Justerini & Brooks, Limited

Financial statements
30 June 2007

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 2007

Activities

The principal activities of the company are the trading of wines, production of spirits, being the distillation, casking and warehousing of maturing whiskies, and marketing of Scotch whisky and distribution to fellow group undertakings and third parties

The company operates wine merchant activities where wine, sourced from various producers, is sold within the United Kingdom The company does not own any vineyards There are three separate types of external trade (being distribution, brokering and en primeur)

Business Review

Development and performance of the business of the company during the financial year and position of the company as at 30 June 2007

During the financial year ended 30 June 2006, the company sold its J&B Rare Scotch Whisky (and related products) business (operated through its branch in the Netherlands), including the brand and the related assets and liabilities, to its 100% owned subsidiary, J&B Scotland Limited, resulting in a profit of £1,166 million

Subsequent to the sale of the J&B Rare Scotch Whisky business the company has continued its production activities These production activities of the company (being the distillation, casking and warehousing of maturing whiskies) were, for the year ended 30 June 2006 and for the year ended 30 June 2007, entirely dependent on the respective demands of the Diageo subsidiaries with whom it trades

Principal risks and uncertainties facing the company as at 30 June 2007

The principal risks and uncertainties facing the company, as a member of the Diageo group, coincide with those facing the group as a whole These are contained within the annual report of Diageo plc

In so far as the company is concerned, the production activities are with fellow members of the Diageo group Therefore, the risk of non-performance by counterparties to transactions with the company is considered remote These activities are provided at cost and are therefore not considered to expose the company to significant risks and uncertainties

With regard to the company's wine merchant activities, the key risks include the pressure of strong competition to reduce margins

Financial and other key performance indicators

The directors do not consider that analysis using key performance indicators is necessary (or appropriate) for an understanding of the development, performance or position of the business of the company, or that there are any factors by reference to which any meaningful analysis of the development, performance or position of the business of the company can be carried out

Directors' report (continued)

Business Review (continued)

The principal key performance indicators that are used to assess the performance of the Diageo group as a whole are described in the Operating and Financial Review contained within the annual report of Diageo plc

Financial

The results for the year ended 30 June 2007 are shown on page 7

A dividend of £nil (2006 £292,700,000) was paid during the year

The profit for the year transferred to reserves is £5,158,000 (2006 £1,215,804,000)

Directors

The directors who held office during the year were as follows

S M Bunn	
C D Coase	
E P Demery	
M C Flynn	
B Higgs	
R J Joy	(resigned 22 June 2007)
M J Lester	(resigned 31 August 2006)
N Makos	
C R R Marsh	

G P Crickmore was appointed a director of the company on 10 August 2007
C R R Marsh resigned as a director of the company on 30 September 2007
E P Demery resigned as a director of the company on 31 December 2007
S M Bunn resigned as a director of the company on 4 January 2008
N A T Hyde was appointed as a director of the company on 1 January 2008
H D Blair was appointed as a director of the company on 1 January 2008
R J Ferguson was appointed as a director of the company on 1 January 2008
P D Tunnacliffe was appointed a director of the company on 7 January 2008
J Kyne was appointed as a director of the company on 8 February 2008

Directors' emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company (2006 £nil)

Directors' report (continued)

Employee involvement

Diageo's goal is to be an 'Employer of Choice' offering an energising work environment, personal growth and recognition and attractive rewards for the performance contribution its people make to the group Its employee policies are designed to support these goals and to do so in a manner that is fair and equitable to all employees These policies take account of external legislation, internal codes of conduct, as well as Diageo's values as an organisation

Diageo is a multi-cultural community operating in an increasingly diverse business world and is committed to active equality and diversity practices The group offers people with disability the same opportunities for employment, training and career progression as other employees Employees who become disabled and unable to continue in their existing jobs are given the opportunity to be retrained for suitable alternative employment It is also committed to attracting and retaining talented people Diageo invests in the growth and development of its people, which contributes directly to the performance and results of the business Where practical, Diageo encourages flexible ways of working to enable employees to take some control over the balance between work and home life Diageo's reward systems recognise the contribution employees make to the success and reflect the value of the role they are performing

Diageo is committed to the safety and wellbeing of employees at work It promotes responsible drinking behaviours among all its people Diageo is committed to open and continuous dialogue with its employees as a way to inform and engage them in the company's strategy and business goals as well as harnessing the ideas employees will have on improving broad areas of business performance

Each senior manager is responsible for supporting the Diageo Executive and senior leadership community in delivering against these communication and employee engagement goals. The group has an intranet web site from which employees with access to a computer can obtain timely and accurate news and information

The group has entered into numerous collective bargaining agreements and believes that its employee relations are satisfactory

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 2007, in respect of the company, is 54 days (2006 56 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 company has taken advantage of Section 386(1) of the Companies Act 1985, as amended, to dispense with the obligation to appoint an auditor annually The auditor, KPMG Audit Plc, is willing to continue in office and will be deemed to be reappointed on the expiry of its term in office in respect of the year ended 30 June 2007

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

By order of the board

G P Crickmore
Director

61 St James's Street, London SW1A 1LZ
27 March 2008

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as 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 of Justerini & Brooks, Limited for the year ended 30 June 2007, which comprise the Profit and Loss account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes These financial statements have been prepared under the accounting policies set out therein

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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5 Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements In addition, we report to you if, in our opinion, 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 other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

29 April 2008

Profit and loss account

	Notes	**Continuing operations Year ended 30 June 2007**	Continuing operations Year ended 30 June 2006	Discontinued operations Year ended 30 June 2006	Total Year ended 30 June 2006
		£000	£000 (restated)	£000	£000 (restated)
Turnover	*1-2*	**54,972**	44,004	92,976	136,980
Operating costs	*3-4*	**(55,954)**	(37,196)	(47,463)	(84,659)
Operating profit		**(982)**	6,808	45,513	52,321
Disposal of fixed assets		**(59)**			-
Income from other fixed asset investments	*5*	**4,536**			12,203
Amounts written off investments	*10*	**(6,579)**			(7,315)
Profit on sale of brand business	*7*	**-**			1,165,990
Net interest receivable	*6*	**5,655**			1,891
Profit on ordinary activities before taxation		**2,571**			1,225,090
Taxation on profit on ordinary activities	*8*	**2,587**			(9,286)
Profit on ordinary activities after taxation		**5,158**			1,215,804

Statement of total recognised gains and losses

	Notes	**Year ended 30 June 2007 £ 000**	Year ended 30 June 2006 £ 000 (restated)
Profit for the financial year and total recognised gains and losses for the year		**5,158**	1,215,804
Prior year adjustments – adoption of FRS 20		**(315)**	
Total recognised gains and losses recognised since last financial statements		**4,843**	1,215,804

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

In the year ended 30 June 2007 all results arise from continuing operations

Balance sheet

	Notes	30 June 2007 £000	30 June 2007 £000	30 June 2006 £000	30 June 2006 £000 (restated)
Fixed assets					
Tangible assets	*9*		**28,777**		28,221
Investments	*10*		**1,222,655**		1,228,777
			1,251,432		1,256,998
Current assets					
Stocks	*11*	**7,714**		10,762	
Debtors due within one year	*12*	**1,224,868**		1,175,176	
Cash at bank and in hand	*13*	**26,562**		15,882	
		1,259,144		1,201,820	
Creditors: due within one year	*14*	**(610,181)**		(564,099)	
Net current assets			**648,963**		637,721
Total assets less current liabilities			**1,900,395**		1,894,719
Creditors due after one year	*15*		**(520,000)**		(520,000)
Provisions for liabilities and charges	*16*		**(630)**		(312)
Net assets			**1,379,765**		1,374,407
Capital and reserves					
Called up share capital	*17*		**86**		86
Profit and loss account	*18*		**1,379,679**		1,374,321
Equity shareholders' funds			**1,379,765**		1,374,407

These financial statements on pages 7 to 25 were approved by the board of directors on 27 March 2008 and were signed on its behalf by

N Mákos
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 law and 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")

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

Preference shares

Amounts paid as dividends during the year in respect of the company's fixed rate redeemable preference shares are presented as interest, and face value of preference shares is presented as creditors due after one year as per FRS 25

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	10 to 50 years
Plant and machinery	5 to 25 years
Fixtures and fittings	5 to 10 years
Casks and containers	15 to 20 years
Computer software	up to 5 years

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

Accounting policies (continued)

Fixed asset investments

Income from fixed asset investments is credited to the profit and loss account when it is approved 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

Leases

The company is involved in lease agreements which 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 where applicable 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

New accounting policies

The company has adopted the following accounting standard in the year and restated the prior year figures

FRS20 – Share based payments

The ultimate parent Diageo plc operates a number of share-based incentive schemes (awards of shares and options) The company has applied the requirements of FRS 20 for the first time in these financial statements utilising the guidance in UITF 41 'Scope of FRS 20' and UITF 44 'Group and Treasury Share Transactions' FRS 20 requires that where the ultimate parent's shares or options over the company's shares are granted to a subsidiary undertakings employees, an expense should be recorded in the profit and loss account, with a corresponding credit to reserves This charge is measured at the fair value of the share or share option at the date of grant (for awards granted after 7 November 2002), and is recognised on a straight-line basis over the vesting period of the award The fair value is measured on the binomial or Monte Carlo model, taking into account the terms and conditions upon which the options were granted The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting

The adoption of FRS 20 has decreased the reported operating profit before tax for the year ended 30 June 2007 by £200,000 (2006 £251,000, 2005 £133,000, 2004 £67,000), and reduced the tax charge by £47,000 (2006 - £75,000, 2005 - £41,000, 2004 - £20,000) In aggregate the adoption of FRS 20 has increased the net assets at 30 June 2006 by £136,000, the net assets at 30 June 2005 by £61,000 and the net assets at 30 June 2004 by £20,000 due to the recognition of the deferred tax asset

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 2007	Year ended 30 June 2006		
	Continuing operations	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000
UK and Ireland	**49,048**	38,052	318	38,370
Rest of Europe	**5,806**	5,850	68,802	74,652
North America	**16**	7	6,746	6,753
Africa and Middle East	**31**	18	7,664	7,682
Rest of world	**71**	77	9,446	9,523
	54,972	44,004	92,976	136,980

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

Sales to fellow group undertakings included in turnover amounted to £18,201,000 (2006 £97,957,000)

During the year ended 30 June 2006 the company sold the J&B Rare Scotch Whisky brand business Sales of J&B Rare Scotch Whisky (and related products) made prior to the sale are shown in 'discontinued operations'

Notes to the financial statements (continued)

3. Operating costs

	Year ended 30 June 2007	Year ended 30 June 2006		
	Continuing operations	Continuing operations	Discontinued operations	Total
	£000	£000 (restated)	£000	£000 (restated)
Raw materials and consumables	**31,978**	25,649	27,035	52,684
Excise duties	**9,984**	366	-	366
Advertising, marketing and promotion costs	**3,136**	2,536	14,079	16,615
Staff costs (note 4)	**6,029**	4,439	95	4,534
Other external income (a)	**(926)**	(2,002)	(83)	(2,085)
Other external charges (b)	**4,148**	4,964	6,208	11,172
Depreciation of tangible fixed assets	**1,605**	1,244	129	1,373
	55,954	37,196	47,463	84,659

(a) **Other external income** includes foreign exchange gains of £926,000 (2006 £nil), and exceptional income of £2,002,000 relating to the sale of the former Strathleven bottling plant in the financial year ended 30 June 2006

(b) **Other external charges** include foreign exchange losses of £nil (2006 £683,000), inter-company management charges of £129,000 (2006 £5,172,000), bad debt provision of £48,000 (2006 £nil), operating lease rentals for plant and machinery of £26,000 (2006 £15,000) and operating lease rentals for property of £203,000 (2006 £184,000)

Fees in respect of services provided by the auditor were statutory audit £36,000 (2006 - £36,000), other non-audit work £nil (2006 - £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 2007	Year ended 30 June 2006
Production	**124**	96
Administration	**17**	16
Selling and distribution	**25**	33
	166	145

Notes to the financial statements (continued)

4. Staff costs and directors' emoluments (continued)

The aggregate remuneration of all employees comprised

	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000 (restated)
Wages and salaries	**4,376**	3,974
Employer's social security costs	**411**	309
Employer's pension costs	**1,042**	-
Share based payments	**200**	251
	6,029	4,534

None of the directors received any remuneration during the financial year in respect of their services as directors of the company (2006 £nil)

Pension costs

The employees of the company are members of the Diageo UK pension plans, which are defined benefit schemes

It is not possible to allocate the assets and liabilities of the pension plan between individual companies and therefore the company accounts for the pension plan as a defined contribution scheme The company made contributions of £1,042,000 to the scheme in respect of its employees in the year ended 30 June 2007 (2006 nil)

The assets and liabilities of the Diageo UK pension plan and related disclosures are contained in Diageo plc's annual report for the year ended 30 June 2007 However, the balances referred to are not all attributable to the company

Share based payments

The fair value of share options or share grants is measured at grant date, based on the binomial or Monte Carlo model, and is recognised as a cost in the profit and loss account over the vesting period of the option or share grant with a corresponding adjustment to reserves Full details of the valuation and accounting for share options schemes and policies are contained in Diageo plc's annual report for the year ended 30 June 2007 (see note 22)

5. Income from other fixed asset investments

	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
Dividend income from other fixed asset investments		
Grand Metropolitan Capital Company Limited	**4,536**	12,203

Notes to the financial statements (continued)

6. Net interest receivable

	Year ended 30 June 2007	Year ended 30 June 2006
	£000	£000
Interest receivable on loans to fellow group undertakings	47,952	42,946
Other interest receivable	966	1,186
Interest receivable	48,918	44,132
Interest payable on loans from fellow group undertakings	(1,663)	(641)
Interest payable on preference shares	(41,600)	(41,600)
Interest payable	(43,263)	(42,241)
Net interest receivable	5,655	1,891

7. Profit on sale of brand business

During the financial year ended 30 June 2006, 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, resulting in a profit of £1,165,990,000

Notes to the financial statements (continued)

8 Taxation

	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000 (restated)
(i) Analysis of taxation credit/(charge) for the year		
Current tax		
UK corporation tax at 30% (2006 - 30%)	-	(6,352)
Overseas corporation tax	-	(6,352)
Double tax relief	-	6,352
Payment for group relief received	**(179)**	(17,504)
Adjustment in respect of prior years	**3,084**	14,791
Total current tax	**2,905**	(9,065)
Deferred tax		
Deferred tax charge for the year	**(330)**	(265)
Adjustment in respect of prior years	**(37)**	44
Adjustment for change in rate of corporation tax (a)	**49**	-
Total deferred tax	**(318)**	(221)
Taxation on profit on ordinary activities	**2,587**	(9,286)

(a) The deferred tax liability has been adjusted to reflect the reduction in the rate of corporation tax from 30% to 28% with effect from 1 April 2008

Notes to the financial statements (continued)

8. Taxation (continued)

	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000 (restated)
(ii) Factors affecting current tax charge for the year		
Profit on ordinary activities before taxation	**2,571**	1,225,090
Taxation on profit on ordinary activities at UK corporation tax rate of 30% (2006 - 30%)	**(771)**	(367,527)
Income not chargeable for tax purposes	**1,361**	350,387
Expenses not deductible for tax purposes	**(16,788)**	(11,319)
Accelerated capital allowances and other timing differences	**36**	340
Group relief received for nil consideration	**15,983**	4,263
Adjustment in respect of prior years	**3,084**	14,791
Current ordinary tax credit/(charge) for the year	**2,905**	(9,065)

Notes to the financial statements (continued)

9. Fixed assets – tangible assets

	Land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Assets in course of construction £000	Total £000
Cost					
At 30 June 2006	32,866	17,084	1,354	446	51,750
Additions	53	461	890	899	2,303
Disposals	(5)	(503)	(360)	-	(868)
Transfers	116	309	-	(425)	-
At 30 June 2007	**33,030**	**17,351**	**1,884**	**920**	**53,185**
Depreciation					
At 30 June 2006	(11,613)	(10,737)	(1,179)	-	(23,529)
Provided during the year	(712)	(594)	(299)	-	(1,605)
Disposals	2	447	277	-	726
At 30 June 2007	**(12,323)**	**(10,884)**	**(1,201)**	**-**	**(24,408)**
Net book value					
At 30 June 2007	**20,707**	**6,467**	**683**	**920**	**28,777**
At 30 June 2006	21,253	6,347	175	446	28,221

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

	30 June 2007 £000	30 June 2006 £000
Freehold	**20,390**	20,899
Long leasehold	**317**	354
	20,707	21,253

Notes to the financial statements (continued)

10. Fixed assets – investments

	Subsidiary undertaking £000	Other investment £000	Total £000
Cost			
At 30 June 2006	884,424	500,000	1,384,424
Additions	457	-	457
At 30 June 2007	**884,881**	**500,000**	**1,384,881**
Provisions			
At 30 June 2006	(155,647)	-	(155,647)
Provided during the year	(6,579)	-	(6,579)
At 30 June 2007	**(162,226)**	-	**(162,226)**
Net book value			
At 30 June 2007	**722,655**	**500,000**	**1,222,655**
At 30 June 2006	728,777	500,000	1,228,777

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

In the opinion of the directors, the investments 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 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 above subsidiary undertaking is incorporated in the United Kingdom and all investments are directly held

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 2007, this investment represented 16 6% of the issued ordinary share capital of Grand Metropolitan Capital Company Limited

Notes to the financial statements (continued)

10. Fixed assets – investments (continued)

The investment in subsidiary undertakings consists of 400,000 5 5% cumulative preference £1 shares and 1,735,358,457 ordinary 50p shares in Diageo Venture Holdings Limited, representing 100% of the issued ordinary and preference share capital

During the financial year ended 30 June 2006 the company acquired and subsequently disposed of the entire share capital of J&B Scotland Limited No profit or loss on sale of this investment was made

11. Stocks

	30 June 2007	30 June 2006
	£000	£000
Raw materials and consumables	**198**	66
Finished goods and goods for resale	**7,516**	10,696
	7,714	10,762

12. Debtors

	30 June 2007	30 June 2006
	£000	£000
Trade debtors	**6,780**	9,494
Amounts owed by fellow group undertakings	**1,198,307**	1,148,968
Corporation tax	**19,622**	16,554
Other debtors	**159**	85
Other prepayments and accrued income	**-**	75
	1,224,868	1,175,176

All amounts fall due within one year

Notes to the financial statements (continued)

13. 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 at 30 June 2007 includes bank accounts outside the cashpool amounting to £26,558,000 (2006 £15,875,000)

14. Creditors – due within one year

	30 June 2007	30 June 2006
	£000	£000
Trade creditors	**1,744**	5,633
Amounts owed to fellow group undertakings	**606,564**	556,759
Other taxation including social security	**1,208**	504
Other creditors	**11**	472
Accruals and deferred income	**654**	731
	610,181	564,099

15. Creditors – due after one year

	30 June 2007	30 June 2006
	£000	£000
Other financial liabilities	**520,000**	520,000

'Other financial liabilities' comprise 520,000,000 8% cumulative redeemable preference shares of £1 each 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

Notes to the financial statements (continued)

16. Provisions for liabilities and charges

	Deferred Taxation £000 (restated)
At 30 June 2006 (originally £448,000 before prior year adjustment)	312
Profit and loss account	318
At 30 June 2007	**630**

The elements of deferred taxation are as follows

	30 June 2007 £000	30 June 2006 £000 (restated)
Accelerated capital allowances	869	508
Other timing differences	(239)	(196)
Deferred tax provision	630	312

17. Called up share capital

	30 June 2007 £000	30 June 2006 £000
Authorised		
Equity - 400,000,000 ordinary shares of £1 each	400,000	400,000
Allotted, called up and fully paid		
Equity - 86,500 ordinary shares of £1 each	86	86

Notes to the financial statements (continued)

18. Reserves

	Profit and loss account £000 (restated)
At 30 June 2006 (originally £1,374,185,000 before prior year adjustment)	1,374,321
Profit for the financial year	5,158
Share based payments	200
As at 30 June 2007	**1,379,679**

The profit and loss account balance at 30 June 2006 has been restated due to the adoption of FRS 20, which is explained in the accounting policies

19. Reconciliation of movement in shareholders' funds

	30 June 2007 £000	30 June 2006 £000 (restated)
Shareholders' funds at beginning of year [originally £1,374,271,000 (2006 - £450,991,000) before prior year adjustments]	**1,374,407**	451,052
Profit for the financial year	**5,158**	1,215,804
Dividends paid	-	(292,700)
Share based payments	**200**	251
Net addition to shareholders' funds	**5,358**	923,355
Shareholders' funds at end of year	**1,379,765**	1,374,407

Notes to the financial statements (continued)

20. Commitments

At 30 June 2007 the company had minimum annual commitments under non-cancellable operating leases as follows

	30 June 2007			30 June 2006		
	Land and buildings	Other	Total	Land and buildings	Other	Total
	£000	£000	£000	£000	£000	£000
Annual payments under leases expiring						
After five years	-	-	-	-	62	62
From one to five years	-	62	62	-	5	5
	-	62	62	-	67	67

Capital expenditure commitments not provided for in these financial statements are £nil (2006 £ nil)

21. 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