

**TREAT (UK) VENTURE LIMITED**

**FINANCIAL STATEMENTS**

**YEAR ENDED 30 JUNE 2003**

**Registered in England No. 4271628**



**TREAT (UK) VENTURE LIMITED**  
**Year ended 30 June 2003**

**DIRECTORS' REPORT**

The directors have pleasure in submitting their report, together with the audited financial statements for the year ended 30 June 2003.

**Activities**

On 21 December 2001, the Diageo group and Pernod Ricard S.A. completed the acquisition of the Seagram Spirits and Wine business from Vivendi Universal S.A.. Certain brands and related assets ('venture assets') were acquired and held jointly pending their disposal and the purchase consideration was funded in the overall proportions of 60.9% and 39.1% between Diageo and Pernod Ricard respectively. Treat (UK) Venture Limited acquired certain venture assets. The company intended to acquire an interest in Chatelle Pty Ltd, an Australian company, from Vivendi Universal S.A.. However, legal ownership of the shares was never transferred to the company due to a dispute by the other shareholder of Chatelle Pty Ltd. Discussions are currently underway to resolve this dispute and thereafter the company intends to dispose of the interest in Chatelle Pty Ltd. At the time these financial statements were approved, the likely outcome of these discussions was uncertain.

As part of the acquisition of the Seagram Spirits and Wine business, the company acquired the OVD and Wood's brands from Diageo United Kingdom Limited. During the period ended 30 June 2002 these brands were written down to their recoverable value of £8,901,000 resulting in an impairment charge to the profit and loss account in the period ended 30 June 2002 of £14,697,000. The brands were sold on 25 September 2002 to a third party for £8,901,000. This resulted in a loss on disposal of £52,000 (net of disposal costs of £52,000).

Chivas Brothers Limited (a subsidiary of Pernod Ricard S.A.) produced and distributed the OVD and Wood's brands on behalf of Treat (UK) Venture Limited up to 25 September 2002, when the brands were sold.

**Future activities**

Once all liabilities have been settled and all receivables have been recovered the company will be liquidated and the proceeds will be distributed to the shareholders accordingly.

**Financial**

The results for the year ended 30 June 2003 are shown on page 8. The results in respect of the prior period are from the company's date of incorporation, 16 August 2001, to 30 June 2002. The directors do not recommend the payment of a dividend (2002 – £nil). The profit for the year transferred to reserves is £189,000 (2002 – loss of £15,304,000 for the period transferred from reserves).

**TREAT (UK) VENTURE LIMITED**  
**Year ended 30 June 2003**

**DIRECTORS' REPORT (continued)**

**Directors**

The directors who held office during the year were as follows:

P S Binning  
 S M Bunn  
 R H Myddelton (resigned 31 March 2003)  
 A Williams (resigned 18 April 2003)

G P Crickmore was appointed as a director of the company on 7 July 2003. P S Binning resigned as a director of the company on 3 October 2003 and R Rajagopal was appointed as a director of the company on that date.

J W Walters was appointed a director of the company on 20 April 2004 and resigned as a director of the company on 14 June 2004.

**Directors' emoluments**

The directors did not receive any remuneration during either the year or the prior period in respect of their services as directors of the company.

**Directors' interests**

No director had any interest, beneficial or non-beneficial, in the share capital of the company or had a material interest during the year in any significant contract with the company.

The directors who held office at the end of the financial year had the following beneficial interests in the ordinary shares of 28<sup>101</sup>/<sub>108</sub> pence each in the ultimate parent company of Diageo Great Britain Limited, Diageo plc:-

**(i) Ordinary shares and conditional rights to ordinary shares**

	Ordinary shares		Conditional rights to ordinary shares				
	At beginning of year	At end of year	At beginning of year	Granted in year	Vested in year	Lapsed in year	At end of year
P S Binning	25,693	39,146	79,405	16,518	(16,971)	(1,911)	77,041
S M Bunn	2,853	3,351	-	-	-	-	-

**TREAT (UK) VENTURE LIMITED**  
**Year ended 30 June 2003**

**DIRECTORS' REPORT (continued)**

**Directors' interests (continued)**

Directors were granted conditional rights to receive ordinary shares, or exceptionally, a cash sum under certain long term incentive plans. The conditional rights to ordinary shares are subject to share performance criteria of Diageo plc ordinary shares. The numbers disclosed in the above table represent the maximum number of conditional rights. Full details of the performance criteria are disclosed in the annual report of the ultimate holding company of Diageo Great Britain Limited, Diageo plc.

(ii) Options

	Options over ordinary shares			At end of year
	At beginning of year	Granted in year	Exercised during year	
P S Binning	163,705	60,679	(1,513)	222,871
S M Bunn	20,786	11,866	(1,909)	30,743

The directors held the above options under Diageo plc share option schemes at prices between 447p and 759p per ordinary share exercisable between 2003 and 2012. The options are granted at market value on the date the option is granted and the option price is payable when the option is exercised.

Options granted under the Senior Executive Share Option Plan ('SESOP') may not normally be exercised unless a performance condition is satisfied. The performance condition applicable to grants of options to date under the SESOP is linked to the increase in earnings per share and is initially applied over the three year period commencing on the date the options are granted. Full details of the performance condition are disclosed in the annual report of the ultimate holding company of Diageo Great Britain Limited, Diageo plc.

The mid-market share price of Diageo plc shares fluctuated between 582p and 851p per share during the year. The mid-market share price on 30 June 2003 was 647p.

At 30 June 2003, both directors had an interest in 20,744,545 shares and 6,605,055 shares subject to call options (and P S Binning had an additional interest in 6,177,180 shares) held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes.

**TREAT (UK) VENTURE LIMITED**  
**Year ended 30 June 2003**

**DIRECTORS' REPORT (continued)**

**Auditor**

The auditor, KPMG Audit Plc, is willing to continue in office and a resolution for its re-appointment as auditor of the company will be submitted to the Annual General Meeting.

By order of the board



S M Bunn  
Director  
8 Henrietta Place  
London  
W1G 0NB

15 July 2004

**TREAT (UK) VENTURE LIMITED**  
**Year ended 30 June 2003**

**DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS**

The following statement, which should be read in conjunction with the independent auditor's report set out on page 7, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditor in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss for the financial year.

The directors, in preparing these financial statements, consider that the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, that all applicable accounting standards have been followed and that it is appropriate to prepare the financial statements on the going concern basis.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps that are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TREAT (UK) VENTURE LIMITED**

We have audited the financial statements on pages 8 to 13.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

The directors are responsible for preparing the directors' report and, as described on page 6, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditor, 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 affairs of the company as at 30 June 2003 and of the profit of the company 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  
11 July 2004

**TREAT (UK) VENTURE LIMITED**  
**Year ended 30 June 2003**

**PROFIT AND LOSS ACCOUNT**

	Notes	Year ended 30 June 2003 £'000	Period ended 30 June 2002 £'000
Other income	11	101	83
Administrative expenses	12	-	(690)
<b>Operating profit/(loss)</b>		<b>101</b>	<b>(607)</b>
Provision against intangible fixed assets		-	(14,697)
Interest receivable	3,11	282	-
Loss on disposal of intangible fixed assets	11	(52)	-
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>331</b>	<b>(15,304)</b>
Taxation	4	142	-
<b>Profit/(loss) on ordinary activities after taxation transferred to/(from) reserves</b>		<b><u>189</u></b>	<b><u>(15,304)</u></b>

There are no recognised gains and losses other than the result for the financial year or the prior period and consequently a statement of total recognised gains and losses has not been presented as part of the financial statements.

There is no difference between the result for the year shown in the profit and loss account and the result for the relevant years restated on an historical cost basis and consequently no note of historical cost profits and losses has been presented as part of the financial statements.

**CASH FLOW STATEMENT**

	Year ended 30 June 2003 £'000	Period ended 30 June 2002 £'000
<b>Reconciliation of operating profit to net cashflow:</b>		
Operating profit/(loss)	101	(607)
<b>Changes in working capital:</b>		
Decrease/(increase) in debtor – amount owed by Chivas Brothers Limited due within one year	83	(83)
Increase in debtor – amount owed by Diageo Great Britain Limited	(184)	-
<b>Adjusted for non-cash items:</b>		
Expenses	-	690
<b>Net cashflow from operations</b>	<b><u>-</u></b>	<b><u>-</u></b>

There have been no cash flows during the current year or the prior period.



**TREAT (UK) VENTURE LIMITED**  
**Year ended 30 June 2003**

**BALANCE SHEET**

	Notes	30 June 2003		30 June 2002	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible fixed assets - brands	5		-		8,901
<b>Current assets</b>					
Debtors – due within one year	6	9,362		83	
Creditors – due within one year	7	<u>(189)</u>		<u>-</u>	
<b>Net current assets</b>			<u>9,173</u>		<u>83</u>
<b>Net assets</b>			<u>9,173</u>		<u>8,984</u>
<b>Capital and reserves</b>					
<b>Capital</b>					
Share capital	8		-		-
<b>Reserves</b>					
Share premium account		24,288		24,288	
Profit and loss account		<u>(15,115)</u>		<u>(15,304)</u>	
	9		<u>9,173</u>		<u>8,984</u>
<b>Total shareholders' funds</b>			<u>9,173</u>		<u>8,984</u>

The notes on pages 10 to 13 form part of the financial statements.

The financial statements on pages 8 to 13 were approved by the board of directors on 15 July 2004 and were signed on its behalf by:



R Rajagopal  
 Director

**TREAT (UK) VENTURE LIMITED**  
**Year ended 30 June 2003**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. Accounting policies**

**Basis of preparation**

The financial statements of the company are prepared under the historical cost convention and comply with applicable UK accounting standards.

**Intangible fixed assets**

Acquired brands and other intangible assets which are controlled through custody or legal rights and could be sold separately from the rest of the business are capitalised, where fair value can be reliably measured. Where intangible assets are regarded as having limited useful economic lives they are amortised on a straight line basis over those lives. Where they are regarded as having indefinite useful lives they are not amortised. Impairment reviews are carried out to ensure that intangible assets are not carried at above their recoverable amounts. Any amortisation or impairment write downs are charged to the profit and loss account.

**2. Profit and loss account**

The company has no employees.

The auditor's remuneration was paid on behalf of the company by another Diageo group undertaking. There were no fees payable to the auditor in respect of non-audit services (2002 - £nil).

The directors have not received any remuneration during the year or the prior period in respect of their services as directors of the company.

**3. Interest receivable**

	2003 £'000	2002 £'000
Interest receivable from shareholders:		
Diageo Great Britain Limited	172	-
Pernod Ricard S.A.	<u>110</u>	<u>-</u>
	<u>282</u>	<u>-</u>

**TREAT (UK) VENTURE LIMITED**  
**Year ended 30 June 2003**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**4. Taxation**

	2003 £'000	2002 £'000
<b>Factors affecting the current tax charge for the year/period:</b>		
Profit/(loss) on ordinary activities before taxation	<u>331</u>	<u>(15,304)</u>
Taxation on profit/(loss) on ordinary activities at a UK corporation tax at 30% (2002 – 30%)	99	(4,591)
Items not deductible/(taxable) for tax purposes	17	4,616
Consortium relief received for nil consideration	-	(25)
Adjustment in respect of prior periods	<u>26</u>	<u>-</u>
	<u>142</u>	<u>-</u>

**5. Intangible fixed assets - brands**

	<b>Brands £'000</b>
<b>Cost</b>	
At 30 June 2002	23,598
Additions	-
Disposals	<u>(23,598)</u>
At 30 June 2003	<u>-</u>
<b>Provision</b>	
At 30 June 2002	(14,697)
Impairment charge	-
Disposals	<u>14,697</u>
At 30 June 2003	<u>-</u>
<b>Net book value</b>	
At 30 June 2003	<u>-</u>
At 30 June 2002	<u>8,901</u>

The company acquired the OVD and Wood's brands from Diageo United Kingdom Limited. During the prior period these brands were written down to their recoverable value of £8,901,000 resulting in an impairment charge in that period of £14,697,000. These brands were sold to a third party on 25 September 2002 for consideration of £8,901,000.

**TREAT (UK) VENTURE LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**6. Debtors – due within one year**

	2003 £'000	2002 £'000
Amounts owing by shareholders:		
Pernod Ricard S.A.	3,585	-
Diageo Great Britain Limited	5,777	-
Amount owed by Chivas Brothers Limited	<u>-</u>	<u>83</u>
	<u>9,362</u>	<u>83</u>

Interest is charged on these loan balances at a rate of 1 year EUROLIBOR plus 100 basis points.

**7. Creditors – due within one year**

	2003 £'000	2002 £'000
Amount owed to Diageo plc	47	-
Corporation tax	<u>142</u>	<u>-</u>
	<u>189</u>	<u>-</u>

**8. Share capital**

	2003 £	2002 £
<b>Authorised, allotted, called up and fully paid</b>		
150 'A' ordinary shares of £1 each	150	150
50 'B' ordinary shares of £1 each	<u>50</u>	<u>50</u>
	<u>200</u>	<u>200</u>

Each 'A' share carries a right to receive 60.9 per cent of any dividend declared, distribution or return of capital on liquidation divided by the total number of 'A' shares in issue. Each 'B' share carries a right to receive 39.1 per cent of such dividend declared, distribution or return of capital on liquidation divided by the total number of 'B' shares in issue.

**9. Reserves**

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 30 June 2002	24,288	(15,304)	8,984
Retained profit for the year	<u>-</u>	<u>189</u>	<u>189</u>
At 30 June 2003	<u>24,288</u>	<u>(15,115)</u>	<u>9,173</u>

**TREAT (UK) VENTURE LIMITED**  
**Year ended 30 June 2003**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**10. Reconciliation of movements in total shareholders' funds**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Profit/(loss) for the financial period	189	(15,304)
Share premium arising on allotment of shares	<u>-</u>	<u>24,288</u>
Net addition to shareholders' funds	189	8,984
Shareholders' funds at beginning of the period	<u>8,984</u>	<u>-</u>
Shareholders' funds at end of the period	<u>9,173</u>	<u>8,984</u>

**11. Related party transactions**

During the year, the company sold the OVD and Wood's brands to a third party for £8,901,000. The proceeds were paid direct to the company's shareholders, Diageo Great Britain Limited (£5,421,000) and Pernod Ricard S.A. (£3,480,000). Disposal costs of £47,000 were payable to Diageo plc, the ultimate parent undertaking of Diageo Great Britain Limited, and £5,000 to Pernod Ricard S.A. during the year.

Chivas Brothers Limited produced and distributed rum under the OVD and Wood's brands and income of £101,000 (2002 - £83,000) was generated in this respect. Chivas Brothers Limited is a subsidiary company of Pernod Ricard S.A., a shareholder of Treat (UK) Venture Limited.

Interest of £172,000 was charged to Diageo Great Britain Limited and £110,000 to Pernod Ricard S.A. during the year.

**12. Shareholders**

The company is owned by Diageo Great Britain Limited and Pernod Ricard S.A in the proportions 60.9% and 39.1% respectively. Pernod Ricard S.A. is incorporated and registered in France and its accounting period end is 31 December. Diageo Great Britain Limited is registered and incorporated in England and its accounting period end is 30 June. The ultimate parent undertaking of Diageo Great Britain Limited is Diageo plc, a company incorporated and registered in England. The consolidated financial statements of Diageo plc for the year ended 30 June 2003 can be obtained from the Registered Office at 8 Henrietta Place, London W1G 0NB.