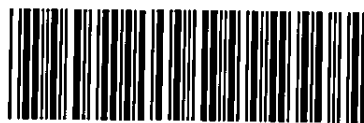


**Diageo Great Britain Limited**  
**Financial statements**  
**30 June 2008**

Registered number 507652

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**Year ended 30 June 2008**

## **Directors' report**

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2008.

### **Activities**

The principal activities of the company are the packaging, distribution, marketing, importing and selling of beer, spirits and wines. The directors foresee no material change to the activities of the company.

### **Business review**

*Development and performance of the business of the company during the financial year and position of the company as at 30 June 2008*

Although the challenges of the external environment have continued, there was a growth in turnover due to an increase in volume sold. The volume growth was mainly driven by Smirnoff and Baileys. Guinness has also continued its outperformance of the competitor beer categories in Great Britain. This performance was the consequence of new advertising campaigns, focus on quality and a successful Christmas trading period.

In the year ended 30 June 2008, a gain of £5 million arose on the sale of the company's 48.1% shareholding in TopTable.co.uk Limited.

The Responsible Drinking campaign continued to play an important role in the company's performance agenda throughout the year.

*Principal risks and uncertainties facing the company as at 30 June 2008*

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 in the annual report of Diageo plc.

*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.

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

**Year ended 30 June 2008**

**Directors' report (continued)**

**Financial**

The results for the year ended 30 June 2008 are shown on page 7.

A dividend of £248 million (2007 - £535 million) was paid during the year.

The profit for the year transferred to reserves is £54 million (2007 - £274 million).

**Directors**

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

N J Arthur	
S M Bunn	(resigned 4 January 2008)
C D Coase	
G P Crickmore	(appointed 10 August 2007)
C M Davies	
M C Flynn	(resigned 15 June 2008)
J Kyne	(appointed 18 February 2008)
N Makos	
C R R Marsh	(resigned 30 September 2007)
J G O'Hagan	
P D Tunnacliffe	(appointed 7 January 2008)

A A Abigail was appointed a director of the company on 7 August 2008.

**Directors' emoluments**

Details of the directors' emoluments are shown in note 4 of these financial statements.

**Year ended 30 June 2008**

## **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.

The company commits fully to supporting the above group objectives and initiatives.

### **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 2008, in respect of the company, is 66 days (2007 - 67 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.

**Year ended 30 June 2008**

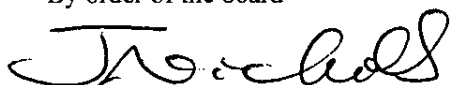
**Directors' report (continued)**

**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 2008.

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



J Nicholls  
Secretary  
8 Henrietta Place, London W1G 0NB  
30 March 2009

**Year ended 30 June 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 Diageo Great Britain Limited

We have audited the financial statements of Diageo Great Britain Limited for the year ended 30 June 2008, which comprise the profit and loss account, the balance sheet 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 2008 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

30.03.09

Year ended 30 June 2008

**Profit and loss account**

	<i>Notes</i>	<b>Year ended 30 June 2008 £ million</b>	<b>Year ended 30 June 2007 £ million</b>
<b>Turnover</b>	<i>1</i>	<b>1,465</b>	1,395
Operating costs (including exceptional items of £nil (2007 - £3 million))	<i>2-4</i>	<b>(1,373)</b>	(1,329)
<b>Operating profit</b>		<b>92</b>	66
Disposal of fixed assets – investments	<i>5</i>	<b>5</b>	35
Income from shares in group and associated undertakings	<i>6</i>	<b>117</b>	304
Net interest payable	<i>7</i>	<b>(146)</b>	(118)
<b>Profit on ordinary activities before taxation</b>		<b>68</b>	287
Taxation on profit on ordinary activities	<i>8</i>	<b>(14)</b>	(13)
<b>Profit for the financial year</b>	<i>19</i>	<b>54</b>	<b>274</b>

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 operations.



Year ended 30 June 2008

**Balance sheet**

	<i>Notes</i>	<b>30 June 2008</b>		<b>30 June 2007</b>	
		<b>£ million</b>	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
<b>Fixed assets</b>					
Intangible assets	9		-		6
Tangible assets	10		142		133
Investments	11		3,174		3,175
			<hr/>		<hr/>
			3,316		3,314
<b>Current assets</b>					
Stocks	12	30		35	
Debtors	13	1,485		1,657	
Cash at bank	15	49		105	
		<hr/>		<hr/>	
		1,564		1,797	
<b>Creditors: due within one year</b>	16	(4,241)		(4,278)	
		<hr/>		<hr/>	
<b>Net current liabilities</b>			(2,157)		(2,481)
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			639		833
<b>Provisions for liabilities and charges</b>	17		(1)		(3)
			<hr/>		<hr/>
<b>Net assets</b>			638		830
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	18		278		278
Share premium account	19	73		73	
Profit and loss account	19	287		479	
		<hr/>		<hr/>	
			360		552
			<hr/>		<hr/>
<b>Shareholders' funds</b>	20		638		830
			<hr/>		<hr/>

These financial statements on pages 7 to 24 were approved by the board of directors on 30 March 2009 and were signed on its behalf by:

C D Coase  
Director



**Year ended 30 June 2008**

### **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 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 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 consolidated 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 the going concern basis as a fellow group undertaking has agreed to provide financial support for the foreseeable future.

#### **Intangible assets**

Distribution rights regarded as having limited useful economic lives are amortised on a straight-line basis over their lives (20 years). Amortisation and any impairment write-downs are charged to the profit and loss account.

#### **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:

Freehold buildings	10 to 50 years
Plant and machinery	5 to 25 years
Fixtures and fittings	5 to 10 years
Computer software	up to 5 years

Reviews are carried out if there is any indication that impairment may have occurred, to ensure that tangible fixed assets are not carried at above their recoverable amounts. Profit or loss on the sale of tangible fixed assets is the difference between the disposal proceeds and the net book value.

**Year ended 30 June 2008**

## **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 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.

### **Research and development**

Research and development expenditure is written off in the year in which it is incurred.

**Year ended 30 June 2008**

## **Accounting policies (continued)**

### **Pensions and other post employment benefits**

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 them as a defined contribution scheme. The assets and liabilities of the Diageo UK pension plans are recognised in the Diageo plc consolidated financial statements.

### **Exceptional items**

Exceptional items are those that, in management's judgement, need to be disclosed by virtue of their size or incidence. Such items are included within the profit and loss account caption to which they relate and are separately disclosed either in the notes to the financial statements or on the face of the profit and loss account.

### **Capital grants**

Capital grants are treated as deferred income, and are credited to the profit and loss account on the same basis as the related tangible fixed assets are depreciated.

### **Taxation**

Current tax, including UK corporation tax and overseas tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted at the balance sheet date. Except as otherwise required by FRS 19, deferred tax is provided in full on timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax, or a right to pay less tax, in the future. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Any interest or penalties on tax liabilities are provided in the tax charge.

### **Share based payments**

The ultimate parent Diageo plc operates a number of share-based incentive schemes (awards of shares and options). Where the ultimate parent's shares or options over that company's shares are granted to a subsidiary undertakings employees, an expense is 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, 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 models, 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.

Year ended 30 June 2008

## 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 packaging, distribution, marketing, importing and selling of beer, spirits and wines.

All turnover originated in the United Kingdom and the geographical analysis of turnover by destination is given below:

	Year ended 30 June 2008 £ million	Year ended 30 June 2007 £ million
United Kingdom	1,405	1,338
Europe	60	57
	<u>1,465</u>	<u>1,395</u>

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 £83 million (2007 - £71 million).

## 2. Operating costs

	Year ended 30 June 2008 £ million	Year ended 30 June 2007 £ million
Decrease /(increase) in stocks of finished goods and work in progress	5	(3)
Raw materials and consumables	462	448
Excise duties	679	640
Advertising, marketing and promotion costs	82	86
Other operating income (a)	(19)	(22)
Other external charges (b)	66	87
Staff costs (note 3)	61	62
Depreciation of tangible fixed assets	31	30
Amortisation of intangible assets (note 9)	6	1
	<u>1,373</u>	<u>1,329</u>

Year ended 30 June 2008

## Notes to the financial statements (continued)

## 2. Operating costs (continued)

- (a) **Other operating income** includes management income from fellow group undertakings of £1 million (2007 - £2 million).
- (b) **Other external charges** include: intercompany royalty charges of £19 million (2007 - £16 million); intercompany factoring charges of £8 million (2007 - £8 million); losses in respect of foreign exchange of £3 million (2007 - £1 million), operating lease rentals for plant and machinery of £3 million (2007 - £3 million) and for land and buildings of £4 million (2007 - £4 million); exceptional restructuring costs of £nil (2007 - £3 million) and research and development costs of £nil (2007 - £1 million).

Fees in respect of services provided by the auditor were: statutory audit - £142,150 (2007 - £131,620); other non-audit work - £279,930 (2007 - £417,617).

## 3. Staff costs

The average number of employees, including directors, during the year was:

	Year ended 30 June 2008	Year ended 30 June 2007
Full time	1,537	1,484
Part time	57	45
	<hr/>	<hr/>
	1,594	1,529
	<hr/>	<hr/>

The aggregate remuneration of all employees comprised:

	Year ended 30 June 2008 £ million	Year ended 30 June 2007 £ million
Wages and salaries	39	37
Employer's social security costs	5	4
Share based payments	2	2
Employer's pension costs	15	19
	<hr/>	<hr/>
	61	62
	<hr/>	<hr/>

The aggregate of staff costs disclosed is net of reimbursements received from other group companies. Staff numbers represent the total headcount employed by the company. As a consequence the cost per employee is not directly comparable with the staff numbers disclosed.

Year ended 30 June 2008

**Notes to the financial statements (continued)****3. Staff costs (continued)****Pension costs**

The majority of 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 it as a defined contribution scheme. The company made contributions of £15 million to the scheme in respect of its employees in the year ended 30 June 2008 (2007 - £19 million)

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 2008; however, the amounts 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 models, 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 2008 (see note 33 of Diageo plc's annual report).

**4. Directors' emoluments**

	<b>Year ended 30 June 2008 £000</b>	<b>Year ended 30 June 2007 £000</b>
Emoluments (excluding pension contributions)	<b>1,060</b>	<b>1,418</b>

Some of the directors are paid by fellow group undertakings.

The aggregate emoluments of the highest paid director were £368,000 (2007 - £717,000). The highest paid director is a member of a defined benefit scheme under which his accrued annual pension at the year-end was £140,560 (2007 - £149,795). The lump sum equivalent of the highest paid director's pension entitlement at the year-end was £2,084,818 (2007 - £2,142,255).

The highest paid director made gains during the year of £nil (2007 - £257,981) on the exercise of share options in Diageo plc.

All of the directors paid by the company are members of the Diageo UK pension funds, which are defined benefit schemes.

Year ended 30 June 2008

## Notes to the financial statements (continued)

## 5. Disposal of fixed assets - investments

	Year ended 30 June 2008 £ million	Year ended 30 June 2007 £ million
Profit on the sale of fixed assets	5	35

The company owned 1,527,450 ordinary shares, which constituted a 48.1% holding, in TopTable.co.uk Limited. The company sold its shares for a consideration of £5 million in excess of book value. In 2007 the company sold a portion of the land of the former Park Royal Brewery to a third party resulting in a gain of £35 million.

The tax charge on the sale was £nil (2007 - £nil).

## 6. Income from shares in group and associated undertakings

	Year ended 30 June 2008 £ million	Year ended 30 June 2007 £ million
Dividend income from shares in group undertakings	116	297
Dividend income from shares in associated undertakings	1	7
	<u>117</u>	<u>304</u>

## 7. Net interest payable

	Year ended 30 June 2008 £ million	Year ended 30 June 2007 £ million
Interest payable:		
on loans from fellow group undertakings	(159)	(132)
	<u>(159)</u>	<u>(132)</u>
Less :		
Interest receivable on loans to fellow group undertakings	11	10
Other interest receivable	2	4
	<u>13</u>	<u>14</u>
<b>Net interest payable</b>	<u><u>(146)</u></u>	<u><u>(118)</u></u>



Year ended 30 June 2008

## Notes to the financial statements (continued)

## 8. Taxation

	Year ended 30 June 2008 £ million	Year ended 30 June 2007 £ million
<b>(i) Analysis of taxation charge for the year</b>		
<b>Current tax</b>		
UK corporation tax at 29.5% (2007 - 30%)	(2)	-
Double tax relief	2	-
Foreign withholding tax paid	(1)	-
Adjustment in respect of prior years	(10)	-
	<hr/>	<hr/>
<b>Total current tax</b>	<b>(11)</b>	<b>-</b>
<b>Deferred tax</b>		
Current year	(8)	(11)
Adjustment in respect of prior years	5	(1)
Adjustment for change in rate of corporation tax	-	(1)
	<hr/>	<hr/>
<b>Total deferred tax</b>	<b>(3)</b>	<b>(13)</b>
	<hr/>	<hr/>
<b>Taxation on profit on ordinary activities</b>	<b>(14)</b>	<b>(13)</b>
	<hr/>	<hr/>
	Year ended 30 June 2008 £ million	Year ended 30 June 2007 £ million
<b>(ii) Factors affecting current tax charge for the year</b>		
Profit on ordinary activities before taxation	67	287
	<hr/>	<hr/>
Taxation on profit on ordinary activities at UK corporation tax rate of 29.5% (2007 - 30%)	(20)	(86)
Accelerated capital allowances and other timing differences	8	11
Expenses not deductible for tax purposes	(3)	(2)
Items not chargeable for tax purposes	36	103
Tax audit adjustments	(4)	-
Group relief received/(surrendered) for nil consideration	(19)	(48)
Double tax relief	2	-
Overseas tax paid	(1)	1
UK/UK transfer pricing	-	21
Adjustment to tax charge in respect of prior years	(10)	-
	<hr/>	<hr/>
<b>Current tax charge for the year</b>	<b>(11)</b>	<b>-</b>
	<hr/>	<hr/>

Prior year adjustments for the year ended 30 June 2008 comprise settlements negotiated by Diageo plc, the ultimate holding company, in respect of various tax audits with the UK tax authorities in respect of the years 1998 to 2007 for a number of UK group companies. This resulted in an additional tax charge in the company of £10 million after group relief and including interest.

Year ended 30 June 2008

## Notes to the financial statements (continued)

## 9. Fixed assets – intangible assets

	<b>Distribution rights £ million</b>
<b>Cost</b>	
At 30 June 2007	12
	<hr/>
<b>At 30 June 2008</b>	<b>12</b>
	<hr/>
<b>Amortisation</b>	
At 30 June 2007	(6)
Provided during the year	(6)
	<hr/>
<b>At 30 June 2008</b>	<b>(12)</b>
	<hr/>
<b>Net book value</b>	
At 30 June 2008	-
	<hr/>
At 30 June 2007	6
	<hr/>

Year ended 30 June 2008

## Notes to the financial statements (continued)

## 10. Fixed assets – tangible assets

	<b>Buildings £ million</b>	<b>Plant and machinery £ million</b>	<b>Fixtures and fittings £ million</b>	<b>Assets in course of construction £ million</b>	<b>Total £ million</b>
<b>Cost</b>					
At 30 June 2007	23	189	89	18	319
Additions	-	8	2	32	42
Disposals	-	(43)	(5)	(1)	(49)
Transfers	-	2	17	(19)	-
<b>At 30 June 2008</b>	<b>23</b>	<b>156</b>	<b>103</b>	<b>30</b>	<b>312</b>
<b>Depreciation</b>					
At 30 June 2007	(6)	(133)	(47)	-	(186)
Provided during the year	(1)	(13)	(17)	-	(31)
Disposals	-	42	5	-	47
<b>At 30 June 2008</b>	<b>(7)</b>	<b>(104)</b>	<b>(59)</b>	<b>-</b>	<b>(170)</b>
<b>Net book value</b>					
<b>At 30 June 2008</b>	<b>16</b>	<b>52</b>	<b>44</b>	<b>30</b>	<b>142</b>
At 30 June 2007	17	56	42	18	133

Year ended 30 June 2008

## Notes to the financial statements (continued)

## 11. Fixed assets – investments

	Subsidiary undertakings £ million	Associated undertakings £ million	Other investments £ million	Total £ million
<b>Cost</b>				
At 30 June 2007	4,658	27	5	4,690
Disposals	-	(1)	-	(1)
<b>At 30 June 2008</b>	<b>4,658</b>	<b>26</b>	<b>5</b>	<b>4,689</b>
<b>Provisions</b>				
At 30 June 2007 and at 30 June 2008	(1,511)	-	(4)	(1,515)
<b>Net book value</b>				
At 30 June 2008	3,147	26	1	3,174
At 30 June 2007	3,147	27	1	3,175

The principal subsidiary and associated undertakings and the percentage of equity owned are as follows:

	Country of incorporation	Class and percentage of shares held
<b>Direct holdings:</b>		
<b>Subsidiary undertakings</b>		
Diageo Scotland Limited	Scotland	100% of ordinary shares
Gilbeys Limited	England	94.3% of ordinary shares
Justerini & Brooks, Limited	England	100% of ordinary shares and 100% of 8% cumulative preference shares
Diageo United Kingdom Limited	England	100% of ordinary shares
S & B Production Limited	Northern Ireland	100% of ordinary shares
The Old Bushmills Distillery Company Limited	Northern Ireland	100% of ordinary A&B shares
<b>Associated undertakings</b>		
Lothian Distillers Limited	Scotland	100% of ordinary B shares (two classes – A&B, 50% of total voting share capital)

The above companies are principally involved in the production, distribution, marketing, exporting and importing of beer, spirits and wines. The investments in subsidiary and associated undertakings are held at cost less, where appropriate, provision for impairment in value.

Year ended 30 June 2008

## Notes to the financial statements (continued)

## 11. Fixed assets – investments (continued)

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.

Certain undertakings have been omitted from the lists above, as they are either dormant or not material. A full list of subsidiary (and associated) undertakings will be annexed to the company's annual return.

Former subsidiary undertakings, International Distillers Africa Limited and Morgan Furze Limited, were liquidated during the financial year, resulting in total gains of £118,000.

The aggregate net book value of the investment in associated undertakings on an equity accounting basis is £26 million (2007 - £29 million).

## 12. Stocks

	30 June 2008 £ million	30 June 2007 £ million
Raw materials and consumables	2	2
Finished goods and goods for resale	28	33
	<hr/>	<hr/>
	30	35
	<hr/>	<hr/>

## 13. Debtors

	30 June 2008 £ million	30 June 2007 £ million
Trade debtors	146	128
Factored debt	71	73
Amounts owed by fellow group undertakings	1,252	1,435
Corporate taxation	-	2
Other debtors	1	-
Other prepayments and accrued income	7	8
Deferred taxation (note 14)	8	11
	<hr/>	<hr/>
	1,485	1,657
	<hr/>	<hr/>

All amounts fall due within one year

Year ended 30 June 2008

## Notes to the financial statements (continued)

## 14. Deferred taxation

	30 June 2008 £ million	30 June 2007 £ million
Accelerated capital allowances	3	1
Other timing differences	5	3
Pension contributions	-	7
	<hr/>	<hr/>
<b>Deferred tax asset</b>	<b>8</b>	<b>11</b>
	<hr/>	<hr/>

At 30 June 2007 the deferred tax on pension contributions was in respect of the contributions made during the year ended 30 June 2005 for which the tax benefit is recognised over a period of four years.

Deferred taxation assets have been recognised to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred taxation assets, where realisation does not meet the more likely than not criterion, have not been recognised.

## 15. 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 2008 includes bank accounts outside the cashpool amounting to £42 million (2007 - £76 million).

Year ended 30 June 2008

## Notes to the financial statements (continued)

## 16. Creditors due within one year

	30 June 2008 £ million	30 June 2007 £ million
Trade creditors	68	50
Amounts owed to fellow group undertakings	3,944	4,015
Amounts owed to associated undertakings	7	8
Other taxation including social security	56	61
Corporate taxation	9	-
Other creditors	1	4
Accruals and deferred income	156	140
	<u>4,241</u>	<u>4,278</u>

## 17. Provisions for liabilities and charges

	Restructuring provisions £ million	Other provisions £ million	Total £ million
At 30 June 2007	1	2	3
Released	-	(2)	(2)
	<u>1</u>	<u>-</u>	<u>1</u>
<b>At 30 June 2008</b>	<b>1</b>	<b>-</b>	<b>1</b>

Restructuring provisions relate to costs in respect of restructuring of some of the company's brewing and packaging facilities.

Provisions will be utilised within the next few years.

Year ended 30 June 2008

## Notes to the financial statements (continued)

## 18. Share capital

	30 June 2008 £ million	30 June 2007 £ million
<i>Authorised:</i>		
1,132,366,000 ordinary shares of 25p each	283	283
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
1,113,082,750 ordinary shares of 25p each	278	278
	<hr/>	<hr/>

## 19. Reserves

	Share premium account £ million	Profit and loss account £ million	Total £ million
At 30 June 2007	73	479	552
Dividend paid	-	(248)	(248)
Share based payments	-	2	2
Profit for the financial year	-	54	54
	<hr/>	<hr/>	<hr/>
At 30 June 2008	73	287	360
	<hr/>	<hr/>	<hr/>

## 20. Reconciliation of movement in shareholders' funds

	30 June 2008 £ million	30 June 2007 £ million
Dividend paid	(248)	(535)
Share based payments	2	2
Profit for the financial year	54	274
	<hr/>	<hr/>
Net reduction in shareholders' funds	(192)	(259)
	<hr/>	<hr/>
Shareholders' funds at beginning of year	830	1,089
	<hr/>	<hr/>
Shareholders' funds at end of year	638	830
	<hr/>	<hr/>



Year ended 30 June 2008

## Notes to the financial statements (continued)

## 21. Commitments

At 30 June 2008 the company had minimum annual commitments under non-cancellable operating leases as follows:

	30 June 2008			30 June 2007		
	Land & buildings	Other	Total	Land & buildings	Other	Total
	£ million	£ million	£ million	£ million	£ million	£ million
<b>Annual payments under leases expiring:</b>						
After five years	5	1	6	5	1	6
From one to five years	2	4	6	1	4	5
Within one year	-	-	-	-	-	-
	<u>7</u>	<u>5</u>	<u>12</u>	<u>6</u>	<u>5</u>	<u>11</u>

Capital expenditure commitments not provided for in these financial statements are estimated at £14 million (2007 - £4 million).

## 22. Immediate and ultimate parent undertaking

The immediate parent undertaking of the company is Grand Metropolitan Public Limited Company, 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.

## 23. Post balance sheet events

On 12 February 2009, the Diageo group announced that it was implementing a worldwide restructuring programme designed to improve routes to market, stronger brand positions and a competitive position for future growth. Restructuring costs amounting to approximately £200 million for the Diageo group will be charged as an exceptional cost in the Diageo consolidated financial statements in the year ending 30 June 2009. It is anticipated that part of the cost will be in respect of the company.

On 30 March 2009 the company declared a dividend of £48 million to be paid to the ordinary shareholders.