

Justerini & Brooks, Limited

Financial statements 30 June 2005

Registered number 68576



Directors' report

The directors have pleasure in submitting their annual report, together with the audited financial statements, for the year ended 30 June 2005.

Activities

The principal activity of the company is the production, marketing and distribution of wines and spirits, particularly J&B Rare Scotch Whisky. The company sells its products globally, the most significant markets being Spain, the United States, France, Italy, Germany, South Africa and Japan.

On 12 July 2005 the company acquired the entire issued share capital of J&B Scotland Limited, consisting of 2 ordinary shares of £1 each, from Diageo Great Britain Limited and its nominee for total consideration of £2. A further 9,998 new ordinary shares of £1 each in J&B Scotland Limited were subscribed at par by the company on 25 October 2005.

Effective from 1 November 2005, the company sold its J&B Rare Scotch Whisky (and related products) business (including the brand and the related assets and liabilities) to its 100% owned subsidiary, J&B Scotland Limited.

On 3 November 2005 the company subscribed for 1,150,000,000 new ordinary shares of £1 each in J&B Scotland Limited satisfied by releasing the £1,150 million loan receivable.

On 18 January 2006 the company sold its shareholding in J&B Scotland Limited to UDV (SJ) Limited for consideration of £1.2 billion.

Financial

The results for the year ended 30 June 2005 are shown on page 7.

The directors recommend that an ordinary dividend of £292,700,000 (2004: £nil) be paid.

A preference dividend of £41,600,000 (2004: £41,600,000) was paid during the year.

After deducting the total ordinary dividend of £292,700,000 (2004: £nil) and preference dividend of £41,600,000 (2004: £41,600,000), the loss for the year transferred from reserves is £225,130,000 (2004: £24,252,000 profit transferred to reserves).

Directors

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

S M Bunn	
C D Coase	(appointed 7 April 2005)
E P Demery	
M C Flynn	(appointed 7 April 2005)
R J Joy	
M J Lester	(appointed 7 April 2005)
R Rajagopal	(resigned 7 April 2005)
J A Southern	
R N Watling	

On 31 October 2005 R N Watling resigned as a director of the company. J A Southern also resigned as a director of the company on 31 January 2006. B Higgs and N Makos were appointed as directors of the

Directors' report (continued)

Directors (continued)

company on 26 May 2006, as was C R R Marsh who was appointed as director of the company on 17 February 2006.

None of the directors received any remuneration during the year in respect of their services as directors of the company (2004: £nil).

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 or any subsidiary.

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} p each in the ultimate parent company, Diageo plc:

(i) Ordinary shares and conditional rights to ordinary shares

	Ordinary shares		Conditional rights to ordinary shares				
	At beginning of year (or date of appointment)	At end of year	At beginning of year (or date of appointment)	Granted in year	Vested in year	Lapsed in year	At end of year
S M Bunn	1,088	128	-	-	-	-	-
C D Coase	14,207	14,207	-	-	-	-	-
E P Demery	19,315	21,357	-	-	-	-	-
M C Flynn	11,673	11,743	-	-	-	-	-
R J Joy	44,481	48,283	26,321	4,746	(7,819)	(465)	22,783
M J Lester	30,945	26,306	30,790	-	-	-	30,790
J A Southern	36,395	34,030	-	-	-	-	-
R N Watling	21,908	23,724	-	-	-	-	-

The directors were granted conditional rights to receive ordinary shares or, exceptionally, a cash sum under certain long term incentive plans. Any conditional rights are shown in the table as ordinary share equivalents. 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, Diageo plc.

Directors' report (continued)

Directors' interests (continued)

(ii) Options

	Options over ordinary shares				
	At beginning of year (or date of appointment)	Granted in year	Exercised in year	Lapsed in year	At end of year
S M Bunn	46,319	15,434	(9,316)	-	52,437
C D Coase	141,269	-	-	-	141,269
E P Demery	18,437	2,736	(581)	-	20,592
M C Flynn	17,991	-	-	-	17,991
R J Joy	241,263	30,236	(88,992)	-	182,507
	(22,248 ADS and 152,271 ord. shares)		(22,248 ADS)		
M J Lester	113,567	-	-	-	113,567
J A Southern	94,476	8,383	(49,405)	-	53,454
R N Watling	73,722	18,106	(43,209)	-	48,619

The directors held the above options under Diageo plc share option schemes at prices between 460p and 863p per ordinary share exercisable between 2005 and 2014. US grants were at prices between US\$25.21 and US\$29.38 per ADS. US options were granted over ADSs at dollar prices (one ADS is equivalent to four ordinary shares). Certain options granted in the Republic of Ireland were granted at a price of Euros 7.37 per ordinary share. 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 one of the schemes, 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 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, Diageo plc.

Options granted for R J Joy are principally options granted under the SESOP, which are subject to performance conditions as detailed above.

The mid-market share price of Diageo plc shares fluctuated between 658p and 824p during the year. The mid-market share price on 30 June 2005 was 823p.

At 30 June 2005, all the directors had an interest in 21,465,587 shares and 8,233,337 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes. In addition R J Joy had an interest in a further 6,279,065 shares held by a trust to satisfy grants made under Diageo incentive plans and savings related share option schemes, as well as an interest in 459,180 shares and 544,246 shares subject to call options held by trusts to satisfy grants made under ex-Grandmet incentive plans.

Directors' report (continued)

Supplier payment policy

The company agrees terms and conditions for its business transactions when orders for goods and services are placed, ensuring that suppliers are aware of the terms of payment and including the relevant terms in contracts where appropriate. These arrangements are adhered to when making payments, subject to the terms and conditions being met by the supplier.

The number of days' purchases included in creditors as at 30 June 2005, in respect of the company, is 13 days (2004: 12 days). Some of the company's invoices for goods and services are settled by a fellow group undertaking acting as an agent for the company.

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

A handwritten signature in black ink, appearing to read 'J Nicholls', written over a horizontal line.

J Nicholls
Director

61 St James's Street, London, SW1A 1LZ
23 June 2006

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 of the company 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 Justerini & Brooks, Limited

We have audited the financial statements on pages 7 to 23.

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 2005 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

3 July 2006

Profit and loss account

	<i>Notes</i>	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Turnover	2	253,192	246,988
Operating costs	3-4	(155,125)	(162,552)
Operating profit		<u>98,067</u>	<u>84,436</u>
Disposal of fixed assets	5	(13)	-
Income from other fixed asset investment	6	12,203	-
Amounts written off investments	11	(4,655)	(8,165)
Net interest receivable	7	33,592	23,187
Profit on ordinary activities before taxation		<u>139,194</u>	<u>99,458</u>
Taxation on profit on ordinary activities	8	(30,024)	(33,606)
Profit on ordinary activities after taxation		<u>109,170</u>	<u>65,852</u>
Dividends	9	(334,300)	(41,600)
Amounts transferred (from)/to reserves	18	<u>(225,130)</u>	<u>24,252</u>

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.

Balance sheet

	<i>Notes</i>	30 June 2005		30 June 2004	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10		29,192		29,734
Investments	11		1,236,039		1,240,694
			<hr/>		<hr/>
			1,265,231		1,270,428
Current assets					
Assets held for resale – due after one year		2,000		2,500	
Stocks	12	11,140		11,194	
Debtors: due within one year	13	1,179,547		980,167	
Cash at bank and in hand	14	7,874		10,113	
		<hr/>		<hr/>	
		1,200,561		1,003,974	
Creditors: due within one year					
Other creditors	15	(1,775,145)		(1,358,754)	
		<hr/>		<hr/>	
Net current liabilities			(574,584)		(354,780)
			<hr/>		<hr/>
Total assets less current liabilities			690,647		915,648
Provisions for liabilities and charges	16		(153)		(24)
			<hr/>		<hr/>
Net assets			690,494		915,624
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	17		520,086		520,086
Profit and loss account	18	170,408		395,538	
		<hr/>		<hr/>	
Reserves attributable to equity shareholders			170,408		395,538
			<hr/>		<hr/>
Total shareholders' funds			690,494		915,624
			<hr/>		<hr/>
Equity shareholders' funds			170,494		395,624
Non-equity shareholders' funds			520,000		520,000
			<hr/>		<hr/>
Total shareholders' funds			690,494		915,624
			<hr/>		<hr/>

These financial statements on pages 7 to 23 were approved by the board of directors on 23 June 2006 and were signed on its behalf by:


R J Joy
 Director

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.

The company is a wholly owned subsidiary of Diageo plc and is included in the consolidated financial statements of Diageo plc which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard No 1 (Revised 1996).

The company is also exempt under the terms of Financial Reporting Standard No 8 from disclosing related party transactions (but not balances) with entities that are part of the Diageo plc group ("group undertakings") or investees of the Diageo plc group.

The company is exempt from the requirement to prepare group accounts under Section 228 of the Companies Act 1985 as its results are included in the published consolidated financial statements of Diageo plc.

Going concern

The financial statements have been prepared on a going concern basis as a fellow group undertaking has agreed to provide financial support for the foreseeable future. The only liabilities at the balance sheet date are in respect of balances due.

Tangible fixed assets

Land and buildings are stated at cost less depreciation.

Freehold land is not depreciated. Leaseholds are depreciated over the unexpired period of the lease. Other tangible fixed assets are depreciated on a straight line basis to estimated residual values over their expected useful lives within the following ranges:

Industrial and other buildings	50 years
Plant and machinery	4 to 10 years
Fixtures and fittings	3 to 10 years
Computer software	not capitalised

Reviews are carried out if there is some indication that impairment may have occurred, to ensure that fixed assets are not carried at above their recoverable amounts.

Profit or loss on the sale of a property is the difference between the disposal proceeds and the net book value.

Fixed asset investments

Income from fixed asset investments is credited to the profit and loss account when it is declared by the paying company. Investments are stated individually at cost less, where appropriate, provision for impairment in value where such impairment is expected by the directors to be permanent.

Accounting policies (continued)

Leases

Where the company has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Other leases are treated as operating leases, with payments and receipts taken to the profit and loss account on a straight line basis over the life of the lease.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes raw materials, direct labour and expenses, and an appropriate proportion of production and other overheads.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged forward, at the rate of exchange under the related foreign currency contract. Assets and liabilities in foreign currencies are translated into sterling at the financial year end exchange rates or, if hedged forward, at the rate of exchange under the related foreign currency contract.

All exchange gains and losses are taken to the profit and loss account.

Turnover

Turnover represents the net invoice value of goods and services including excise duties and royalties receivable, but excluding value added tax.

Turnover for goods is recognised at the fair value of the right to consideration. The point at which ownership transfers may be at the time of despatch, delivery or some other point depending upon individual customer terms. Provision is made for returns where appropriate. Turnover for goods is stated net of price discounts, allowances for customer loyalty and certain promotional activities and similar items.

Pensions and other post employment benefits

The employees of the company are members of the Diageo UK pension plan which is a defined benefit scheme.

It is not possible to allocate the assets and liabilities of the pension plan between individual companies and therefore the company accounts for it as a defined contribution scheme. The assets and liabilities of the Diageo UK pension plan are recognised in the Diageo plc consolidated financial statements.

Deferred taxation

Full provision is made for timing differences between recognition of gains and losses in the financial statements and their recognition in the tax computation using current tax rates. The company does not discount these balances.

Notes to the financial statements

1. Analysis of turnover and profit on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation are attributable to one class of business, that of the production, marketing and distribution of wines and spirits.

2. Geographical analysis of turnover

Turnover originated from the United Kingdom and the geographical analysis of turnover by destination is given below:

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
United Kingdom and Eire	36,051	37,754
Rest of Europe	156,483	154,121
North America	18,261	25,093
Africa and Middle East	17,981	15,004
Rest of world	24,416	15,016
	<hr/>	<hr/>
	253,192	246,988
	<hr/>	<hr/>

The directors have taken advantage of the exemption from full disclosure of segmental information required by Statement of Standard Accounting Practice No. 25 as the company is a wholly owned subsidiary. Segmental disclosures are provided in the accounts of the ultimate parent company, Diageo plc.

3. Operating costs

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
(Increase)/decrease in stocks of finished goods and work in progress	(23)	1,737
Raw materials and consumables	79,489	83,921
Excise Duties	1,317	-
Advertising, marketing and promotion costs	50,022	44,946
Staff costs (note 4)	5,416	4,579
Depreciation and other amounts written off tangible fixed assets	1,412	1,467
Other operating income	(2,029)	(2,176)
Other operating charges (a)	14,964	21,061
Other external charges (b)	4,557	7,017
	<hr/>	<hr/>
	155,125	162,552
	<hr/>	<hr/>

Notes to the financial statements (continued)

3. Operating costs (continued)

(a) **Other operating charges** include: intercompany management charge of £14,964,000 (2004: £21,061,000);

(b) **Other external charges** include: operating lease rentals for plant and machinery of £19,000 (2004: £49,000) and operating lease rentals for property of £191,000 (2004: £183,500);

The auditor's remuneration was paid on behalf of the company by a fellow group undertaking (2004: £27,000). There were no fees payable to the auditor in respect of non-audit services (2004 - £nil).

4. Staff costs and directors' emoluments

The average number of full time employees, including directors, during the year, analysed by category, was:

	Year ended 30 June 2005	Year ended 30 June 2004
Production	101	131
Administration	16	6
Selling and distribution	26	24
	<hr/>	<hr/>
	143	161
	<hr/>	<hr/>

The aggregate remuneration of all employees comprised:

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Wages and salaries	5,014	4,237
Employer's social security costs	402	342
	<hr/>	<hr/>
	5,416	4,579
	<hr/>	<hr/>

None of the directors received any remuneration during the financial year in respect of their services as directors of the company (2004: £nil).

Details of the directors' share interests and any share options exercised during the year are included within the directors' report on pages 2 and 3.

Notes to the financial statements (continued)

4. Staff costs and directors' emoluments (continued)

Retirement benefits

The employees of the company are members of the Diageo UK pension plan which is a defined benefit scheme. Since 1 July 2003, the Diageo group has adopted *FRS 17 – Retirement benefits* in its financial statements.

Under the UK accounting standards used in the preparation of these accounts it is not possible to allocate the assets and liabilities of the pension plan between individual companies and therefore the company accounts for it as a defined contribution scheme. The assets and liabilities of the Diageo UK pension plan are recognised in the Diageo plc consolidated financial statements. The disclosures below represent the Diageo UK pension fund, however the balances indicated are not all attributable to the company.

- (a) The following weighted average assumptions were used to determine the UK group's deficit in the pension plan at 30 June in the relevant year:

	Year ended 30 June 2005 %	Year ended 30 June 2004 %
Rate of inflation	2.5	3.0
Rate of general increase in salaries	3.9	4.4
Rate of increase to pensions in payment	2.6	3.3
Rate of increase to deferred pensions	2.5	3.0
Discount rate for plan liabilities	4.9	5.7

For the years ended 30 June 2005 and 2004 there were, in addition to the above percentages, age related promotional increases.

- (b) The market values of the assets of the UK defined benefit pension plan were as follows:

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Equities	2,259,200	1,977,900
Bonds	128,400	105,000
Property	322,400	342,600
Other	81,700	75,000
	<hr/> 2,791,700	<hr/> 2,500,500
Present value of pension plan liabilities	(3,559,800)	(3,294,400)
	<hr/> (768,100)	<hr/> (793,900)
Related deferred tax assets	230,400	238,000
	<hr/> (537,700)	<hr/> (555,900)
	<hr/> <hr/>	<hr/> <hr/>
Net pension plan liabilities		

Notes to the financial statements (continued)

4. Staff costs and directors' emoluments (continued)

Retirement benefits (continued)

(c) Movement in deficit during the years ended 30 June 2005 and 2004:

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Deficit at beginning of the year	(793,900)	(1,073,500)
Current service cost	(61,900)	(65,800)
Past service cost	(1,500)	(1,900)
Curtailement/settlement cost	12,300	9,900
Net credit/(cost) to other finance income	11,300	(10,700)
Cash contribution	102,800	2,600
Actuarial (loss)/gain	(37,200)	345,500
	<hr/>	<hr/>
Deficit at end of year	(768,100)	(793,900)
	<hr/>	<hr/>

5. Disposal of fixed assets

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Loss on the sale of:		
Other fixed assets	(13)	-
	<hr/>	<hr/>

6. Income from fixed asset investments

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Income from other fixed asset investments:		
Grand Metropolitan Capital Company Limited	12,203	-
	<hr/>	<hr/>

Notes to the financial statements (continued)

7. Net interest receivable

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Interest receivable on:		
Loans to fellow group undertakings	33,158	22,426
Other interest receivable	434	761
	<hr/>	<hr/>
	33,592	23,187
	<hr/>	<hr/>

8. Taxation

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
(i) Analysis of taxation charge for the year		
Current tax		
Payment for group relief received	(12,053)	(33,695)
Adjustment in respect of prior years	(17,842)	1
	<hr/>	<hr/>
Total current tax	(29,895)	(33,694)
	<hr/>	<hr/>
Deferred tax		
Credit for the year	40	347
Adjustment in respect of prior years	(169)	(259)
	<hr/>	<hr/>
Total deferred tax	(129)	88
	<hr/>	<hr/>
Taxation on profit on ordinary activities	(30,024)	(33,606)
	<hr/>	<hr/>

Notes to the financial statements (continued)

8. Taxation (continued)

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
(ii) Factors affecting current tax charge for the year		
Profit on ordinary activities before taxation	139,194	99,458
Taxation on profit on ordinary activities at UK corporation tax rate of 30% (2004 - 30%)	(41,758)	(29,837)
Income not chargeable for tax purposes	3,661	-
Expenses not deductible for tax purposes	(1,614)	(3,511)
Timing differences	(40)	(347)
Group relief received for nil consideration	27,698	-
Adjustment in respect of prior years	(17,842)	1
Current ordinary tax charge for the year	(29,895)	(33,694)

9. Dividends

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Preference dividend paid	41,600	41,600
Final ordinary dividend proposed	292,700	-
	334,300	41,600

Notes to the financial statements (continued)

10. Fixed assets – tangible assets

	Land and buildings	Plant and machinery	Fixtures and fittings	Assets in course of construction	Total
	£000	£000	£000	£000	£000
Cost					
At 30 June 2004	50,401	15,630	6,269	-	72,300
Additions	-	385	-	1,160	1,545
Disposals	(30)	(3,077)	(485)	-	(3,592)
Transfers	895	3,699	(4,594)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2005	51,266	16,637	1,190	1,160	70,253
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 30 June 2004	(28,846)	(8,949)	(4,771)	-	(42,566)
Provided during the year	(688)	(667)	(57)	-	(1,412)
Disposals	29	2,440	448	-	2,917
Transfers	52	(3,512)	3,460	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2005	(29,453)	(10,688)	(920)	-	(41,061)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 30 June 2005	21,813	5,949	270	1,160	29,192
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2004	21,555	6,681	1,498	-	29,734
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The total net book value or valuation for land and buildings comprises:

	30 June 2005 £000	30 June 2004 £000
Freehold	21,421	21,127
Long leasehold	392	428
	<hr/>	<hr/>
	21,813	21,555
	<hr/>	<hr/>

Notes to the financial statements (continued)

11. Fixed assets – investments

	Subsidiary undertakings £000	Other investments £000	Total £000
Cost			
At beginning and end of year	884,371	500,000	1,384,371
Provisions			
At 30 June 2004	143,677	-	143,677
Provided during the year	4,655	-	4,655
At 30 June 2005	148,332	-	148,332
Net book value			
At 30 June 2005	736,039	500,000	1,236,039
At 30 June 2004	740,694	500,000	1,240,694

The principal subsidiary undertakings and other investments and the percentage of shares owned are as follows:

	Principal activity	Class and percentage of shares held
Subsidiary undertakings		
Diageo Venture Holdings Limited	Investment holding company	Ordinary 100% Preference 100%
Other investments		
Grand Metropolitan Capital Company Limited	Investment holding company	Ordinary 16.6%

The investments are held at cost less, where appropriate, provision for impairment in value.

In the opinion of the directors, the investment in and amounts due from the company's subsidiary undertakings are worth at least the amount at which they are stated in the financial statements.

The above subsidiary undertaking is incorporated in the United Kingdom and all investments are directly held.

Notes to the financial statements (continued)

11. Fixed assets – investments (continued)

The 'Other investments' comprise 500,000,000 ordinary £1 shares in Grand Metropolitan Capital Company Limited, a fellow subsidiary company of Diageo plc. At 30 June 2005, this investment represented 16.6% of the issued ordinary share capital of Grand Metropolitan Capital Company Limited. The investment in subsidiary undertakings consists of 400,000 5.5% cumulative preference £1 shares and 1,734,258,257 ordinary 50p shares in Diageo Venture Holdings Limited, representing 100% of the issued ordinary and preference share capital.

12. Stocks

	30 June 2005 £000	30 June 2004 £000
Raw materials and consumables	43	120
Finished goods and goods for resale	11,097	11,074
	<hr/>	<hr/>
	11,140	11,194
	<hr/>	<hr/>

In July 1998, the maturing whisky stock of the company was transferred to another group company. All risk of loss or damage to this stock remains with Justerini & Brooks, Limited. At 30 June 2005 the value of this stock amounted to £31,189,000 (2004: £53,967,000).

13. Debtors

	30 June 2005 £000	30 June 2004 £000
Trade debtors	15,021	13,525
Amounts owed by fellow group undertakings	1,164,252	959,512
Corporation tax	-	7,071
Other debtors	274	-
Other prepayments and accrued income	-	59
	<hr/>	<hr/>
	1,179,547	980,167
	<hr/>	<hr/>

All amounts fall due within one year.

Amounts owed by fellow group undertakings includes £963,327,000 due from Diageo Finance plc (2004: £690,153,000).

Notes to the financial statements (continued)

14. Cash

The company has entered into a joint and several guarantee with certain other Diageo plc UK group undertakings such that any balance on the company's bank accounts within the cashpool may be offset against the bank balances or overdrafts of those companies included in the cashpool. The amount shown in the balance sheet of 30 June 2005 represents uncleared lodgements net of unrepresented cheques and amounted to £7,874,000 (2004: £10,113,000).

15. Other creditors

	30 June 2005 £000	30 June 2004 £000
Corporation tax	10,802	-
Trade creditors	2,754	2,946
Amounts owed to fellow group undertakings	1,760,635	1,354,356
Other taxation including social security	581	183
Accruals and deferred income	373	1,269
	<hr/> 1,775,145	<hr/> 1,358,754

Amounts owed to group undertakings includes £884,372,000 (2004: £885,031,000) due to the ultimate parent undertaking.

16. Provisions for liabilities and charges

	Deferred taxation £000
At 30 June 2004	24
Profit and loss account	129
	<hr/>
At 30 June 2005	153

The elements of deferred taxation are as follows:

	30 June 2005 £000	30 June 2004 £000
Accelerated capital allowances	283	307
Other timing differences	(130)	(283)
	<hr/> 153	<hr/> 24

Notes to the financial statements (continued)

17. Share capital

	30 June 2005 £000	30 June 2004 £000
<i>Authorised:</i>		
Equity - 400,000,000 ordinary shares of £1 each	400,000	400,000
Non-equity - 600,000,000 8% cumulative redeemable preference shares of £1 each	600,000	600,000
	<hr/>	<hr/>
	1,000,000	1,000,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
Equity - 86,500 ordinary shares of £1 each	86	86
Non-equity - 520,000,000 8% cumulative redeemable preference shares of £1 each	520,000	520,000
	<hr/>	<hr/>
	520,086	520,086
	<hr/>	<hr/>

The preference shares carry a fixed cumulative preferential dividend of 8% per annum, payable half yearly. They are redeemable at par, with interest to the date of redemption, at the company's option from 1 January 2001 onwards. The holders of the preference shares have no voting rights except in relation to the special rights attached to their shares. On a winding up, they would be entitled to repayment of the amount paid up on their shares, with dividend arrears, in priority to any payment to holders of the ordinary shares.

18. Reserves

	Profit and loss account £000
At 30 June 2004	395,538
Retained loss for year	(225,130)
	<hr/>
At 30 June 2005	170,408
	<hr/>

Notes to the financial statements (continued)

19. Reconciliation of movement in shareholders' funds

	30 June 2005 £000	30 June 2004 £000
Opening shareholders' funds	915,624	891,372
Profit for the financial year	109,170	65,852
Dividends	(334,300)	(41,600)
Net (transfers from) / additions to shareholders' funds	(225,130)	24,252
Shareholders' funds at end of year	690,494	915,624

20. Commitments

At 30 June 2005 the company had minimum annual commitments under non-cancellable operating leases as follows:

	30 June 2005			30 June 2004		
	Land and buildings	Other	Total	Land and buildings	Other	Total
	£000	£000	£000	£000	£000	£000
Annual payments under leases expiring:						
After five years	158	62	220	159	-	159
From one to five years	22	5	27	22	43	65
	<u>180</u>	<u>67</u>	<u>247</u>	<u>181</u>	<u>43</u>	<u>224</u>

Capital expenditure commitments not provided for in these financial statements are £nil (2004: £270,000).

21. Contingent liabilities

The company has guaranteed the overdrafts of a number of its fellow subsidiary undertakings. The amount outstanding at the year end was £3,525,000 (2004: £6,592,000).

Provision is made in these financial statements for all liabilities which are expected to materialise.

Notes to the financial statements (continued)

22. Post balance sheet events

On 12 July 2005 the company acquired the entire issued share capital of J&B Scotland Limited, consisting of 2 ordinary shares of £1 each, from Diageo Great Britain Limited and its nominee for total consideration of £2. A further 9,998 new ordinary shares of £1 each in J&B Scotland Limited were subscribed at par by the company on 25 October 2005.

Effective from 1 November 2005, the company sold its J&B Rare Scotch Whisky (and related products) business (including the brand and the related assets and liabilities) to its 100% owned subsidiary, J&B Scotland Limited.

On 3 November 2005 the company subscribed for 1,150,000,000 new ordinary shares of £1 each in J&B Scotland Limited by releasing the £1,150 million loan receivable.

On 18 January 2006 the company sold its shareholding in J&B Scotland Limited to UDV (SJ) Limited for consideration of £1.2 billion.

23. Immediate and ultimate parent undertaking

The immediate parent undertaking of the company is Diageo Great Britain Limited, a company incorporated and registered in England.

The ultimate parent undertaking of the company 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.