

ALLIED DOMECQ SPIRITS & WINE LIMITED

Directors' Report and Accounts

Year to 31 August 1997

Registered number : 703977



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Report of the Directors

YEAR TO 31 AUGUST 1997

The financial statements for the year are set out on pages 7 to 21.

REVIEW OF THE FINANCIAL PERIOD

The profit after taxation for the year ended 31 August 1997 was £9m (31 August 1996: £61m).

RESULTS AND DIVIDENDS	Year to 31 August 1997 £m	Year to 31 August 1996 £m
Profit on ordinary activities after taxation	9	61
Dividends	(35)	(50)
Retained (loss) / profit for the period	(26)	11

CREDITOR PAYMENT POLICY AND PRACTICE

The company agrees terms and conditions for transactions with suppliers and payment is made on these terms, subject to the supplier meeting the agreed terms and conditions. Allied Domecq Spirits & Wine Limited had 31 days' purchases outstanding as at 31 August 1997.

MAIN TRADING ACTIVITIES

The main trading activities of the company are the production of whisky and other spirits and the importation, distribution and wholesaling of other spirits and wine products manufactured or handled by subsidiaries of Allied Domecq PLC.

EMPLOYEES

Our employees play a vital role in ensuring our continuing success. The company operates a policy of equal opportunities to all employees. Appropriate training and career development is available at all levels and the company is committed to helping all employees to realise their potential by gaining relevant skills and experience.

Full and fair consideration is given to applications for employment made by disabled persons. Employees who become disabled will, wherever possible and practicable, be retained in employment and, where necessary, appropriate retraining will be provided.

Report of the Directors

YEAR TO 31 AUGUST 1997

EMPLOYEES (continued)

Communications and Involvement

The company places considerable emphasis on communications with employees. The company involves and consults employees as closely as possible with regard to the activities and the performance of their company and any matters of concern to them.

Some businesses have joint consultative bodies and the Allied Domecq Spirits & Wine European Works Council set up in 1996 is now fully operational.

Health, Safety and Welfare

The company is committed to achieving high standards in this field and its executives are actively involved in developing health and safety standards.

Share Ownership

Employees are encouraged to become shareholders in the ultimate parent company.

CHARITABLE CONTRIBUTIONS

Charitable contributions during the period totalled £50,000.

POLITICAL CONTRIBUTIONS

No political contributions were made during the period.

DIRECTORS

The following served as directors during the year:-

Mr A Ariza Alduncin (Mexico)	(Appointed 4th October 1996)
Mr P T Burke	
Mr K M Burnett (Singapore)	
Mr J P Ferguson (Canada)	
Mr A J Hales (Chairman)	
Mrs D E Lincoln	(Resigned 14th February 1997)
Mr P F Macfarlane	
Mr G F McCarthy (USA)	
Mr A J Patrick	(Appointed 10th February 1997)
Mr D Scotland	
Mr J A F Trigg	
Mr R G Turner	

Report of the Directors

YEAR TO 31 AUGUST 1997

Directors' Interests

A J Hales, P F Macfarlane, G F McCarthy, D Scotland and J A F Trigg are also directors of Allied Domecq PLC and have their interests disclosed within those accounts.

The beneficial interests of other directors in the ordinary share capital of Allied Domecq PLC at 31 August 1997 were as follows:

	At 31 August 1997 25p Ordinary Shares	At 1 September 1996 25p Ordinary Shares
A Ariza Alduncin	Nil	Nil
P T Burke	5,010	3,491
K M Burnett	Nil	Nil
J P Ferguson	4,000	4,000
A J Patrick	Nil	Nil
R G Turner	13,470	12,631
Total of other directors' beneficial interests	22,480	20,122

During the year options in respect of ordinary shares in Allied Domecq PLC were granted to Mr A Ariza Alduncin (15,328), Mr P T Burke (35,860), Mr K M Burnett (44,826), Mr A J Patrick (70,482), Mr J P Ferguson (44,826) and Mr R G Turner (43,619). Options in respect of ordinary shares in Allied Domecq PLC were exercised by Mr P T Burke (1,372). These figures include options under Allied Domecq PLC's savings-related share option schemes.



By order of the board
D S Mitchell SECRETARY

9 February 1998

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements the directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Report of the Auditor

AUDITOR'S REPORT TO THE MEMBERS OF ALLIED DOMECQ SPIRITS & WINE LIMITED
We have audited the financial statements on pages 7 to 21.

Respective Responsibilities of Directors and Auditor

As described above the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company as at 31 August 1997 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc, Chartered Accountants
Registered Auditor

London, 9 February 1998

Accounting Policies

YEAR TO 31 AUGUST 1997

BASIS OF ACCOUNTING

The accounts are prepared under the historical cost convention, and comply with applicable UK Accounting Standards.

The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

The company is exempt from the requirement of Financial Reporting Standard No.1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Allied Domecq PLC, and its cash flows are included within the consolidated cash flow statement of that company.

The company is exempt under paragraph 3 (c) of FRS8 Related Party Transactions from disclosing transactions with entities that are part of the Group or investees of the Group qualifying as related.

POST EMPLOYMENT BENEFITS

Pension and post retirement medical benefit costs are charged to 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.

DEPRECIATION

No depreciation is provided on land. Industrial buildings are depreciated over 50 years or remaining life, if less. Leaseholds with less than 100 years unexpired are depreciated over the remaining term of the lease. Other fixed assets are depreciated at the following rates:-

Plant and machinery	5% to 15%
Other equipment	5% to 25%
Commercial vehicles	15%
Motor cars	20%

DISPOSAL OF PROPERTIES

The profit or loss on disposal of properties is the difference between the net realisation and the net book value.

FIXED ASSET INVESTMENTS

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

Accounting Policies

YEAR TO 31 AUGUST 1997

RESEARCH AND DEVELOPMENT

Expenditure is written off as incurred.

STOCKS

Stocks are valued at the lower of cost and net realisable value on bases appropriate to the various businesses in the company. Cost comprises purchase price or direct production cost together with customs and excise duties and manufacturing overheads as appropriate.

DEFERRED TAX

Account is taken, on the liability basis, for the tax effect arising from all timing differences to the extent that it is probable that a liability or asset will crystallise.

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Profit and Loss Account

YEAR TO 31 AUGUST 1997

	Note	Year to 31 August 1997 £m	Year to 31 August 1996 £m
Turnover from continuing operations	1	668	680
Operating costs	2	(643)	(605)
Operating profit from continuing operations		25	75
Loss on sale of subsidiary undertakings		(36)	(4)
Dividends received from subsidiaries		53	22
Finance charges	5	(38)	(7)
Profit on ordinary activities before taxation		4	86
Taxation on profit on ordinary activities	6	5	(25)
Profit on ordinary activities after taxation		9	61
Ordinary dividends	7	(35)	(50)
Retained (loss) / profit for the year	15	(26)	11

Balance Sheet

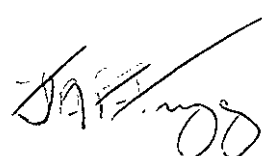
AS AT 31 AUGUST 1997

	Note	31 August 1997 £m	31 August 1996 £m
Fixed assets			
Tangible assets	8	134	142
Investments and loans	9	663	672
Total fixed assets		797	814
Current assets			
Stocks	10	304	319
Debtors	11	445	451
Cash at bank and in hand		5	1
Creditors (due within one year)	12	(953)	(963)
Net current liabilities		(199)	(192)
Total assets less current liabilities		598	622
Provisions for liabilities and charges	13	(21)	(19)
Net assets		577	603
Capital and reserves			
Called up share capital	14	569	569
Share premium account		3	3
Profit and loss account	15	5	31
Shareholders' funds		577	603

Approved by the board on 9 February 1998 and signed on its behalf by:



A J Hales
Chairman



J A F Trigg
Director

Statement of Total Recognised Gains and Losses

YEAR TO 31 AUGUST 1997

All gains and losses are dealt with through the profit and loss account.

Note of Historical Cost Profits and Losses

YEAR TO 31 AUGUST 1997

There is no difference between the profit on ordinary activities for the year as disclosed in the profit and loss account and the results stated on an unmodified historical cost basis.

Reconciliation of Movements in Shareholders' Funds

YEAR TO 31 AUGUST 1997

	Year to 31 August 1997 £m	Year to 31 August 1996 £m
Shareholders' funds at the beginning of the year	603	592
Total recognised gains and losses for the year	9	61
Dividends	(35)	(50)
Net movement in shareholders' funds	(26)	11
Shareholders' funds at the end of the year	577	603

Notes to the Accounts

YEAR TO 31 AUGUST 1997

1	GEOGRAPHICAL ANALYSIS	United Kingdom £m	Rest of Europe £m	North America £m	Japan £m	Rest of World £m	Total £m
	By country of destination						
	Year to 31 August 1997						
	Turnover-continuing operations	335	185	41	34	73	668
	Year to 31 August 1996						
	Turnover - continuing operations	385	169	34	27	65	680

2	OPERATING COSTS	Year to 31 August 1997 £m	Year to 31 August 1996 £m
	Note		
	Raw materials and consumables	217	209
	Customs and excise duties paid	103	123
	Change in stocks of finished goods and work in progress	15	17
	Staff costs	54	59
	Depreciation	15	15
	Other operating charges	216	160
	Operating leases - hire of equipment	1	1
	- property rents	6	6
	Reorganisation costs	16	15
		643	605

The auditors remuneration for their services in the year is paid by the ultimate parent company.

Notes to the Accounts

YEAR TO 31 AUGUST 1997

3	STAFF COSTS	Year to 31 August 1997	Year to 31 August 1996
		£m	£m
	Remuneration	48	52
	Social security	4	4
	Pension schemes	2	3
		54	59
	Average numbers employed:	1997	1996
	Production	1,326	1,454
	Marketing and selling	265	410
	Distribution	132	132
	Administration	362	301
		2,085	2,297

The company's employees are eligible to be members of Allied Domecq PLC group pension schemes which are of the defined benefit type and the assets of the schemes are largely held in separate trustee administered funds.

The assets and liabilities of the UK schemes are reviewed regularly by an actuary. The latest full actuarial assessment was carried out as at April 1994 and a provisional assessment was carried out as at April 1996. The actuarial assessments consider assets and liabilities at the date of calculation and forecast assets and liabilities in the future according to a set of assumptions, the most important of which are the rate of return on the assets and the rates of increase in remuneration, pensions and dividends.

It is assumed that future investment returns will be 9½% (1996 : 9½%) per annum, remuneration increases will be 7% (1996 : 7%) per annum, guaranteed pension increases will be 4½% (1996 : 4½%) per annum and dividend increases will be 5¼% (1996 : 5¼%) per annum. These assumptions make no allowance for the removal of tax credits to pension companies on UK dividends following the Government's July 1997 Budget. Allowance for this tax change will be incorporated in the pension costs for the year to 31 August 1998. Apart from this tax change, the economic outlook indicates that the main actuarial assumptions continued to be appropriate during the year to 31 August 1997. At the date of the provisional assessment, the market value of the assets of the UK schemes was £1,560m and the actuarial value of assets was sufficient to cover 114% of the benefits that have accrued to members after allowing for the expected future increases in remuneration.

Notes to the Accounts

YEAR TO 31 AUGUST 1997

	Year to 31 August 1997 £'000	Year to 31 August 1996 £'000
4 DIRECTORS' REMUNERATION		
Remuneration (including pension contributions and benefits in kind)	1,673	977
Compensation for loss of office	142	476
	1,815	1,453

The figures given above include £Nil (1996: £Nil), for the director who acted as chairman during the year, and £554,000 (1996: £160,944) for the highest paid director. No part of the remuneration of the 5 directors of Allied Domecq PLC who were also directors of this company is specifically allocated to services provided to this company and its subsidiary undertakings.

The interests of directors in the share capital of Allied Domecq PLC are given on page 5.

Transactions with Directors

Loans made to directors and outstanding at 31 August 1997 are:-

	Amount of loan	Date loan advanced
Mr P T Burke	£80,000	28th May 1992

The loan to Mr P T Burke was made before the director was appointed, is interest free, and is secured by a second charge on a property owned by the director.

Notes to the Accounts

YEAR TO 31 AUGUST 1997

	Year to 31 August 1997	Year to 31 August 1996
5 FINANCE CHARGES	£m	£m
Interest paid to group companies	70	22
Less: Interest received from group companies	(32)	(15)
	38	7

	Year to 31 August 1997	Year to 31 August 1996
6 TAXATION	£m	£m
The charge for taxation on the profit for the period comprises:		
United Kingdom Taxation		
Corporation tax at 32% (1996: 33%)	(6)	23
Deferred taxation	2	(1)
Tax attributable to franked investment income	-	4
Prior year current taxation	-	(2)
Prior year deferred taxation	(1)	1
	(5)	25

	Year to 31 August 1997	Year to 31 August 1996
7 ORDINARY DIVIDENDS	£m	£m
Interim paid	35	50

Notes to the Accounts

YEAR TO 31 AUGUST 1997

8 TANGIBLE ASSETS - NET BALANCES

	At cost £m	Depreciation £m	1997 Net balances £m	1996 Net balances £m
Production and other properties				
Freehold properties	98	(25)	73	77
Short lease properties	3	(1)	2	3
	101	(26)	75	80
Plant and machinery	76	(49)	27	29
Vehicles, casks and sundry equipment	77	(45)	32	33
	254	(120)	134	142

TANGIBLE ASSETS - MOVEMENTS IN YEAR

	Production and Other properties		Plant and machinery		Vehicles, casks and sundry equipment		
	Cost £m	Depreciation £m	Cost £m	Depreciation £m	Cost £m	Depreciation £m	Net balance £m
Balance 31 August 1996	105	(25)	77	(48)	72	(39)	142
Additions	-	-	3	-	8	-	11
Disposals	(4)	2	(4)	4	(3)	1	(4)
Depreciation	-	(3)	-	(5)	-	(7)	(15)
Balance 31 August 1997	101	(26)	76	(49)	77	(45)	134

Notes to the Accounts

YEAR TO 31 AUGUST 1997

9	INVESTMENTS AND LOANS	Investments £m	Loans £m	1997 Total £m	1996 Total £m
	At the beginning of the year	671	1	672	672
	Additions	2	-	2	168
	Disposals	(11)	-	(11)	(168)
	Balance at the end of the year	662	1	663	672

SHARES IN SUBSIDIARY UNDERTAKINGS

Assets and undertakings of the majority of UK subsidiaries have been transferred into Allied Domecq Spirits & Wine Limited; those subsidiaries do not trade in their own right and only act as agents of the company. The principal subsidiaries at 31 August 1997 were:-

	PRINCIPAL SUBSIDIARY	Country of Incorporation or Registration	Description of shares held	Proportion of nominal value of issued shares held
	Alfred Lamb International Limited	England	Ordinary £1 shares Deferred 1p shares "B" 1p shares	100% 100% 100%
	Allied Distillers Limited	Scotland	Ordinary 50p shares Preference £1 shares	100% 100%
# ~	Gabriel Meffre SA	France	Ordinary FRF 280 Shares	98.83%
	George Ballantine & Sons Limited	Scotland	Ordinary £1 shares	100%
	Harveys of Bristol Limited	England	Ordinary 25p shares	100%
	Allied Domecq Spirits & Wine (UK) Limited	England	Ordinary £1 shares	100%
#*	JACoBI Allied Domecq GmbH & Co KG	Germany	Limited Partnership	98%
	James Burrough Limited	England	Ordinary 25p shares	100%
	Wm Teacher and Sons Limited	Scotland	Ordinary £1 shares	100%
#	Subsidiaries whose activities had not been absorbed by Allied Domecq Spirits & Wine Limited at 31 August 1997.			

* Investment not directly held.

~ Gabriel Meffre SA was sold on 25 November 1997.

Notes to the Accounts

YEAR TO 31 AUGUST 1997

10	STOCKS	1997 £m	1996 £m
	Raw materials and consumables	5	7
	In-process products	276	287
	Finished products	21	23
	Bottles, cases and pallets	2	2
		304	319

11	DEBTORS	1997 £m	1996 £m
	Trade debtors	64	79
	Amounts owed by group undertakings	332	334
	Corporation tax recoverable	3	-
	Other debtors	42	28
	Prepayments and accrued income	4	10
		445	451

Other debtors include £1m (1996: £3m) in respect of amounts due after more than one year.

12	CREDITORS	1997 £m	1996 £m
	Amounts falling due within one year		
	Bank loans and overdrafts	2	4
	Trade creditors	18	27
	Amounts due to group undertakings	855	855
	Other creditors	4	8
	Corporation tax payable	-	25
	Other taxation and social security	1	2
	Accruals and deferred income	73	42
		953	963

Notes to the Accounts

YEAR TO 31 AUGUST 1997

13 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation provided in the financial statements and the total potential liability, including the amounts for which provision has been made, is as follows:-

	Amount provided 1997 £m	Full potential liability 1997 £m	Amount provided 1996 £m	Full potential liability 1996 £m
Deferred taxation				
Timing differences	21	21	19	19

	Authorised		Allotted, called up and fully paid	
	1997 £m	1996 £m	1997 £m	1996 £m
14 SHARE CAPITAL				
Ordinary shares of 25p	571	571	569	569

15 PROFIT AND LOSS ACCOUNT	1997 £m	1996 £m
At the beginning of the year	31	20
Retained (loss) / profit for the year	(26)	11
At the end of the year	5	31

Notes to the Accounts

YEAR TO 31 AUGUST 1997

16	CAPITAL COMMITMENTS	1997 £m	1996 £m
	Contracted for but not provided in the accounts	-	1

17	OPERATING LEASE COMMITMENTS	1997 £m	1996 £m
	The minimum operating lease payments to be made, in respect of property rents payable, in the year ending 31 August 1998 for leases expiring:		
	between two and five years	1	1
	after five years	6	6
		7	7

18	CONTINGENT LIABILITIES	1997 £m	1996 £m
	The company is jointly and severally liable for the UK VAT liability of Allied Domecq PLC which at the end of the year amounted to:	19	36
	An obligation to purchase stock if a customer defaults on the terms of a bank facility estimated at:	-	2
		19	38

Notes to the Accounts

YEAR TO 31 AUGUST 1997 (CONTINUED)

19 ULTIMATE PARENT COMPANY

The company is a subsidiary undertaking of Allied Domecq PLC incorporated in Great Britain.

The largest group in which the results of the company are consolidated is that headed by Allied Domecq PLC. The consolidated accounts of this company are available to the public and may be obtained from:

The Company Secretary
Allied Domecq PLC
24 Portland Place
LONDON
W1N 4BB

No other group accounts include the results of the company.