

ALLIED DOMEQ SPIRITS & WINE LIMITED

Directors' Report and Accounts

Year to 31 August 2001

Registered number : 703977



CONTENTS

Page

1	Report of the Directors
5	Statement of Directors' Responsibilities
6	Report of the Auditor
7	Accounting Policies
9	Profit and Loss Account
10	Balance Sheet
11	Reconciliation of Movements in Shareholders' Funds
12	Notes to the Accounts

Report of the Directors

YEAR TO 31 AUGUST 2001

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 2001 was £47 million. The directors do not propose to declare a dividend.

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.

CREDITOR PAYMENT POLICY

The company's policy, in relation to all of its suppliers, is to settle the terms of payment when agreeing the terms of the transaction, to ensure that suppliers are aware of the terms of payment and to abide by those terms provided it is satisfied that the goods or services were supplied in accordance with the agreed terms and conditions. The company does not follow any particular code or standard on payment practice. Allied Domecq Spirits & Wine Limited had 16 days' purchases outstanding as at 31 August 2001.

CHARITABLE CONTRIBUTIONS

Charitable contributions during the year totalled £71,000.

POLITICAL CONTRIBUTIONS

No political contributions were made during the year.

Report of the Directors

YEAR TO 31 AUGUST 2001

Employees

The company operates a policy of equal opportunity and continues to give full and fair consideration 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 training will be provided.

Communications and Involvement

Considerable emphasis is placed by the company on communications with its employees. In addition to obtaining a comprehensive range of attitudes and views from employees through employee opinion surveys, Allied Domecq PLC group companies involve and consult them with regard to the activities and performance of their businesses and any matters of concern to them. It is normal practice to use formal joint consultative bodies locally for one-to-one and group meetings. Allied Domecq has a European Council which acts as a major forum for Pan-European consultation and discussion.

Health, Safety and Welfare

The Allied Domecq PLC group has achieved its goal of global co-ordination of health and safety matters based on strategically based steering groups and health and safety champions. This year the group again benchmarked its environmental, health and safety (EHS) performance across a broad range of EHS business processes. Global operating units are also working towards certification of their health and safety management systems based on Occupational Health & Safety Assessment Series 18001. For the first time the group's forthcoming environmental report will also include our health and safety performance plans, becoming a full EHS document.

Share Ownership

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

GOING CONCERN

After making enquiries, the directors, at the time of approving the financial statements, have determined that there is reasonable expectation that the company has adequate resources to continue operating for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing the financial statements.

Report of the Directors

YEAR TO 31 AUGUST 2001

DIRECTORS

The following served as directors during the year:

A Ariza Alduncin	
P Bowman (Chairman)	
K M Burnett	
G C Hetherington	
K Manley	(Appointed 2 October 2000)
T D Martin	(Resigned 30 November 2001)
D Scotland	
R G Turner	

R P Kelley resigned and L A Quaranto was appointed as Company Secretary on 28 August 2001.

Directors' Interests

P Bowman, G C Hetherington, T D Martin, D Scotland, and R G Turner 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 as at 31 August 2001 were as follows:

	At 31 August 2001 Ordinary Shares	At 31 August 2000/ Date of Appointment Ordinary Shares
A Ariza Alduncin	Nil	Nil
K M Burnett	12,501	12,501
K Manley	Nil	Nil
Total of other directors' beneficial interests	12,501	12,501

During the year options in respect of ordinary shares in Allied Domecq PLC were granted to A Ariza Alduncin (110,294), K M Burnett (89,037) and K Manley (264,705). None of these three directors exercised any options in respect of ordinary shares in Allied Domecq PLC during the year. These figures include options under Allied Domecq PLC's savings-related share option schemes.


Report of the Directors

YEAR TO 31 AUGUST 2001

AUDITOR

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as the auditor to the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

A handwritten signature in black ink, appearing to read 'L A Quaranto', is positioned above the printed name and title of the Secretary.

L A Quaranto
SECRETARY
24 January 2002

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 year. 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 responsibilities 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIED DOMEQ SPIRITS & WINE LIMITED

We have audited the financial statements on pages 7 to 21.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the Directors' Report and Accounts. As described on page 5 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

Basis of audit 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 company's affairs as at 31 August 2001 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
24 January 2002

Accounting Policies

YEAR TO 31 AUGUST 2001

BASIS OF ACCOUNTING

The accounts are prepared under the historical cost convention, and comply with applicable UK Accounting Standards. Financial Reporting Standard (FRS) 17 Retirement Benefits is being adopted in line with the transitional timetable laid down by the standard. The accounts adopt Financial Reporting Standard (FRS) 18 Accounting Policies which did not require a restatement of prior years results.

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 (FRS) 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 the group.

The company is exempt under paragraph 3(c) of Financial Reporting Standard (FRS) 8, Related Party Transactions, from disclosing transactions with entities that are part of the group.

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.

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 useful economic lives as follows:

Land and buildings	the shorter of 50 years or the length of the lease
Plant and machinery	5% to 15%
Other equipment	5% to 25%
Commercial vehicles	15%
Motor cars	20%

No depreciation is provided on freehold land.

FINANCIAL INSTRUMENTS

Transactions involving financial instruments are treated 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.
- ii) Net interest arising on interest rate agreements is taken to the profit and loss account over the life of the agreement.
- iii) Premiums paid or received on currency options are taken to the profit and loss account when the option expires or matures.

If the underlying transaction to a hedge ceases to exist, the hedge is terminated and the profits or losses on terminations are recognised in the profit and loss account immediately. If the hedge transaction is terminated, the profits or losses on termination are held on the balance sheet and amortised over the life of the original underlying transaction.

Accounting Policies

YEAR TO 31 AUGUST 2001

FOREIGN CURRENCY TRANSACTIONS

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 at year end rates, any gains or losses are taken to the profit and loss account.

FIXED ASSET INVESTMENTS

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

DEFERRED TAXATION

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 the recovery of an asset will crystallise.

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.

TURNOVER

Turnover represents sales to external customers (including duties but excluding sales taxes).

Profit and Loss Account

YEAR TO 31 AUGUST 2001

	Note	Year to 31 August 2001 £m	Year to 31 August 2000 £m
Turnover from continuing operations	1	668	675
Operating costs	2	(557)	(610)
Operating profit from continuing operations		111	65
Profit on disposal of fixed assets		1	32
Finance charges	5	(53)	(65)
Profit on ordinary activities before taxation		59	32
Taxation on profit on ordinary activities	6	(12)	(9)
Profit on ordinary activities after taxation		47	23
Ordinary dividends		-	-
Retained profit	15	47	23

There are no recognised gains or losses other than the profit for the year.

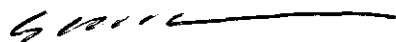
There is no difference between the profit on ordinary activities for the year as disclosed in the profit and loss account and the results stated on an unmodified historical cost basis.

Balance Sheet

AS AT 31 AUGUST 2001

	Note	31 August 2001 £m	31 August 2000 £m
Fixed assets			
Tangible assets	7	137	134
Investments and loans	8	815	814
Associated undertakings	9	-	-
Total fixed assets		952	948
Current assets			
Stocks	10	323	323
Debtors	11	337	661
Cash at bank and in hand		8	7
Creditors (due within one year)	12	(986)	(1,349)
Net current liabilities		(318)	(358)
Total assets less current liabilities		634	590
Provisions for liabilities and charges	13	(25)	(28)
Net assets		609	562
Capital and reserves			
Called up share capital	14	569	569
Share premium account	15	3	3
Profit and loss account	15	37	(10)
Shareholders' funds		609	562

Approved by the board on 24 January 2002 and signed on its behalf by:


G C Hetherington
DIRECTOR

Reconciliation of Movements in Shareholders' Funds

YEAR TO 31 AUGUST 2001

	Year to 31 August 2001 £m	Year to 31 August 2000 £m
Shareholders' funds at the beginning of the year	562	539
Profit for the financial year	47	23
Shareholders' funds at the end of the year	609	562

Notes to the Accounts

YEAR TO 31 AUGUST 2001

	United Kingdom £m	Rest of Europe £m	North America £m	Japan £m	Rest of World £m	Total £m
1 GEOGRAPHICAL ANALYSIS						
By country of destination						
Year to 31 August 2001						
Turnover - continuing operations	247	202	88	25	106	668
Year to 31 August 2000						
Turnover - continuing operations	249	210	92	28	96	675
2 OPERATING COSTS	Note	Year to 31 August 2001 £m	Year to 31 August 2000 £m			
Raw materials and consumables		223	231			
Customs and excise duties paid		75	83			
Change in stocks		-	(14)			
Staff costs	3	49	52			
Depreciation	7	10	10			
Exceptional items - Year 2000 and EMU costs		-	1			
- surplus property provisions		(5)	-			
- asset write-downs		-	3			
- restructuring and other costs		1	8			
Other operating charges		197	229			
Operating leases - hire of equipment		1	2			
- property rents		6	4			
Reorganisation costs		-	1			
		557	610			

The auditor's remuneration for their services in the year is paid by another group company.

Notes to the Accounts

YEAR TO 31 AUGUST 2001

	Year to 31 August 2001 £m	Year to 31 August 2000 £m
3 STAFF COSTS		
Remuneration	46	48
Social security	4	4
Pension schemes	(1)	-
	49	52
Average numbers employed	2001	2000
Production	825	851
Marketing and selling	157	146
Distribution	175	163
Administration	254	336
	1,411	1,496

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 held in separate trustee administered funds. The group has continued to account for pensions in accordance with SSAP 24 and the disclosures given in a) are those required by the standard. FRS 17 Retirement Benefits was issued in November 2000 but will not be mandatory for the group until the year ended 31 August 2003. The transitional disclosures, to the extent not given in a) are set out in b) below.

a) SSAP 24

The assets and liabilities of the UK schemes are reviewed regularly by an actuary. The latest triennial assessment was carried out as at April 2000. 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, the rates of increase in remuneration, pensions and dividend and share buy-back yield on equity investments.

It is assumed that future investment returns will be 7.75% (2000: 7.75%) per annum, remuneration increases will be 4.75% (2000: 5.25%) per annum, guaranteed pension increases will be 3.5% (2000: 3.0%) per annum and the long term net yield on UK equities will be 2.68% (2000: 3.23%) per annum.

At the date of the 2000 assessment, the market value of the assets of the UK schemes was £1,706m and the actuarial valuation was sufficient to cover 112% 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 2001

b) FRS 17 retirement benefits

	United Kingdom %
Major assumptions	
Rate of general increase in salaries	4.3
Rate of increase to benefit increases	3.3
Discount rate for scheme liabilities	6.1
Inflation	2.5

The expected long term rate of returns and market values of the schemes at 31 August 2001 are:

	Expected long term rate of return %	Market value £m
Equities	8.0	1,182
Bonds	5.5	469
Property and other	6.5	195
		1,846
Present value of scheme liabilities		(1,877)
Deficit in the plans		(31)
Related deferred tax asset		9
Net pension liability		(22)

	Year to 31 August 2001 £'000	Year to 31 August 2000 £'000
4 DIRECTORS' REMUNERATION		
Aggregate remuneration (excluding pension contributions)	3,218	1,598
Compensation for loss of office	-	132

The figures given above are the aggregate emoluments of the 3 directors remunerated by the company, being A Ariza Alduncin, K M Burnett and K Manley. The above figures include nil (2000: nil) for the director who acted as chairman during the year. The remaining 5 directors who served during the year were also directors of Allied Domecq PLC and have their remuneration disclosed within those accounts. No part of their remuneration is specifically allocated to services provided to this company and its subsidiary undertakings.

Included within the above figures is £1,884k for the highest paid director. This figure does not include any amounts in respect of accrued pension benefits.

The interests of directors in the share capital of Allied Domecq PLC and in options in respect of ordinary shares in Allied Domecq PLC are given on page 3.

None of the 3 directors whose remuneration is shown above were members of the Allied Domecq PLC pension scheme.

Notes to the Accounts

YEAR TO 31 AUGUST 2001

	Year to 31 August 2001 £m	Year to 31 August 2000 £m
5 FINANCE CHARGES		
Interest payable to group companies	67	85
Less: interest receivable from group companies	(14)	(20)
	53	65

	Year to 31 August 2001 £m	Year to 31 August 2000 £m
6 TAXATION		
The charge for taxation on the profit for the year comprises:		
United Kingdom taxation		
Corporation tax at 30% (2000: 30%)	16	8
Deferred taxation	8	1
Prior year taxation	(12)	-
	12	9

Notes to the Accounts

YEAR TO 31 AUGUST 2001

7 TANGIBLE ASSETS

Cost	Land and Buildings £m	Plant and equipment £m	Total £m
At the beginning of the year	100	171	271
Additions - capital expenditure	3	15	18
Disposals	(6)	(9)	(15)
At the end of the year	97	177	274
Depreciation			
At the beginning of the year	(30)	(107)	(137)
Disposals	3	7	10
Charge for the year	(2)	(8)	(10)
At the end of the year	(29)	(108)	(137)
Net book value at 31 August 2001	68	69	137
Net book value at 31 August 2000	70	64	134

Notes to the Accounts

YEAR TO 31 AUGUST 2001

	Investments £m	Loans £m	2001 Total £m	2000 Total £m
8 INVESTMENTS AND LOANS				
At the beginning of the year	814	-	814	816
Additions	1	-	1	-
Disposals	-	-	-	(2)
At the end of the year	815	-	815	814

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 2001 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	100%
		Deferred 1p shares	100%
		"B" 1p shares	100%
Allied Distillers Limited	Scotland	Ordinary 50p shares	100%
		Preference £1 shares	100%
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	100%
James Burrough Limited	England	Ordinary 25p shares	100%
		Preference £1 shares	100%
John Harvey & Sons Limited	England	Ordinary £1 shares	100%
Wm Teacher and Sons Limited	Scotland	Ordinary £1 shares	100%
Allied Breweries Limited	England	Ordinary £1 shares	100%

- # Subsidiary whose activities had not been transferred to Allied Domecq Spirits & Wine Limited at 31 August 2001. The investment is not directly held.

Notes to the Accounts

YEAR TO 31 AUGUST 2001

	2001	2000
	Total	Total
9 ASSOCIATED UNDERTAKINGS	£m	£m
At the beginning of the year	-	7
Additions	-	-
Disposals	-	(7)
At the end of the year	-	-

	2001	2000
	£m	£m
10 STOCKS		
Raw materials and consumables	2	2
Maturing inventory	294	288
Finished products	25	31
Bottles, cases and pallets	2	2
	323	323

	2001	2000
	£m	£m
11 DEBTORS		
Trade debtors	152	134
Amounts owed by group undertakings	130	476
Other debtors	48	38
Prepayments and accrued income	7	13
	337	661

Included within other debtors are pre-paid pension costs of £42m (2000: £34m) which are due after more than one year.

Notes to the Accounts

YEAR TO 31 AUGUST 2001

12 CREDITORS	2001 £m	2000 £m
Amounts falling due within one year		
Bank loans and overdrafts	3	3
Trade creditors	26	23
Amounts owed to group undertakings	870	1,254
Other creditors	34	12
Corporation tax payable	24	14
Other taxation and social security	2	2
Accruals and deferred income	27	41
	986	1,349

13 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Taxation £m	Reorganisation and Restructuring £m	Surplus Properties £m	Total Provisions £m
At the beginning of the year	8	4	16	28
Utilised during the year	-	(3)	(4)	(7)
Created during the year	8	-	1	9
Released during the year	-	-	(5)	(5)
At the end of the year	16	1	8	25

	Amount provided 2001 £m	Full potential liability 2001 £m	Amount provided 2000 £m	Full potential liability 2000 £m
Deferred taxation				
Timing differences	16	32	8	23

	Authorised		Allotted, called up and fully paid	
14 SHARE CAPITAL	2001 £m	2000 £m	2001 £m	2000 £m
Ordinary shares of 25p each	571	571	569	569
	571	571	569	569

Notes to the Accounts

YEAR TO 31 AUGUST 2001

	Share capital £m	Share premium account £m	Profit and loss account £m	Total £m
15 CAPITAL AND RESERVES				
At the beginning of the year	569	3	(10)	562
Retained profit for the year	-	-	47	47
At the end of the year	569	3	37	609

	2001 £m	2000 £m
16 CAPITAL COMMITMENTS		
Contracted for but not provided in the accounts	-	4

	2001 £m	2000 £m
17 OPERATING LEASE COMMITMENTS		
The minimum operating lease payments to be made, in respect of property rents payable, in the year ending 31 August 2001 for leases expiring:		
between two and five years	4	4
after five years	1	1
	5	5

The minimum operating lease payments to be made, in respect of other leases, in the year ending 31 August 2001 for leases expiring:

between two and five years	1	1
	1	1

Notes to the Accounts

YEAR TO 31 AUGUST 2001

	2001	2000
18 CONTINGENT LIABILITIES	£m	£m
The company is jointly and severally liable for the UK VAT liability of Allied Domecq (Holdings) PLC which at the end of the year amounted to:	-	-

19 ULTIMATE PARENT COMPANY

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

The Company Secretary
Allied Domecq PLC
The Pavilions
Bridgwater Road
Bedminster Down
BRISTOL
BS13 8AR

No other group accounts include the results of the company.