

**TREAT (UK) VENTURE LIMITED**  
(formerly Trushelfco (No. 2843) Limited)

**FINANCIAL STATEMENTS**

**PERIOD ENDED 30 JUNE 2002**

**Registered in England No. 4271628**



**TREAT (UK) VENTURE LIMITED**  
**(formerly Trushelfco (No. 2843) Limited)**  
**Period ended 30 June 2002**

**DIRECTORS' REPORT**

The directors have pleasure in submitting their report, together with the audited financial statements for the period from 16 August 2001 to 30 June 2002.

**Incorporation and change of name**

The company was incorporated on 16 August 2001 as Trushelfco (No. 2843) Limited and changed its name to Treat (UK) Venture Limited on 9 November 2001. This is the first period of trading and these financial statements are for the period from date of incorporation to 30 June 2002. Accordingly, no comparative figures are shown.

**Share capital**

In December 2001 the company's authorised share capital was increased from £100 to £200 by the creation of an additional 75 'A' ordinary shares of £1 each and 25 'B' ordinary shares of £1 each. These 75 'A' ordinary shares and 25 'B' ordinary shares were allotted and issued at premiums of £14,791,367 and £9,496,639 respectively.

**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 were never transferred to the company due to a dispute by the other shareholder of Chatelle Pty Ltd. Diageo is currently in discussions to resolve this dispute and recover the payment of \$690,000 made to Vivendi for these shares. At the time these financial statements were approved, the likely outcome and potential recovery (if any) of this payment, was uncertain.

The company acquired the OVD and Woods brands from Diageo United Kingdom Limited (formerly Seagram United Kingdom Limited). During the current period a fair value adjustment was made against the OVD and Woods brands to record them at their recoverable value. The OVD and Woods brands were sold subsequent to the period end resulting in a loss of £14,696,798.

Post 21 December 2001 Chivas Brothers Limited (a subsidiary of Pernod Ricard S.A.) produced and distributed the OVD and Woods brands on behalf of Treat (UK) Venture Limited. At 30 June 2002 the company recorded a receivable from Chivas Brothers Limited in respect of brand owner income generated by Chivas on its behalf.

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**DIRECTORS' REPORT (continued)**

**Future activities**

Once the company has disposed of all venture assets and settled any outstanding liabilities, it is intended that the company will be liquidated and the proceeds will be distributed to the shareholders accordingly.

**Financial**

The results for the period ended 30 June 2002 are shown on page 8. The directors do not recommend the payment of a dividend. The loss for the period transferred from reserves is £15,303,782.

**Directors**

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

P S Binning	(appointed 13 December 2001)
S M Bunn	(appointed 15 March 2002)
R H Myddelton	(appointed 13 December 2001)
A Williams	(appointed 1 May 2002)
S J Cooke	(appointed 9 November 2001, resigned 13 December 2001)
G O Morgan	(appointed 9 November 2001, resigned 13 December 2001)
L J Stoker	(appointed 16 August 2001, resigned 9 November 2001)
E J Zuercher	(appointed 16 August 2001, resigned 9 November 2001)

R H Myddelton and A Williams resigned as directors of the company on 31 March 2003 and 18 April 2003 respectively.

**Directors' emoluments**

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

**Directors' interests**

The directors had no interest, beneficial or non-beneficial, in the share capital of the company or had a material interest during the period in any significant contract with the company.

The directors who held office at the end of the financial period had the following beneficial interests in the ordinary shares of 28<sup>101/108</sup> pence each in the ultimate parent company of Diageo Great Britain Limited (formerly Guinness United Distillers & Vintners Limited), Diageo plc:-

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**Period ended 30 June 2002**

**DIRECTORS' REPORT (continued)**

**Directors' interests (continued)**

(i) Ordinary shares and conditional rights to ordinary shares

	Ordinary shares		Conditional rights to ordinary shares				
	At date of appointment	At end of period	At date of appointment	Granted in period	Vested in period	Lapsed in period	At end of period
P S Binning	22,721	25,693	60,750	11,827	(4,350)	(4,350)	63,877
S M Bunn	2,818	2,853	-	-	-	-	-
R H Myddelton	33,411	32,666	29,682	5,760	(8,422)	(8,422)	18,598
A Williams	3,214	3,258	-	-	-	-	-

The 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. Full details of the performance criteria are disclosed in the annual report of the ultimate holding company of Diageo Great Britain Limited (formerly Guinness United Distillers & Vintners Limited), Diageo plc.

(ii) Options

	Options over ordinary shares		
	At date of appointment	Exercised during period	At end of period
P S Binning	163,705	-	163,705
S M Bunn	20,786	-	20,786
R H Myddelton	171,953	(78,748)	93,205
A Williams	19,243	-	19,243

The directors held the above options under Diageo plc share option schemes at prices between 447p and 710p per ordinary share exercisable between 2002 and 2011. 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 (formerly Guinness United Distillers and Vintners Limited), Diageo plc.

**TREAT (UK) VENTURE LIMITED**  
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**Directors' report (continued)**

**Directors' interests (continued)**

The mid-market share price of Diageo plc shares fluctuated between 644p and 940.5p per share during the period. The mid-market share price on 30 June 2002 was 852p.

At 30 June 2002, all the directors had an interest in 16,259,763 shares and 6,124,020 shares subject to call options (and P S Binning and R H Myddelton each had an additional interest in 3,763,799 shares) held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes.

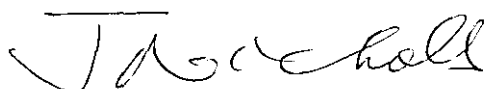
**Secretary**

Trusec Limited resigned as the secretary of the company on 13 December 2001 and was replaced by S M Bunn, who resigned as the secretary on 15 March 2002 and was replaced by J J Nicholls.

**Auditor**

A resolution is to be proposed at the annual general meeting for the re-appointment of KPMG Audit Plc as auditor of the company.

By order of the board



J Nicholls  
Secretary  
8 Henrietta Place  
London  
W1G 0NB

30 July 2003

**TREAT (UK) VENTURE LIMITED**  
**(formerly Trushelfco (No. 2843) Limited)**  
**Period ended 30 June 2002**

**DIRECTORS' RESPONSIBILITIES IN RELATION TO 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 period which give a true and fair view of the state of affairs of the company at the end of the financial period and of the profit or loss for the financial period.

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 the directors and auditor**

The directors are responsible for preparing the directors' report and the financial statements. As described on page 6, this includes responsibility for preparing 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 2002 and of the loss of the company for the period 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

30 July 2003

**TREAT (UK) VENTURE LIMITED**  
**(formerly Trushelfco (No. 2843) Limited**  
**Period ended 30 June 2002**

**PROFIT AND LOSS ACCOUNT**

	Note	Period from 16 August 2001 to 30 June 2002 £'000
Other income		83
Administrative expenses	9	(690)
Provision against intangible fixed assets		(14,697)
<b>Loss on ordinary activities before taxation</b>		<b>(15,304)</b>
Taxation	3	—
<b>Loss on ordinary activities after taxation transferred from reserves</b>		<b>(15,304)</b>

This is the company's first period of trading and therefore no comparative figures are shown.

There are no recognised gains and losses other than the loss for the financial 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 loss for the period and the historical loss for the period and consequently no note of historical cost profits and losses has been presented as part of the financial statements.

**CASH FLOW STATEMENT**

	Period from 16 August 2001 to 30 June 2002 £'000
<b>Reconciliation of operating profit to net cashflow:</b>	
Loss on ordinary activities before taxation	(15,304)
<b>Changes in working capital:</b>	
Increase in debtor – amount owed by Chivas Brothers Limited due within one year	(83)
<b>Adjusted for non-cash items:</b>	
Expenses	690
Provision against intangible fixed assets	14,697
<b>Net cashflow from operations</b>	<b>—</b>

There have been no cash flows during the current period.



**TREAT (UK) VENTURE LIMITED**  
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**Period ended 30 June 2002**

**BALANCE SHEET**

		<b>30 June 2002</b>	
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
<b>Fixed assets</b>			
Intangible fixed assets	4		8,901
<b>Current asset</b>			
Debtor – amount owed by Chivas Brothers Limited due within one year			<u>83</u>
<b>Total assets</b>			<u><u>8,984</u></u>
<b>Capital and reserves</b>			
Share capital	5		-
<b>Reserves</b>			
Share premium account		24,288	
Profit and loss account		<u>(15,304)</u>	
	6		<u>8,984</u>
<b>Total shareholders' funds</b>			<u><u>8,984</u></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 30 July 2003 and were signed on its behalf by:



S M Bunn  
 Director

**TREAT (UK) VENTURE LIMITED**  
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**Period ended 30 June 2002**

**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 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 a fellow group undertaking.

The directors have not received any remuneration during the period for their services as directors of the company.

**3. Taxation**

	<b>2002</b>
	<b>£'000</b>
UK corporation tax at 30% on other income	25
Consortium relief	<u>(25)</u>
	<u>—</u>

The shareholders have each agreed with the company to surrender consortium relief for nil consideration in respect of its tax liability for the period ended 30 June 2002. As a consequence, the company does not have a current tax charge for the period.

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

**4. Intangible fixed assets**

	<b>Brands</b> <b>£'000</b>
<b>Cost</b>	
At beginning of the period	-
Additions	23,598
Impairment charge	(14,697)
At end of the period	<u>8,901</u>

Brands are the OVD and Woods brands which were purchased from Diageo United Kingdom Limited (formerly Seagram United Kingdom Limited). A provision for diminution in value has been made in this period to record the assets at their recoverable value. These brands were sold subsequent to the period end for a consideration of £8,901,270.

**5. Share capital**

	<b>2002</b> <b>£'000</b>
<b>Authorised, allotted, called up and fully paid</b>	
150 'A' ordinary shares of £1 each	-
50 'B' ordinary shares of £1 each	<u>-</u>
	<u>-</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.

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

**6. Reserves**

	Share premium account £'000	Profit and loss account £'000	Total £'000
At beginning of the period	-	-	-
Share premium arising on allotment of shares	24,288	-	24,288
Loss for the period	-	(15,304)	(15,304)
At end of the period	<u>24,288</u>	<u>(15,304)</u>	<u>8,984</u>

**7. Movement in total shareholders' funds**

	2002 £'000
Shareholders' funds at beginning of the period	-
Share capital allotted	-
Share premium arising on allotment of shares	24,288
Loss for the period	(15,304)
At end of the period	<u>8,984</u>

**8. Related party transactions**

During the period, the company purchased the OVD and Woods brands from Diageo United Kingdom Limited (formerly Seagram United Kingdom Limited) for £23,598,068. The ultimate parent undertaking of Diageo United Kingdom Limited is Diageo plc, which is also the ultimate parent undertaking of Diageo Great Britain Limited, a shareholder of Treat (UK) Venture Limited. The purchase of the OVD and Woods brands was funded by the company's shareholders, Diageo Great Britain Limited (£14,371,223) and Pernod Ricard S.A. (£9,226,845).

The company also purchased shares in Chatelle Pty Ltd for £690,000 which were again funded by the company's shareholders, Diageo Great Britain Limited (£420,210) and Pernod Ricard S.A. (£269,790).

Post 21 December 2002, Chivas Brothers Limited produced and distributed rum under the OVD and Woods brands and income of £83,154 was generated in this respect. Chivas Brothers Limited is a subsidiary company of Pernod Ricard S.A., a shareholder of Treat (UK) Venture Limited.

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

**9. Contingent asset**

During the period, the company made a payment of £690,138 to Vivendi Universal S.A. to acquire shares in Chatelle Pty Ltd (£690,000), an Australian company holding the Chatelle brand, and to acquire certain Australian and New Zealand assets (£138). Legal ownership of the shares in Chatelle Pty Ltd were never transferred to the company due to a dispute by the other shareholder of Chatelle Pty Ltd. Diageo is currently in discussions to resolve this dispute and recover the payment made to Vivendi. At the time these financial statements were approved, the likely outcome and potential recovery (if any) of the payment of £690,000, was uncertain.

**10. Subsequent event**

A provision was made against the OVD and Woods brands asset in this period to record the assets at their recoverable value. These brands were sold to William Grant & Sons Caribbean Limited on 25 September 2002 for a consideration of £8,901,270

**11. Shareholders**

The company is owned by Diageo Great Britain Limited (formerly Guinness United Distillers & Vintners 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 Limited (formerly Guinness United Distillers & Vintners Limited) is Diageo plc, a company incorporated and registered in England. The consolidated financial statements of Diageo plc for the year ended 30 June 2002 can be obtained from the Registered Office at 8 Henrietta Place, London W1G 0NB.