

BRINKER INTERNATIONAL INC
Form 11-K
June 28, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11 K

ANNUAL REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition year from _____ to _____

Commission File No. 1-10275

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

BRINKER INTERNATIONAL, INC.
401(K) SAVINGS PLAN AND TRUST

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Brinker International, Inc.
6820 LBJ Freeway
Dallas, Texas 75240

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Exhibit 23- Consent of Independent Registered Public Accounting Firm	
Exhibit 99 - Certification by Susan Sieker, Plan Administrator of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	
* All other schedules required by Department of Labor Rules and Regulations for Reporting and Disclosure under ERISA have been omitted because they are not applicable.	

Report of Independent Registered Public Accounting Firm

The Plan Committee
Brinker International, Inc. 401(k) Savings Plan and Trust:

We have audited the accompanying statements of net assets available for benefits of the Brinker International, Inc. 401(k) Savings Plan and Trust as of December 31, 2003 and 2002, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Brinker International, Inc. 401(k) Savings Plan and Trust as of December 31, 2003 and 2002, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule H, line 4i-schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP

Dallas, Texas
May 28, 2004

**BRINKER INTERNATIONAL, INC.
401(k) SAVINGS PLAN AND TRUST**

Statements of Net Assets Available for Benefits

December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Investments - at fair value (Note 2):		
Money market	\$ 2,550,940	\$ 2,289,623
Mutual funds	25,885,840	16,919,939
Common Collective Fund	4,437,858	2,700,000
Brinker International common stock	13,562,751	14,319,034
Participant loans	<u>2,634,997</u>	<u>2,482,198</u>
	<u>49,072,386</u>	<u>38,710,794</u>
Receivables:		
Participants' contributions	221,347	209,706
Employer's contributions	<u>34,769</u>	<u>31,835</u>
	<u>256,116</u>	<u>241,541</u>
Net assets available for benefits	<u>\$ 49,328,502</u>	<u>\$ 38,952,335</u>

See accompanying notes to financial statements.

**BRINKER INTERNATIONAL, INC.
401(k) SAVINGS PLAN AND TRUST**

Statements of Changes in Net Assets Available for Benefits

Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Additions:		
Contributions:		
Participant's	\$ 6,697,746	\$ 6,624,080
Employer's	<u>703,190</u>	<u>907,808</u>
	<u>7,400,936</u>	<u>7,531,888</u>
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	6,251,893	(3,218,619)
Interest and dividends	<u>360,547</u>	<u>368,747</u>
	<u>6,612,440</u>	<u>(2,849,872)</u>
Total additions	14,013,376	4,682,016
Deductions - benefits paid to participants	<u>3,637,209</u>	<u>2,722,033</u>
Net increase	10,376,167	1,959,983
Net assets available for benefits at beginning of year	<u>38,952,335</u>	<u>36,992,352</u>
Net assets available for benefits at end of year	\$ <u>49,328,502</u>	\$ <u>38,952,335</u>

See accompanying notes to financial statements.

**BRINKER INTERNATIONAL, INC.
401(k) SAVINGS PLAN AND TRUST**

Notes to Financial Statements

December 31, 2003 and 2002

1. DESCRIPTION OF THE PLAN AND ACCOUNTING POLICIES

The following brief description of the provisions of the Brinker International, Inc. 401(k) Savings Plan and Trust (the "Plan") is provided for general information purposes only. Participants should refer to the Plan document for more complete information. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

General

The Plan, which was implemented on January 1, 1993, is a qualified defined contribution savings plan available to all salaried and hourly employees of Brinker International, Inc. and subsidiaries ("Company" or "Brinker") who are neither an officer nor a five percent shareholder of the Company and whose annual compensation is not in excess of the threshold set forth in Section 414(q) of the Internal Revenue Code of 1986 (the "Code"), as amended. Salaried employees are eligible upon the latter of their date of hire or attainment of age twenty-one while hourly employees who have completed one year of service and have attained the age of twenty-one are eligible to participate in the Plan.

Employees who are members of a collective bargaining unit are not eligible to participate in the Plan. The financial statements are prepared on the accrual basis of accounting and include all of the funds which comprise the Plan.

Contributions

Participants are permitted to contribute from 1% to 50% of their annual eligible compensation, as defined, to the Plan on a tax-deferred basis. Participants are permitted to contribute up to 100% of their bonuses, as defined, to the Plan on a tax-deferred basis. Tips are excluded from the definition of eligible compensation. The Company matches 25% of the first 5% a salaried participant's contributions. Hourly participants do not receive matching contributions.

Participants' Accounts

Participants' contributions are invested in accordance with their elections in the following funds: the AXP Cash Management Fund (a money market fund), the AXP Bond Fund (invests primarily in intermediate-term corporate bonds), the American Century Equity Growth Fund (invests primarily in the equities of large-cap domestic companies), the Wells Fargo Large Company Growth Fund (invests primarily in the equities of medium-to-large-cap domestic companies), the Janus Overseas Fund (invests primarily in the equities of foreign companies), the Neuberger Berman Genesis Fund (invests primarily in the equities of small-cap domestic companies), the Brown Capital Management Small Company Fund (invests primarily in the equities of small-cap domestic companies), the American Express Trust Equity Index Fund II (invests primarily in the equities of the S&P 500 Index) and the Brinker Stock Fund (consists of Company common stock). Employees may update their investment election daily. Company's matching contributions to the Plan are also invested in accordance with their elections in the above funds. Allocations of plan income are made to participant's accounts pro-rata on participant's individual balances in each fund.

**BRINKER INTERNATIONAL, INC.
401(k) SAVINGS PLAN AND TRUST**

Notes to Financial Statements

1. DESCRIPTION OF THE PLAN AND ACCOUNTING POLICIES (continued)

Vesting

Participants are immediately vested in their contributions and the earnings thereon. Vesting in the Company's matching contributions is graduated at 25% annually, beginning at the end of the second year of eligible service, up to 100% after five full years of eligible service. Participants who separate from service prior to full vesting of their rights forfeit their share of the Company's contributions to the extent that vesting had not occurred. Forfeitures used to reduce future Company contributions totaled \$206,463 for the year ended December 31, 2003. Forfeitures totaled \$47,849 and \$36,623 for the years ended December 31, 2003 and 2002, respectively.

Payments of Benefits

The normal forms of payment upon a participant's separation from the Company are either a lump-sum payment in cash for the vested portion of the participant's account (less federal tax withholding, when applicable, and additional penalties for withdrawals made prior to retirement age) or a direct rollover of the vested portion of the participant's account into an Individual Retirement Account or another employer's qualified plan. Benefits are recorded when paid.

Participant Loans

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. A participant may have up to two loans outstanding at a time; however, the total of a participant's loans may not exceed the lesser of \$50,000 or 50% of the participant's vested account balance. Loan terms range from one-half year to 5 years or up to 15 years for the purchase of a primary residence. The loans are secured by the balance in the participant's account and bear interest at a rate of 1% above the prime lending rate determined at the end of the month prior to the month in which the loan request is made. Interest rates on outstanding loans ranged from 5.00% to 10.50% during 2003 and 5.25% to 10.5% during 2002. Principal and interest payments are made through bi-weekly payroll deductions.

Administrative Expenses

The Company pays all administrative expenses related to the Plan.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Plan administrators to make estimates and assumptions that affect the reported amounts of net assets available for benefits and disclosure of contingent net assets available for benefits at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

BRINKER INTERNATIONAL, INC.
401(k) SAVINGS PLAN AND TRUST

Notes to Financial Statements

2. INVESTMENTS

The Plan's investments are stated at fair value using quoted market prices and transactions are recorded on a trade date basis. Participant loans are valued at the outstanding principal balance plus accrued interest which approximates fair value. A summary of investments and related investment income (loss) as of and for the years ended December 31, 2003 and 2002, follows:

	<u>2003</u>	<u>2002</u>
Investments at fair value:		
American Century Equity Growth Fund	\$ 6,386,632*	\$ 4,371,677*
Janus Overseas Fund	4,978,981*	3,071,373*
Brinker Stock Fund	13,562,751*	14,319,034*
AET Equity Index Fund II	4,437,858*	2,700,000*
AXP Cash Management Fund	2,550,940*	2,289,623*
AXP Bond Fund	2,885,903*	2,390,727*
Neuberger Berman Genesis Fund	4,033,133*	2,506,080*
Participant Loans	2,634,997*	2,482,198*
Brown Capital Management Small Company Fund	1,066,939	350,999
Wells Fargo Large Company Growth Fund	<u>6,534,252*</u>	<u>4,229,083*</u>
 Total	 <u>\$ 49,072,386</u>	 <u>\$ 38,710,794</u>
Investment Income (Loss):		
Net appreciation (depreciation)		
in fair value:		
Mutual funds	4,966,834	(4,332,198)
Common Collective Fund	891,396	-
Brinker stock	<u>393,663</u>	<u>1,113,579</u>
 Total	 <u>\$ 6,251,893</u>	 <u>\$ (3,218,619)</u>
 Interest and dividends	 360,547	 368,747

* Represents 5% or more of total net assets.

BRINKER INTERNATIONAL, INC.
401(k) SAVINGS PLAN AND TRUST

Notes to Financial Statements

All investment programs other than a portion of the Brinker Stock Fund are participant directed. The following information summarizes the net assets and significant components of the changes in net assets relating to the non-participant directed portion of the Brinker Stock Fund for the year ended December 31, 2002. All investment programs during the year ended December 31, 2003 were participant directed.

	December 31, 2002		
	Participant directed	Non-Participant directed	Total
Additions to net assets:			
Net appreciation in fair value of investments	\$ 551,840	\$ 561,739	\$ 1,113,579
Interest	28,480	23,604	52,084
Employee contributions	883,003	-	883,003
Employer contributions	<u> -</u>	<u> 878,819</u>	<u> 878,819</u>
Total additions to net assets	1,463,323	1,464,162	2,927,485
Deductions from net assets:			
Benefits paid to participants	528,968	421,049	950,017
Investment transfers	<u> 191,922</u>	<u> 148,508</u>	<u> 340,430</u>
Total deductions from net assets	<u> 720,890</u>	<u> 569,557</u>	<u> 1,290,447</u>
Change in net assets	742,433	894,605	1,637,038
Net assets at beginning of year	<u> 6,462,281</u>	<u> 6,219,715</u>	<u> 12,681,996</u>
Net assets at end of year	<u>\$ 7,204,714</u>	<u>\$ 7,114,320</u>	<u>\$ 14,319,034</u>

**BRINKER INTERNATIONAL, INC.
401(k) SAVINGS PLAN AND TRUST**

Notes to Financial Statements

3. PLAN TERMINATION

Although it has no present intention to do so, the Company may terminate the Plan at any time subject to the provisions of ERISA. In the event of Plan termination, all participants will become fully vested in their Company contributions.

4. INCOME TAX STATUS

The Plan received a determination letter on March 22, 2001 in which the Internal Revenue Service stated that the Plan, as currently designed, is in compliance with the applicable requirements of the Internal Revenue Code ("Code"). The Plan has been amended since receiving the determination letter, however, the Plan Administrator believes the Plan is currently designed and being operated in compliance with the applicable requirements of the Code and, therefore, is qualified and tax-exempt from federal income taxes as of the financial statement dates.

**BRINKER INTERNATIONAL, INC.
401(k) SAVINGS PLAN AND TRUST**

**Schedule H, line 4i - Schedule of Assets (Held at End of Year)
December 31, 2003**

<u>Identity</u>	<u>Description of Investment</u>	<u>Current Value</u>
Money Markets:		
*American Express AXP Cash Management Fund		\$ 2,550,940
Commingled Funds:		
*American Express Trust Equity Index Fund II		4,437,858
Mutual Funds:		
*American Express AXP Bond Fund		2,885,903
American Century Equity Growth Fund		6,386,632
Janus Overseas Fund		4,978,981
Neuberger Berman Genesis Fund		4,033,133
Brown Capital Management Small Company Fund		1,066,939
Wells Fargo Large Company Growth Fund		6,534,252
Common Stock:		
*Brinker Stock Fund (Cost Basis \$5,747,397)		13,562,751
Participant Loans:		
*Bearing interest at rates ranging from 5.00% to 10.50%		<u>2,634,997</u>
Total		<u>\$ 49,072,386</u>

*Party-in-interest

Cost Column not required - participant directed.

See accompanying report of independent registered public accounting firm.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

BRINKER INTERNATIONAL, INC.
401(K) SAVINGS PLAN AND TRUST

Date: June 25, 2004

By: /s/ Susan Sieker
Susan Sieker
Plan Administrator