Treat (UK) Venture Limited

Financial statements
30 June 2004

Registered number 4271628

Treat (UK) Venture Limited
Year ended 30 June 2004

Directors' report

The directors have pleasure in submitting their report, together with the audited financial statements for the year ended 30 June 2004.

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 also 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. This dispute should be resolved in early 2005 and once all the necessary formalities to transfer legal ownership to the company have been completed, the company intends to dispose of the interest in Chatelle Pty Ltd.

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 2004 are shown on page 7. The directors do not recommend the payment of a dividend (2003 – £nil). The profit for the year transferred to reserves is £368,000 (2003 – £189,000).

Directors

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

P S Binning	(resigned 3 October 2003)
S M Bunn	
G P Crickmore	(appointed 7 July 2003)
R Rajagopal	(appointed 3 October 2003)
J W Walters	(appointed 20 April 2004; resigned 14 June 2004)

Directors' emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company (2003 - £nil).

Directors' report (continued)

Directors' interests

No directors 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 $28^{101}/_{108}$ pence each in the ultimate parent company of Diageo Great Britain Limited, Diageo plc:-

(i) Ordinary shares

	Ordinary shares	
	At beginning of year (or date of appointment)	At end of year
S M Bunn	**3,351**	**1,088**
G P Crickmore	**6,663**	**11,683**
R Rajagopal	**912**	**3,810**

(ii) Options

	Options over ordinary shares			
	At beginning of year (or date of appointment)	Granted in year	Exercised during year	At end of year
S M Bunn	**30,743**	**15,959**	**(383)**	**46,319**
G P Crickmore	**37,154**	**5,366**	**(11,465)**	**31,055**
R Rajagopal	**97,459**	**28,011**	**(4,754)**	**120,716**

The directors held the above options under Diageo plc share option schemes at prices between 505 pence and 759 pence per ordinary share exercisable between 2004 and 2013. 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.

Directors' report (continued)

Directors' interests (continued)

The mid-market share price of Diageo plc shares fluctuated between 625 pence and 780 pence per share during the year. The mid-market share price on 30 June 2004 was 744 pence.

At 30 June 2004, the directors had an interest in 21,109,889 shares and 7,710,285 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes.

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

J Nicholls
Secretary
8 Henrietta Place
London
W1G 0NB

28 January 2005

Statement of directors' responsibilities in relation to the financial statements

The following statement, which should be read in conjunction with the independent auditor's report set out on page 6, 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 a 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 7 to 11.

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 5, 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 the company's affairs as at 30 June 2004 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

28 January 2005

Treat (UK) Venture Limited
Year ended 30 June 2004

Profit and loss account

	Notes	Year ended 30 June 2004 £'000	Year ended 30 June 2003 £'000
Other income	*11*	-	101
Operating profit	*2*	-	101
Interest receivable	*4,11*	526	282
Loss on disposal of intangible fixed assets	*11*	-	(52)
Profit on ordinary activities before taxation		526	331
Taxation on profit on ordinary activities	*5*	(158)	(142)
Profit on ordinary activities after taxation transferred to reserves		368	189

There are no recognised gains and losses other than the result for the year 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 results for the years shown in the profit and loss account and the results for the relevant years restated on an historical cost basis.

All results arise from continuing activities.

Cash flow statement

	Year ended 30 June 2004 £'000	Year ended 30 June 2003 £'000
Reconciliation of operating profit to net cashflow:		
Operating profit	-	101
Changes in working capital:		
Decrease in debtor – amount owed by Chivas Brothers Limited due within one year	-	83
Increase in debtor – amount owed by Diageo Great Britain Limited	-	(184)
Net cashflow from operations	-	-

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

Treat (UK) Venture Limited
Year ended 30 June 2004

Balance sheet

	Notes	30 June 2004 £'000	£'000	30 June 2003 £'000	£'000
Current assets					
Debtors – due within one year	*6*	9,888		9,362	
Creditors – due within one year	*7*	(347)		(189)	
Net current assets			9,541		9,173
Net assets			9,541		9,173
Capital and reserves					
Called up share capital	*8*		-		-
Reserves					
Share premium account		24,288		24,288	
Profit and loss account		(14,747)		(15,115)	
	9		9,541		9,173
Equity shareholders' funds	*10*		9,541		9,173

The financial statements on pages 7 to 11 were approved by the board of directors on 28 January 2005 and were signed on its behalf by:

R Rajagopal
Director

Notes to the financial statements

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards.

2. Operating profit

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 fees (2003 - £nil).

3. Directors and employees

The company did not employ any staff during either the current or prior year.

None of the directors received any remuneration during the financial year in respect of their services as directors of the company (2003 - £nil).

Details of the directors' share interests and any share options exercised during the year are included within the directors' report on pages 3 and 4.

4. Interest receivable

	Year ended 30 June 2004 £'000	Year ended 30 June 2003 £'000
Interest receivable from shareholders:		
Diageo Great Britain Limited	320	172
Pernod Ricard S.A.	206	110
	526	282

5. Taxation

	Year ended 30 June 2004 £'000	Year ended 30 June 2003 £'000
Factors affecting the current tax charge for the year:		
Profit on ordinary activities before taxation	526	331
Taxation on profit on ordinary activities at UK corporation tax at 30% (2003 – 30%)	158	99
Items not deductible for tax purposes	-	17
Adjustment in respect of prior periods	-	26
	158	142

Notes to the financial statements (continued)

6. Debtors – due within one year

	30 June 2004 £'000	30 June 2003 £'000
Amounts owing by shareholders:		
Pernod Ricard S.A.	3,791	3,585
Diageo Great Britain Limited	6,097	5,777
	9,888	9,362

Interest is charged on principal balances of £5,420,000 and £3,480,000 due from Diageo Great Britain Limited and Pernod Ricard S.A. respectively, at a rate of 1 year LIBOR plus 100 basis points.

7. Creditors – due within one year

	30 June 2004 £'000	30 June 2003 £'000
Amount owed to Diageo plc	47	47
Corporation tax	300	142
	347	189

8. Called up share capital

	30 June 2004 £	30 June 2003 £
Authorised, allotted, called up and fully paid		
Equity - 150 'A' ordinary shares of £1 each	150	150
Equity - 50 'B' ordinary shares of £1 each	50	50
	200	200

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 2003	24,288	(15,115)	9,173
Retained profit for the year	-	368	368
At 30 June 2004	24,288	(14,747)	9,541

Notes to the financial statements (continued)

10. Reconciliation of movement in equity shareholders' funds

	30 June 2004 £'000	30 June 2003 £'000
Profit for the year	368	189
Net addition to shareholders' funds	368	189
Shareholders' funds at beginning of the year	9,173	8,984
Shareholders' funds at end of the year	9,541	9,173

11. Related party transactions

During the prior 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 prior year.

Chivas Brothers Limited produced and distributed rum under the OVD and Wood's brands and income of £nil (2003 - £101,000) 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 £320,000 was charged to Diageo Great Britain Limited and £206,000 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 can be obtained from the Registered Office at 8 Henrietta Place, London W1G 0NB.