIED DOMECQ PLC - Form 6-K

### 4. Staff costs

	Full-Time		Part-Time		Year to	Year to
	UK GBPm	Other GBPm	UK GBPm	Other GBPm	31 August 2003 Total GBPm	31 August 2002 Total GBPm
Remuneration	80	282	4	11	377	357
Social security	9	34	-	1	44	42
Pension schemes - UK	26	-	-	-	26	(9)
- other	-	7	-	-	7	(1)
Post retirement medical benefits (PRMB)	1	11	-	-	12	7
	116	334	4	12	466	396
Average numbers employed						
2003 - Continuing operations	1,804	9,319	187	1,239	12,549	
2002 - Continuing operations	1,563	9,034	146	1,370		12,113

### Directors' remuneration

The amounts relating to emoluments, share options, Long Term Incentive Scheme interests and Directors' pension entitlements are disclosed within the Directors' Remuneration Report.

### 5. Pension and post retirement benefit schemes

The Group operates a number of pension and post retirement healthcare schemes throughout the world. The major schemes are of the defined benefit type and the assets of the schemes are largely held in separate trustee administered funds. The UK funds represent approximately 80% of the overall pension liabilities of the Group and are closed to new members. Full actuarial reviews of the UK funds were carried out during the year and agreement has been reached with the scheme trustees on funding for the next three years.

The Group has continued to account for pensions in accordance with SSAP24 for the year ended 31 August 2003. Additional information required under the transitional arrangements for the introduction of FRS 17 is set out below. The Group intends to fully adopt the FRS 17 accounting standard for the year ending 31 August 2004.

#### SSAP 24 disclosures

##### United Kingdom

The assets and liabilities of the defined benefit UK schemes are reviewed regularly by an actuary. A full assessment is undertaken every three years for funding purposes and the latest full actuarial valuation of the UK schemes was carried out as at 6 April 2003 by an independent actuary. The valuation is based on a market value approach using the projected unit credit method. The most important assumptions are the discount rate, the rate of increase in remuneration and the pension increase rate.

The funding position as at 6 April 2003 is used as the basis for SSAP 24

## Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

accounting purposes. The main assumptions were a discount rate of 7.5% (2002: 7.5%) per annum, remuneration increases of 4% (2002: 4.5%) per annum for the Main Fund and 5.5% (2002: 4.5%) per annum for the Executive Fund and pension increases of 3.2% (2002: 3.5%) per annum. The market value of the Main Fund was GBP1,129m (2002: GBP1,397m) and the funding level was 107% (2002: 106%). The market value of the Executive Fund was GBP325m (2002: GBP379m) and the funding level was 81% (2002: 83%).

### Overseas

The Group operates defined benefit pension and post retirement medical benefit plans in several countries overseas, with the most significant being in the US and Canada. The latest actuarial reviews of these plans were carried out as at 31 August 2002 by independent actuaries for the purpose of calculating pension costs for the year ended 31 August 2003.

The actuarial reviews of the US plans showed that the combined market value of pension plan assets was GBP151m at 31 August 2002 (2001: GBP186m). This represents approximately 105% (2001: 144%) of the value of benefits that had accrued to pensioners, deferred pensioners and members as at that date. The principal assumptions used to calculate the liabilities at 31 August 2002 were an assumed discount rate of 6.25% (2001: 7.25%) per annum and earnings increases of 5% (2001: 5%) per annum. The actuarial reviews of the Canadian plans showed that the combined market value of pension plan assets was GBP113m at 31 August 2002 (2001: GBP132m). This represents approximately 95% (2001: 108%) of the value of benefits that had accrued to pensioners, deferred pensioners and members as at that date. The principal assumptions used to calculate the liabilities at 31 August 2002 were an assumed discount rate of 6.74% (2001: 6.94%) per annum and earnings increases of 4.38% (2001: 4.98%) per annum.

### FRS 17 disclosures

The following information complies with the transitional requirements of FRS 17 and is for disclosure purposes only.

### Major assumptions

	31 August 2003		31 August 2002		31 August 2001	
	United Kingdom	Overseas	United Kingdom	Overseas	United Kingdom	Overseas
	%	%	%	%	%	%
Rate of general increase in salaries	4.0	4.4	4.1	4.8	4.3	5.2
Rate of increase to benefits	3.1	1.8	3.1	2.1	3.3	2.1
Discount rate for scheme liabilities	5.6	6.0	6.0	6.5	6.1	7.3
Inflation	2.5	3.0	2.3	2.1	2.5	2.7

The expected long term rate of returns of the significant schemes is :-

Equities	7.5	8.2	*7.5	8.7	8.0	10.0
Bonds	5.0	5.8	5.0	6.1	5.5	6.5
Property and other	5.5	4.3	5.2	4.4	6.5	4.0

\*31 August 2002 assumption amended from 8.5% to 7.5%.

5. Pension and post retirement benefit schemes (continued)

## Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

FRS 17 disclosures (continued)

Net pension and post retirement medical benefits (PRMB) liability

	31 August 2003		31 August 2002		31 August 2001	
	United Kingdom market value GBPm	Overseas market value GBPm	United Kingdom market value GBPm	Overseas market value GBPm	United Kingdom market value GBPm	Overseas market value GBPm
Equities	814	156	896	206	1,182	273
Bonds	594	161	458	115	469	126
Property and other	143	14	197	6	195	18
Total market value of assets	1,551	331	1,551	327	1,846	417
Present value of scheme liabilities	(2,004)	(464)	(1,941)	(417)	(1,877)	(421)
Deficit in the schemes	(453)	(133)	(390)	(90)	(31)	(4)
Related deferred tax asset	136	45	117	27	9	1
Net pension and PRMB liability	(317)	(88)	(273)	(63)	(22)	(3)

The amounts charged to profit and loss account under FRS 17 would have been:-

	31 August 2003		31 August 2002		31 August 2001	
	United Kingdom GBPm	Overseas GBPm	United Kingdom GBPm	Overseas GBPm	United Kingdom GBPm	Overseas GBPm
Regular service cost	10	19	6	9	8	8
Past service cost	-	-	-	7	-	-
Interest cost	114	26	110	28	121	21
Expected return on assets	(98)	(22)	(130)	(32)	(161)	(32)
Profit and loss charge/(credit)	26	23	(14)	12	(32)	(3)

Analysis of amount that would have been included within the Group statement of recognised gains and losses under FRS 17 :-

31 August 2003	31 August 2002
----------------	----------------

Edgar Filing: ALLIED DOMEQ PLC - Form 6-K

	United Kingdom		United Kingdom	
	GBPm	Overseas GBPm	GBPm	Overseas GBPm
Actual return less expected return on pension scheme assets	(12)	(6)	(320)	(64)
Experience gains and losses arising on the scheme liabilities	20	(4)	(62)	-
Changes in assumptions underlying the present value of the scheme liabilities	(71)	(22)	(19)	(19)
-----				
Actuarial loss recognised in Group statement of total recognised gains and losses	(63)	(32)	(401)	(83)
Deferred tax movement	19	11	120	25
-----				
Actuarial loss recognised in Group statement of total recognised gains and losses - net of tax	(44)	(21)	(281)	(58)
-----				

The history of experience gains and losses would have been:-

	31 August 2003		31 August 2002	
	United Kingdom	Overseas	United Kingdom	Overseas
-----				
Actual return less expected return on pension scheme assets				
Amount (GBPm)	(12)	(6)	(320)	(64)
Percentage of the scheme assets (%)	(1%)	(2%)	(21%)	(20%)
Experience gains and losses arising on the scheme liabilities				
Amount (GBPm)	20	(4)	(62)	-
Percentage of the present value of the scheme liabilities (%)	(1%)	1%	3%	-
Actuarial loss recognised in Group statement of total recognised gains and losses				
Amount (GBPm)	(63)	(32)	(401)	(83)
Percentage of the present value of the scheme liabilities (%)	3%	7%	21%	20%

5. Pension and post retirement benefit schemes (continued)

FRS 17 disclosures (continued)

The movement in deficit during the year under FRS 17 would have been :-

	31 August 2003	31 August 2002
	-----	-----

Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

	United		United	
	Kingdom	Overseas	Kingdom	Overseas
	GBPm	GBPm	GBPm	GBPm
Deficit in scheme at beginning of year net of deferred tax	(273)	(63)	(22)	(3)
Movement in year:				
Current service cost	(10)	(19)	(6)	(9)
Past service cost	-	-	-	(7)
Contributions	26	16	16	4
Other finance income	(16)	(4)	20	4
Currency translation adjustment	-	3	-	6
Deferred tax movement on actuarial loss	19	11	120	25
Actuarial loss	(63)	(32)	(401)	(83)
-----				
Deficit in scheme at the end of the year net of deferred tax	(317)	(88)	(273)	(63)
-----				

Group net assets and profit and loss account reserves under FRS 17 would have been :-

	31 August 2003 GBPm	31 August 2002 GBPm
	-----	-----
Group net assets		
Net assets per Group balance sheet	994	786
Less pension and post retirement benefits reported under SSAP 24 (net of deferred tax)	(147)	(149)
Add pension and post retirement benefits reported under FRS 17 (net of deferred tax)	(405)	(336)
-----		
Net assets under FRS 17	442	301
-----		

Group profit and loss account

Profit and loss account per Group balance sheet	1,299	1,087
Less pension and post retirement benefits reported under SSAP 24 (net of deferred tax)	(147)	(149)
Add pension and post retirement benefits reported under FRS 17 (net of deferred tax)	(405)	(336)
-----		
Profit and loss account under FRS 17	747	602
-----		

6. Operating costs

Year to                      Year to



## Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

	Note	31 August 2003 GBPm	31 August 2002 GBPm
-----			
Change in stocks of finished goods and work in progress		(72)	(94)
Raw materials and consumables		838	840
Customs and - ongoing excise duties paid		671	638
- Mexican excise rebate		(38)	(213)
Staff costs	4	466	396
Depreciation	13	75	75
Goodwill amortisation		40	38
Other operating charges including exceptional items		783	903
Operating leases - hire of equipment		11	11
- property rents		48	48
Payments to - fees for audit auditor		3	6
-----			
		2,825	2,648
-----			

The parent company audit fee was nil (2002: nil). Other payments to the auditor were GBP1m (2002: GBP4m) which primarily relate to taxation services.

### Mexican excise rebate

The Mexican Supreme Court ruled in 2000 in favour of an action, brought by a number of spirits companies challenging the excise duty regime applicable to their Mexican operations during 1998 and 1999. Its ruling determined that the tax was inequitable because it was applied only to large companies.

The Mexican Supreme Court awarded compensation which, by agreement with the Mexican tax authorities, was principally recovered by offset against current and future duties and taxes. At 31 August 2003 the recovery was complete and GBP298m has been received over the past three financial years subject to applicable corporation tax at 35%.

### 7. Goodwill amortisation and exceptional items

	Year to 31 August 2003 GBPm	Year to 31 August 2002 GBPm
-----		
Goodwill amortisation	(40)	(38)
-----		
Exceptional items		
Mexican excise rebate	38	213
Mexican social projects	-	(11)
Acquisition integration costs	(3)	(36)
Termination of land lease	-	(23)
Asset write-downs	2	(14)
Restructuring - QSR	(9)	-
-----		
Total exceptional items within operating costs	28	129

Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

Goodwill amortisation and exceptional items before taxation	(12)	91
Taxation	(8)	(46)
Goodwill amortisation and exceptional items after taxation	(20)	45

8. Finance charges

	Year to 31 August 2003 GBPm	Year to 31 August 2002 GBPm
Interest on bank loans and overdrafts	31	63
Interest on other loans	107	75
Less: deposit and other interest receivable	(12)	(8)
Total	126	130

9. Taxation

	Year to 31 August 2003 GBPm	Year to 31 August 2002 GBPm
The charge for taxation on the profit for the period comprises:		
Current tax		
United Kingdom taxation		
Corporation tax at 30% (2002: 30%)	25	18
Adjustment in respect of prior periods	(1)	(3)
Double taxation relief	(1)	(3)
	23	12
Overseas taxation		
Corporation tax	60	188
Adjustment in respect of prior periods	9	(26)
	69	162
Taxation on attributable profit of associated undertakings		
	10	7
Total current tax	102	181
Deferred tax		
Origination and reversal of timing differences	65	(10)
Adjustment in respect of prior periods	(32)	5
Recognition of deferred tax assets arising in prior periods	(8)	(10)
Total tax charge	127	166

A reconciliation of the current tax charge at the UK corporation tax rate of 30% (2002: 30%) to the Group's current tax on profit on ordinary activities is shown below :

## Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

	Year to 31 August 2003 GBPm	Year to 31 August 2002 GBPm
Profit on ordinary activities before taxation	483	571
Notional charge at United Kingdom corporation tax rate of 30%	145	171
Differences in effective overseas tax rates	16	18
Adjustments to prior period tax charges	8	(29)
Taxable intra-group dividend income	5	14
Utilisation of tax losses not recognised	-	(14)
Non deductible expenditure	13	22
Non taxable income and gains	(12)	(10)
Losses and other timing differences	(65)	10
Other current year items	(8)	(1)
Current tax charge	102	181

### 10. Earnings per share

Basic earnings per share of 31.6p (2002: 36.8p) has been calculated on earnings of GBP340m (2002: GBP392m) divided by the average number of shares of 1,075m (2002: 1,066m).

Diluted earnings per share of 31.6p (2002: 36.7p) has been calculated on earnings of GBP340m (2002: GBP392m) and after including the effect of all dilutive potential ordinary shares, the average number of shares is 1,076m (2002: 1,069m).

To show earnings per share on a consistent basis, normalised earnings per share of 33.5p (2002: 32.6p) has been calculated on normalised earnings of GBP360m (2002: GBP347m) divided by the average number shares of 1,075m (2002: 1,066m). Normalised earnings has been calculated as follows:

	Year to 31 August 2003 GBPm	Year to 31 August 2002 GBPm
Earnings as reported	340	392
Adjustment for exceptional items net of tax	(18)	(81)
Adjustment for goodwill amortisation net of tax	38	36
Normalised earnings	360	347
Average number of shares	millions	millions
Weighted average Ordinary Shares in issue during the year	1,107	1,087
Weighted average Ordinary Shares owned by the Allied Domecq employee trusts*	(32)	(21)
Weighted average Ordinary Shares used in earnings per share calculation	1,075	1,066

\* Includes American Depositary Shares representing underlying Ordinary Shares.

## Edgar Filing: ALLIED DOMECQ PLC - Form 6-K

### 11. Ordinary dividends

	Year to 31 August 2003 GBPm	Year to 31 August 2002 GBPm	Year to 31 August 2003 p	Year to 31 August 2002 p
Interim	57	53	5.30	4.90
Final	93	88	8.70	8.10
	150	141	14.00	13.00

The 2003 interim dividend was paid on 25 July 2003 and the final dividend will be paid on 4 February 2004.

### 12. Intangible assets

	Goodwill GBPm	Brands GBPm	Other Intangibles GBPm	31 August 2003 Total GBPm	31 August 2002 Total GBPm
Cost					
At the beginning of the year	785	555	35	1,375	635
Currency translation adjustment	-	-	-	-	-
Additions	-	-	-	-	740
At the end of the year	785	555	35	1,375	1,375
Amortisation					
At the beginning of the year	(53)	-	(6)	(59)	(17)
Currency translation adjustment	-	-	-	-	-
Charged in the year	(40)	-	(3)	(43)	(42)
At the end of the year	(93)	-	(9)	(102)	(59)
Net balance at the end of the					

Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

year 692 555 26 1,273 1,316

---

Goodwill is being amortised over 20 years. Brands relates to the acquisition of Malibu in 2002; an impairment review was carried out at the balance sheet date and the Directors are satisfied that the brand has not suffered any loss in value. Other intangibles are being amortised over ten years.

13. Tangible assets

Cost	Land and Buildings GBPm	Plant and equipment GBPm	Total GBPm
At the beginning of the year	698	677	1,375
Currency translation adjustment	42	24	66
	740	701	1,441
Capital expenditure	49	92	141
Disposals and transfers	(16)	(72)	(88)
At the end of the year	773	721	1,494
Depreciation			
At the beginning of the year	(145)	(353)	(498)
Currency translation adjustment	(10)	(16)	(26)
	(155)	(369)	(524)
Disposals and transfers	4	67	71
Charge for the year	(18)	(57)	(75)
At the end of the year	(169)	(359)	(528)
Net book value at 31 August 2003	604	362	966
Net book value at 31 August 2002	553	324	877

	31 August 2003		31 August 2002	
	At cost GBPm	Net book value GBPm	At cost GBPm	Net book value GBPm
Freehold land and buildings	689	548	630	511
Long lease land and buildings	17	15	14	13
Short lease land and buildings	67	41	54	29
Total land and buildings	773	604	698	553

Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

14. Investments and loans

	Investments		Franchise and trade loans GBPm	Total GBPm
	Listed GBPm	Unlisted GBPm		
Group				
At the beginning of the year	102	16	8	126
Currency translation adjustment	-	-	-	-
Additions	43	-	1	44
Disposals and transfers	(6)	(3)	(1)	(10)
At the end of the year	139	13	8	160

Included within listed investments is GBP129m (2002: GBP93m) in respect of a holding of 32,549,067 (2002: 24,514,993) Ordinary Shares of 25p each of the Company, purchased by the parent company (see below) and held by the trustees of the Group's employee trusts. The market value of these shares was GBP124m (2002: GBP100m) at 31 August 2003. The listed investments also include GBP8m (2002: GBP6m) in respect of a holding of 14.5% (2002: 11.2%) in Peter Lehmann Wines Limited, incorporated in Australia.

The market value of these shares was GBP8m (2002: GBP6m) at 31 August 2003. The unlisted investments include a holding of 1% in Suntory Limited, incorporated in Japan.

	Investment in subsidiary undertaking GBPm	Listed investments GBPm	Total GBPm
	Parent company		
At the beginning of the year	4,086	93	4,179
Additions	-	41	41
Disposals	-	(5)	(5)
At the end of the year	4,086	129	4,215

15. Investments in associates

Unlisted companies share of	Listed companies share of
-----------------------------------	---------------------------------

## Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

	Cost GBPm	reserves GBPm	reserves GBPm	Loans GBPm	Total GBPm
At the beginning of the year	43	12	14	2	71
Currency translation adjustment	-	-	-	-	-
Share of retained profit for the year	-	14	-	-	14
At the end of the year	43	26	14	2	85

The share of profits before taxation was GBP24m (2002: GBP15m) and dividends received were GBP13m (2002: GBP11m).

The principal associate is a 25% equity interest in Britannia Soft Drinks Limited, a company engaged in the manufacture and sale of soft drinks.

Other associates include Baskin-Robbins Japan (44% equity interest), Baskin-Robbins Korea (33% equity interest) and the Group's interest in the Miller RTD commercial partnership.

The above figures comprise the amounts attributable to the Group based on the latest accounts it has been practicable to obtain, some of which are unaudited management accounts.

### 16. Stocks

	31 August 2003 GBPm	31 August 2002 GBPm
Raw materials and consumables	45	52
Maturing inventory	1,047	953
Finished products	293	281
Bottles, cases and pallets	22	16
	1,407	1,302

### 17. Debtors

	Group		Parent company	
	31 August 2003 GBPm	2002 GBPm	31 August 2003 GBPm	2002 GBPm
Amounts falling due within one year				
Trade debtors	501	537	-	-
Deferred tax assets (note 19)	17	36	-	-
Amounts due from subsidiary undertakings	-	-	-	4
Other debtors	108	111	12	10
Prepayments and accrued income	53	52	-	-
	679	736	12	14

Edgar Filing: ALLIED DOMECQ PLC - Form 6-K

-----				
Amounts due after more than one year				
Pension prepayments	309	302	-	-
Other debtors	2	15	-	-
Prepayments and accrued income	15	15	-	-
	326	332	-	-
-----				

18. Creditors

	Group		Parent Company	
	31 August		31 August	
	2003	2002	2003	2002
	GBPm	GBPm	GBPm	GBPm
-----				
Amounts due within one year				
Trade creditors	216	175	-	-
Bills payable	17	15	-	-
Amounts owed to subsidiary undertakings	-	-	81	-
Other creditors	312	286	6	-
Social security	10	9	-	-
Taxation	228	226	-	-
Accruals and deferred income	285	223	-	-
Proposed dividend (note 11)	93	88	93	88
	1,161	1,022	180	88
-----				
Amounts due after more than one year				
Other creditors	34	45	-	-
Accruals and deferred income	12	45	-	-
	46	90	-	-
-----				

19. Provisions for liabilities and charges

	Post retirement medical benefits	Reorganisation and restructuring	Surplus properties	Deferred taxation	Total
	GBPm	GBPm	GBPm	GBPm	GBPm
-----					
At the beginning of the year	81	49	10	144	284
Currency translation adjustment	2	(1)	-	2	3
Timing differences within statement of recognised gains and losses	-	-	-	2	2



## Edgar Filing: ALLIED DOMECQ PLC - Form 6-K

Utilised during the year	(5)	(29)	(1)	-	(35)
Charged during the year	12	12	-	5	29
At the end of the year	90	31	9	153	283

The future cost of the post retirement medical benefits is assessed in accordance with independent actuarial advice.

GBP29m of reorganisation and restructuring provisions brought forward from previous years were utilised during the year. New provisions totalling GBP9m were created during the year. Of the provisions outstanding at the year end, GBP3m relate to the final stages of the acquisition integration programme, GBP16m for the termination of a land lease in California and GBP4m for the trust fund established for social and community projects in Mexico. The remainder relates to the QSR restructuring programme.

It is expected that the majority of reorganisation and restructuring costs will be incurred in the 2004 financial year, whilst the trust funds will be disbursed as the projects develop.

The provision for surplus properties will be utilised over the terms of the leases to which the provisions relate.

### 19. Provisions for liabilities and charges (continued)

#### Deferred taxation

	31 August 2003 GBPm	31 August 2002 GBPm
Accelerated capital allowances	16	28
Goodwill and other intangible assets	82	70
Pensions and other post retirement benefits	72	72
Tax losses and credits	(37)	(47)
Other timing differences	3	(15)
Net deferred taxation liability	136	108
Comprising :		
Deferred tax asset (note 17)	(17)	(36)
Deferred tax liability	153	144
	136	108
At the beginning of the year	108	111
Currency translation adjustment	1	(3)
Timing differences within statement of recognised gains and losses	2	12
Acquisition of businesses	-	3
Charged during the year	25	(15)
At the end of the year	136	108

Deferred tax assets of GBP42m at 31 August 2003 (2002: GBP49m) have not been

## Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

recognised due to the degree of uncertainty over the utilisation of the underlying tax losses and deductions in certain tax jurisdictions.

Deferred tax has not been provided for liabilities which might arise on unremitted earnings of overseas subsidiaries and associates, as such earnings are reinvested by the Group and no tax is expected to be payable on them in the foreseeable future.

### 20. Net debt

	Redemption date	31 August 2003 GBPm	31 August 2002 GBPm
-----			
Unsecured loans			
GBP250m Bond (6.625%)*	2014	247	246
EUR600m Bond (5.875%)*	2009	410	376
GBP450m Bond (6.625%)*	2011	447	447
EUR800m Bond (5.5%)*	2006	550	504
NZD125m Capital Notes (9.3%)	2006	45	38
DEM500m notes (4.75%)*	2005	176	161
NZD400m Revolving Credit Facility	Expired	-	115
NZD100m Revolving Credit Facility*	2006	23	-
MXN600m Revolving Credit Facility	2008	34	-
Other loans	Various	-	16
Foreign currency swaps	Various	(115)	(59)
Secured loans			
NZD225m Revolving Credit Facility**	Expired	-	60
-----			
Total		1,817	1,904
Less amounts repayable within one year		(2)	(128)
-----			
Loan capital		1,815	1,776
Short-term borrowings		772	971
Cash at bank and in hand		(175)	(169)
-----			
Net debt		2,412	2,578
-----			

\* Borrowings and interest guaranteed by Allied Domecq PLC or Allied Domecq (Holdings) PLC.

\*\* Borrowings subject to a charge over Montana assets.

The Euro and GBP Bonds have been partially swapped into floating rate US dollars. The parent company has short-term borrowings of nil (2002: nil)

	31 August 2003 GBPm	31 August 2002 GBPm
-----		
Repayment schedule		
More than five years	1,104	1,069
Between two and five years	711	647
Between one and two years	-	60
-----		

## Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

Loan capital	1,815	1,776
Short-term borrowings	772	971
Total borrowings	2,587	2,747

The funding policy of the Group is to maintain a broad portfolio of debt, diversified by source and maturity and to maintain committed facilities sufficient to cover with a minimum of GBP300m above peak borrowing requirements. At 31 August 2003 the Group had available undrawn committed bank facilities of GBP1,346m (2002: GBP1,606m) of which GBP167m (2002: GBP580m) mature in less than one year and GBP1,179m (2002: GBP1,026m) between two and five years.

### 21. Financial instruments

The Group's treasury policies are set out in the Operating and Financial Review. Set out below is a year end comparison of the current and book values of the Group's financial instruments by category, excluding short-term debtors and creditors. Where available, market rates have been used to determine current values. Where market rates are not available, current values have been calculated by discounting cash flows at prevailing interest and exchange rates.

	31 August 2003		31 August 2002	
	Book value GBPm	Current value GBPm	Book value GBPm	Current value GBPm
Cash at bank and in hand	175	175	169	169
Short-term borrowings	(772)	(772)	(971)	(971)
Loan capital	(1,815)	(1,932)	(1,776)	(1,829)
Net debt	(2,412)	(2,529)	(2,578)	(2,631)

### Interest rate risk management

Exposure to interest rate fluctuations on borrowings and deposits is managed by using cross currency swaps, interest rate swaps and purchased interest rate options. The Group has a fixed/floating debt target of 70% +/- 10%. At the year end, taking account of swaps, 70% (2002: 61%) of net debt was at fixed rates of interest. At the year end, the weighted average maturity of net debt was approximately 4 years (2002: 4.9 years).

	31 August 2003		31 August 2002	
	Book value GBPm	Current value GBPm	Book value GBPm	Current value GBPm
Interest rate swaps	1	(34)	-	(43)
Cross currency swaps	7	44	8	16
	8	10	8	(27)

## Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

There is a deferred loss in respect of interest rate swaps, being the net of the current value less book value, of which GBP9m (2002: GBP11m) relates to the financial year ending 31 August 2004 and GBP26m (2002: GBP32m) thereafter.

There is a deferred gain in respect of cross currency swaps, being the net of the current value less book value, of which GBP6m (2002: GBP1m) relates to the financial year ending 31 August 2004 and GBP31m (2002: GBP7m) thereafter.

After taking account of cross currency and interest rate swaps, the currency and interest rate exposure of net debt as at 31 August 2003 was:

	31 August 2003					31 August 2002				
	Floating		Fixed rate debt		Weighted average time for which rate is fixed Years	Floating		Fixed rate debt		Weighted average interest rate %
Net debt	rate net debt	net debt	Fixed rate debt	rate average		Net debt	rate net debt	Fixed rate debt	rate average	
	GBPm	GBPm	GBPm	%		GBPm	GBPm	GBPm	%	
Sterling	65	5	60	11.2	8	350	166	184	6.6	
US dollar *	1,471	523	948	5.7	5	1,262	303	959	5.7	
Euro	701	166	535	5.1	4	719	332	387	5.1	
NZ dollar	108	35	73	8.1	3	252	214	38	9.1	
Japanese Yen	110	36	74	0.7	6	68	32	36	0.9	
Other	(43)	(43)	-	-	-	(73)	(73)	-	-	
<b>Net debt</b>	<b>2,412</b>	<b>722</b>	<b>1,690</b>	<b>5.6</b>	<b>6</b>	<b>2,578</b>	<b>974</b>	<b>1,604</b>	<b>5.6</b>	

\* US dollar debt includes a non-material amount of Canadian dollar debt.

Some of the interest rate swaps included in the above table are cancellable at the option of the banks at various dates between 2004 and 2006. The floating rate debt includes bank debt bearing interest at rates based on the relevant inter bank rate and on commercial paper rates in the UK, US, Canada and France. These rates are fixed in advance for periods up to six months. The weighted average interest rate on floating net debt as at 31 August 2003 was approximately 2.8% (2002: 3.6%).

### 21. Financial instruments (continued)

#### Foreign exchange

The Group estimates its net transaction cash flows in its main currencies of business which are then hedged forward for up to 18 months using a combination of forward exchange contracts and purchased foreign exchange options. At the year end 84% (2002: 86%) of such currency exposures had been hedged for the following 12 months.

The estimated current value of the foreign exchange cover forward contracts and

## Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

options entered into to hedge future transaction flows is set out below based on quoted market prices where available and option pricing models.

	31 August 2003			31 August 2002		
	Nominal value of derivatives GBPm	Book value GBPm	Current value GBPm	Nominal value of derivatives GBPm	Book value GBPm	Current value GBPm
	Foreign exchange - assets	155	-	4	128	-
forward rate contracts						
- liabilities	72	-	(4)	97	-	(3)
Options						
- assets	19	-	-	-	-	-
- liabilities	19	-	-	6	-	-
	265	-	-	231	-	9

A net gain of GBP13m was recognised on all foreign exchange forward contracts and options maturing in the year to 31 August 2003 (2002: GBP9m).

At 31 August 2003 and 31 August 2002, there were no material monetary assets or liabilities in currencies other than the functional currencies of Group companies, having taken into account the effect of derivative financial instruments that have been used to hedge foreign currency exposure.

### 22. Share capital

	Authorised		Allotted, called up and fully paid	
	31 August 2003 GBPm	31 August 2002 GBPm	31 August 2003 GBPm	31 August 2002 GBPm
	Equity			
Ordinary shares of 25p	400	400	277	277
	Authorised		Issued	
	million	million	million	million
Number of shares	1,600	1,600	1,107	1,068

### Share option schemes

During the year options have been granted under the existing employee share options schemes over both Ordinary Shares and American Depositary Shares (ADSs) totalling 11,754,945 \* shares. Options were exercised over 1,598,429 shares and options over 1,738,186\* shares lapsed during the year.

## Edgar Filing: ALLIED DOMECQ PLC - Form 6-K

Details of the unexercised options granted under the Company's employee share option schemes at 31 August 2003 were as follows:

### Options over Ordinary Shares

	Date of grant	Option price (p)	Ordinary shares
SAYE Scheme 1999	3 December 1999	262.0	655,020
International SAYE Scheme 1999	2 June 2000	265.0	385,716
	30 November 2001	282.0	570,132
Approved Executive Share Option Scheme 1999	5 May 2000	331.0	36,252
	8 May 2001	408.0	1,124,856
	2 November 2001	351.5	320,942
	3 May 2002	438.0	34,245
	1 November 2002	382.0	470,956
	1 May 2003	351.0	25,641
Executive Share Option Scheme 1999	1 November 1999	342.0	4,617,281
	16 November 1999	331.5	947,017
	5 May 2000	331.0	46,248
	8 May 2001	408.0	3,519,398
	2 November 2001	351.5	5,085,762
	1 November 2002	382.0	7,676,505
	3 May 2002	438.0	221,853
	1 May 2003	351.0	64,359
Long Term Incentive Scheme 1999	8 May 2001	0.1	1,263,666
	2 November 2001	0.1	1,563,889
	3 May 2002	0.1	77,054
	1 November 2002	0.1	1,015,906
			29,722,698

\* These totals include ADSs each of which represents four underlying Ordinary Shares

### Options over ADSs

	Date of grant	Option price \$	Ordinary shares
US Schedule to the Executive Share Option Scheme 1999	1 November 2002	24.45	469,470
	8 January 2003	25.85	3,868
	1 May 2003	22.93	3,750
Executive Share Option Scheme 1999	1 November 2002	24.45	38,011
	8 January 2003	25.85	33,366
	1 May 2003	22.93	1,750
Long Term Incentive Scheme 1999	8 January 2003	0.006	21,276
			-----
			571,491
			-----

22. Share capital (continued)

## Edgar Filing: ALLIED DOMEQ PLC - Form 6-K

The Company currently satisfies the exercise of options using existing shares that are purchased in the market by the Company's employee trusts. The profit and loss expense under the option plans is determined based upon the excess of the shares purchased by the trust over the exercise price of the underlying options and is amortised over the vesting period of the underlying options. As at 31 August 2003 the Company's employee trusts held 32,549,067 shares (including ADSs) in the Company all of which were the subject of awards made under the Company's employee share schemes. The trustees are obliged to waive the dividends on these shares. The options exercised during the year were all satisfied by the transfer of shares to participants by the employee trusts.

### 23. Capital and reserves

	Share capital GBPm	Share premium account GBPm	Merger reserve GBPm	Profit and loss account GBPm	Total GBPm
-----					
Group					
At the beginning of the year	277	165	(823)	1,087	706
Profit earned for shareholders for the year	-	-	-	340	340
Currency translation differences on foreign currency net investments	-	-	-	3	3
Taxation on translation differences	-	-	-	19	19
Ordinary dividends	-	-	-	(150)	(150)
-----					
At the end of the year	277	165	(823)	1,299	918
-----					

Goodwill (at historic exchange rates) of GBP2,284m has been written off to reserves.

	Share capital GBPm	Share premium account GBPm	Merger reserve GBPm	Capital reserve GBPm	Profit and loss account GBPm	Total GBPm
-----						
Parent company						
At the beginning of the year	277	165	2,420	651	592	4,105
Profit earned for shareholders for the year	-	-	-	-	92	92
Ordinary dividends	-	-	-	-	(150)	(150)
-----						
At the end of the year	277	165	2,420	651	534	4,047
-----						

### 24. Minority interests

Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

	Equity GBPm	Non-equity GBPm	Total GBPm
At the beginning of the year	76	4	80
Currency translation adjustment	2	-	2
Share of profits of subsidiary undertakings	15	1	16
Dividends declared	(21)	(1)	(22)
At the end of the year	72	4	76

The principal minority shareholdings relate to Jinro Ballantines and Corby Distillers.

25. Detailed analysis of gross cash flows

	Year to 31 August 2003 GBPm	Year to 31 August 2002 GBPm
Returns on investments and servicing of finance		
Interest received	22	8
Interest paid	(149)	(137)
Dividends paid to minority shareholders	(21)	(4)
	(148)	(133)
Taxation paid		
UK taxation	-	(1)
Overseas taxation	(65)	(177)
	(65)	(178)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(144)	(133)
Sale of tangible fixed assets	21	17
Purchase of intangible fixed assets	-	(556)
Purchase of trade investments	(3)	(13)
Disposal of trade investments	11	7
Purchase of Ordinary Share capital for employee trusts	(41)	(34)
	(156)	(712)
Acquisitions and disposals		
Purchase of subsidiary undertakings	-	(550)
Borrowings acquired with subsidiary undertakings	-	(36)
	-	(586)
Financing		
Issue of Ordinary Share capital	-	149
Redemption of debt	(175)	-
Bonds issued during the year	-	622
Increase in other borrowings	11	27
	(164)	798



Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

26. Reconciliation of net cash inflow from operating activities to free cash flow

	Year to 31 August 2003 GBPm	Year to 31 August 2002 GBPm
Net cash inflow from operating activities	748	760
Capital expenditure net of sale of tangible assets	(123)	(116)
Dividends received from associated undertakings	13	11
Operating cash net of fixed assets	638	655
Taxation paid	(65)	(178)
Net interest paid	(127)	(129)
Dividends - ordinary paid           shareholders	(144)	(133)
- minorities	(21)	(4)
Free cash flow	281	211

27. Net debt

					Year to 31 August	
	Cash at bank and in hand GBPm	Overdrafts due within one year GBPm	Other loans due within one year GBPm	Loan capital due after one year GBPm	2003 Net debt GBPm	2002 Net debt GBPm
At the beginning of the year	169	(843)	(128)	(1,776)	(2,578)	(1,854)
Increase/(decrease) in cash	57	77	-	-	134	(194)
(Decrease)/increase in liquid resources	(50)	-	-	-	(50)	21
Decrease/(increase) in loan capital and other loans	-	-	147	17	164	(649)
Exchange adjustments	(1)	(4)	(21)	(56)	(82)	98
At the end of the year	175	(770)	(2)	(1,815)	(2,412)	(2,578)

## Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

Liquid resources comprise short-term deposits which have maturity dates of less than three months.

### 28. Capital commitments

	31 August 2003 GBPm	31 August 2002 GBPm
Contracted for but not provided in the accounts	1	1

### 29. Operating lease commitments

	Land and buildings 31 August 2003 GBPm	Other buildings 31 August 2003 GBPm	Land and buildings 31 August 2002 GBPm	Other buildings 31 August 2002 GBPm
The minimum operating lease payments to be made in the year ending 31 August 2004 for leases expiring:				
Within one year	4	1	3	1
Within two to five years	14	8	15	7
After five years	26	-	26	1
	44	9	44	9

### 30. Contingent liabilities

	Parent company	
	31 August 2003 GBPm	31 August 2002 GBPm
Guarantees in respect of liabilities of subsidiary undertakings	2,555	2,654

In the normal course of business, the Group has a number of legal claims or

## Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

potential claims against it, none of which are expected to give rise to significant loss. We are not currently involved in any legal or arbitration proceedings, including any proceedings which are threatened or pending of which we are aware, which may have a material effect on our financial position, results of operations or liquidity.

### 31. Related party transactions

#### Transactions with associated undertakings

All transactions with these undertakings arise in the normal course of the business.

	Year to 31 August 2003 GBPm	Year to 31 August 2002 GBPm
-----		
Sales to associated undertakings	43	50
Purchases of goods and other services	(11)	(13)
Marketing expenditure charged	(14)	(8)
Dividends received	13	11
	As at 31 August 2003 GBPm	As at 31 August 2002 GBPm
-----		
Loans to associated undertakings	2	2
-----		
Net amounts due from associated undertakings	6	11
-----		

#### Transactions with directors

Remuneration and shareholdings of Directors are disclosed in the Directors' Remuneration Report.

### 32. Statutory accounts

The financial statements of Allied Domecq PLC for the year ended 31 August 2003 and this preliminary announcement were approved by the Board of Directors on 20 October 2003. This announcement does not constitute the Group's statutory accounts but is derived from those accounts.

The financial information for the year ended 31 August 2002 is derived from the Group's statutory accounts for 2002 which have been delivered to the Registrar of Companies. The auditors have reported on the 2002 statutory accounts and on the 2003 statutory accounts; both of these audit reports were unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. The 2003 statutory accounts will be delivered to the Registrar of Companies following the Annual General Meeting.

### 33. Annual Report and Annual General Meeting

The Annual Report will be sent to shareholders by the end of November 2003. The Annual General Meeting of the Company will be held on 30 January 2004 at the Hotel Inter-Continental London, One Hamilton Place, Hyde Park Corner, London W1J 7QY.

### 34. Dividends

An interim ordinary dividend of 5.3p per share was paid on 25 July 2003 and the

## Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

Directors are recommending a final ordinary dividend of 8.7p per share, making a total for the year of 14.0p. The ex dividend date for the final dividend is 7 January 2004 and the record date is 9 January 2004. The final dividend will be paid on 4 February 2004.

### US GAAP reconciliation

Allied Domecq listed on the New York Stock Exchange on 31 July 2002. Pages 49 to 51 provide an explanation and reconciliation from UK to US GAAP.

### Differences between UK and US General Accepted Accounting Principles

The Group's consolidated financial statements are prepared in accordance with UK GAAP, which differ from those generally accepted in the United States ("US GAAP"). The significant differences between UK GAAP and US GAAP which affect the Group's net income and shareholders' equity are summarised below.

#### a) Brands, goodwill and other intangible assets

Under UK GAAP, goodwill arising on acquisitions of a business since 1 September 1998 is capitalised and amortised by equal instalments over its anticipated useful life, but not exceeding 20 years. Goodwill arising on acquisitions prior to 1 September 1998 was charged directly to reserves. On disposal of a business, any attributable goodwill previously eliminated against reserves is included in the calculation of any gain or loss. Other purchased intangible assets are capitalised and amortised over their useful economic lives on a straight line basis. Where intangible assets, such as brands, are regarded as having indefinite useful economic lives, they are not amortised but are subject to annual impairment reviews.

Under US GAAP, prior to the adoption of Statement of Financial Accounting Standards ("SFAS") No. 141 - Business Combinations and SFAS No. 142 - Goodwill and Other Intangible Assets, goodwill and other intangible assets arising on acquisition were capitalised and amortised over their useful economic lives, but not exceeding 40 years. The Group adopted the provisions of SFAS No. 141 as at 1 July 2001, and SFAS No. 142 as at 1 September 2001. Goodwill and intangible assets determined to have an indefinite useful life acquired in a purchase business combination are no longer amortised and are subjected to annual impairment testing. Accordingly, net income no longer includes amortisation of brands, and goodwill amortisation recognised under UK GAAP is reversed.

The amount of goodwill under UK GAAP differs to that under US GAAP due to the fair values allocated to intangible assets, significantly brands, stock, and the exclusion from the purchase price consideration of certain costs.

#### b) Associated undertakings

The principal difference between UK GAAP and US GAAP relates to the accounting treatment of goodwill which is discussed in note a).

#### c) Stocks

Under UK GAAP, stock acquired through a business combination is valued at the lower of replacement cost and net realisable value. Under US GAAP, stock acquired through a business combination reflects the selling price less costs to complete, costs of disposal and a reasonable element of profit for the selling effort by the acquiring Company.

#### d) Investments

Under UK GAAP, other investments include amounts in respect of Ordinary Shares (including ADSs) held by the employee share trusts. Under US GAAP, these amounts would be treated as Treasury Stock and deducted from shareholders' funds.

#### e) Restructuring costs

Under UK GAAP, provisions are made for restructuring costs once a detailed formal plan is in place and valid expectations have been raised in those affected that the restructuring will be carried out. Provision is made for

## Edgar Filing: ALLIED DOMECQ PLC - Form 6-K

voluntary redundancy payments to the extent that it is expected that volunteers will come forward. US GAAP requires a number of specific criteria to be met before restructuring costs can be recognised as an expense. Also, to the extent restructuring costs are related to the activities of an acquired company, US GAAP allows them to be recognised as a liability upon acquisition provided certain specific criteria are met whereas UK GAAP does not. Accordingly, timing differences arise between UK GAAP and US GAAP recognition of restructuring costs.

### f) Pension and other post retirement benefits

Under the Group's accounting policy for post-employment benefits, in accordance with SSAP 24, pension costs are charged to the profit and loss account on a systematic basis over the service life of employees based on consultation with actuaries and using the projected unit credit method and a set of long-term actuarial assumptions.

Under US GAAP, pension costs and liabilities are calculated in accordance with SFAS No. 87-Employers' Accounting for Pensions. This standard requires the use of the projected unit credit method and prescribes, in particular, the use of a market-related discount rate. This is not the same as the long-term approach used under SSAP 24.

### g) Share compensation

Under UK GAAP, the cost of share option plans are amortised based on the cost of the shares (including ADSs) acquired by the employee trust to fulfil the plan, less the amount contributed by the employee. Under US GAAP, compensation for fixed plan awards is determined at the date of grant, based on the cost of the fair value of the shares subject to the award, less the option exercise or purchase price, if any, except for allowable discounts with respect to certain qualified plans where the discount is no greater than 15% of the fair value of the shares. Compensation costs for variable plan awards is estimated at the end of each period from the date of grant to the date final compensation costs are determinable based on the difference between the fair value of the shares subject to the award and the option exercise or purchase price. Such cost is allocated to compensation expense over the vesting period and, if performance criteria are applicable to the award, based on actual performance attained.

### h) Proposed dividends

Under UK GAAP, the proposed dividends on Ordinary Shares, as recommended by the Directors, are deducted from shareholders' equity and shown as a liability in the balance sheet at the end of the period to which they relate, including proposed dividends which have been recommended but not yet approved by shareholders. Under US GAAP, such dividends are only deducted from shareholders' equity at the date of declaration of the dividend.

### i) Derivative instruments

The Group's foreign currency, interest rate and commodity contracts hedge forecast exposures that do not meet the US GAAP hedge accounting criteria. Under US GAAP, these contracts are marked to market at the balance sheet date and gains and losses arising are included in net income. Under UK GAAP, these gains and losses can be deferred until the hedged transactions actually occur. The Group may enter into foreign currency contracts to hedge the purchase price consideration on certain acquisitions. Under UK GAAP, the gains and losses arising on these foreign currency contracts are recognised in the purchase price consideration. Under US GAAP, the gains and losses arising on these foreign currency contracts are recognised within net income.

### j) Deferred taxation

The Group adopted FRS 19-Deferred Tax in the year ended 31 August 2002. FRS 19 brings accounting for deferred tax under UK GAAP conceptually closer to US GAAP, although some differences remain. Following the Group's restatement under FRS 19, and other than the tax effect of other UK to US GAAP differences, there is

## Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

only one material difference between UK GAAP and US GAAP. This difference relates to the recognition criteria for recording deferred tax assets under US GAAP and UK GAAP. Under US GAAP, the calculation of current and deferred tax assets is based on the probable tax treatment of the tax position taken. Once it is determined that there is a probable deferred tax asset, it is then reduced by a valuation allowance to the extent it is deemed more likely than not (a likelihood of more than 50%) that some portion or all of the deferred tax asset will not be realised.

Under UK GAAP, both the existence of the asset and the probability of its recoverability are considered in combination, and a deferred tax asset is recognised only to the extent that its existence and recoverability are probable (a threshold which is higher than "more likely than not").

### k) Exceptional items

Under UK GAAP, exceptional items are those that, by virtue of their size or nature, the Board of Directors believes should be separately disclosed. Such items are included within the profit and loss account heading and disclosed in the notes to the consolidated financial statements. Under US GAAP, there is no such concept as exceptional items. Exceptional items would not be considered extraordinary or non-operating items under US GAAP.

### l) Mexican excise rebate

Under UK GAAP, we are recognising the amount due when offset against future excise duty and other taxes payable. Under US GAAP, the Mexican excise rebate was recognised upon the issuance of a favourable court judgment and additional interest and inflation adjustments are recognised as they accrue.

### m) Liabilities

The Group is contractually obligated to make a payment to a business venture partner upon termination of the venture which, unless renewed, is scheduled to terminate in 2029. Under UK GAAP, the Group records the obligation at the present value of the payment obligation, discounted at a risk-adjusted rate to reflect the time value of money, and recognises interest expense each period such that the recorded obligation will equal the payment obligation at the currently best estimated scheduled maturity. Under US GAAP, the obligation is recorded at the amount payable at maturity (i.e. undiscounted).

### n) Franchise income

The Group has entered into agreements to sell the right to develop multiple stores within a specified territory, which entitles the Group to non-refundable franchise fees. Under UK GAAP, these franchise fees are recognised upon signing of the agreement. Under US GAAP, the revenue recognition is based on store openings or until the rights to develop the territory have been forfeited.

		Year to 31 August 2003	Year to 31 August 2002
	Note	GBPm	GBPm
-----			
Profit earned for ordinary shareholders in accordance with UK GAAP		340	392
Adjustments to conform with US GAAP:			
Brands	a)	-	-
Goodwill	a)	42	38
Other intangible assets	a)	(3)	(4)
Stocks	c)	(22)	(66)

Edgar Filing: ALLIED DOMEQC PLC - Form 6-K

Restructuring costs	e)	(7)	4
Pension costs and other post retirement benefits	f)	20	28
Share compensation	g)	5	-
Derivative instruments	i)	(61)	90
Mexican excise rebate	l)	(40)	(54)
Franchise income	n)	(10)	(9)
Other		(3)	(1)
Deferred taxation - other	j)	(11)	(40)
Deferred taxation - on above US GAAP adjustments	j)	30	28
Minority share of above adjustments		-	-
-----			
Net income in accordance with US GAAP		280	406
-----			
Other comprehensive income :			
Minimum pension liability		(61)	(203)
Currency translation differences		78	(130)
-----			
Comprehensive income in accordance with US GAAP		297	73
-----			
Net earnings per ordinary share			
Basic		26.0p	38.1p
Diluted		26.0p	38.0p
-----			
Shareholders' equity			
-----			
		Year to	Year to
		31 August	31 August
		2003	2002
	Note	GBPm	GBPm
-----			
Shareholders' funds as reported in the Group balance sheet		918	706
Adjustments to conform with US GAAP:			
Brands	a)	1,408	1,410
Goodwill	a)	227	185
Other intangible assets - costs	a)	166	168
Other intangible assets - accumulated amortisation	a)	(145)	(144)
Associated undertakings	b)	57	57
Stock	c)	23	45
Investments	d)	(129)	(93)
Restructuring costs	e)	1	8
Pension and other post retirement benefits	f)	(620)	(555)
Share compensation	g)	6	1
Proposed dividends	h)	93	88
Derivative instruments	i)	(18)	(26)
Mexican excise rebate	l)	-	40
Liabilities	m)	(42)	(38)
Franchise income	n)	(19)	(9)
Other		8	6
Deferred taxation - other	j)	-	11
Deferred taxation - on above US GAAP adjustments	j)	(277)	(319)
Minority share of above adjustments		-	-
-----			
Shareholders' equity in accordance with US GAAP		1,657	1,541
-----			

Edgar Filing: ALLIED DOMEQ PLC - Form 6-K

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

21 October, 2003

ALLIED DOMEQ PLC

By: /s/ Charles Brown

-----  
-----

Name: Charles Brown

Title: Director of Secretariat & Deputy  
Company Secretary