Diageo Scotland Limited

Financial statements
30 June 2007

Registered number SC000750

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 company's principal activities are the production, marketing of Scotch whisky and other spirits and distribution to fellow group undertakings and third parties The company also makes third party sales in relation to the Global Duty Free business The directors foresee no changes in the company's activities

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

The development and performance of the principal activities of the company were, for the year ended 30 June 2007, predominantly dependent on the respective demands of the Diageo subsidiaries with whom it trades

In support of the company's principal activities, the company performs a stock holding function This is also provided to other Diageo group companies Stock is purchased and charged to Diageo subsidiaries at cost plus foreign exchange charges and a financing charge for holding the stock

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, both the principal and support activities are predominantly with fellow members of the Diageo group Therefore, the risk of non performance by counterparties to transactions with the company is considered remote.

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

Directors' report (continued)

Financial

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

A dividend of £254 million (2006 £267 million) was paid during the year The profit for the year transferred to reserves is £147 million (2006 £300 million)

Directors

The directors who held office during the year were as follows

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

P M Heade resigned as a director of the company on 31 July 2007

G P Crickmore was appointed a director of the company on 10 August 2007

C M Davies was appointed a director of the company on 10 August 2007

C R R Marsh resigned a director of the company on 30 September 2007

S M Bunn resigned as a director on 4 January 2008 P D Tunnacliffe was appointed a director of the company on 7 January 2008.

J Kyne was appointed a director of the company on 18 February 2008

Directors' emoluments

Details of the directors' emoluments are detailed in note 5 of these financial statements

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 58 days (2006 49 days)

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 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

J Nicholls
Secretary

Edinburgh Park
5 Lochside Way
Edinburgh EH12 9DT

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 Diageo Scotland Limited

We have audited the financial statements of Diageo Scotland 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
Chartered Accountants
Registered Auditor
London

KPMG Audit Plc

29 April 2008

Profit and loss account

	Notes	**Year ended 30 June 2007 £ million**	Year ended 30 June 2006 £ million (Restated)
Turnover	*2*	**849**	727
Operating costs	*3 5*	**(665)**	(545)
Operating profit		**184**	182
Income from shares in group undertakings	*6*	**15**	103
Interest receivable and similar income	*7*	**4**	6
Profit on ordinary activities before taxation		**203**	291
Taxation on profit on ordinary activities	*8*	**(56)**	9
Profit on ordinary activities after taxation and for the financial year		**147**	300

Statement of total recognised gains and losses

	Notes	**Year ended 30 June 2007 £ million**	Year ended 30 June 2006 £ million (Restated)
Profit for the financial year and total recognised gains and losses for the year		**147**	300
Prior year adjustments – adoption of FRS 20	*1*	**(5)**	
Total recognised gains and losses recognised since last financial statements		**142**	

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

Balance sheet

	Notes	30 June 2007 £ million	30 June 2007 £ million	£ million	30 June 2006 £ million (Restated)
Fixed assets					
Intangible assets	*10*		**95**		95
Tangible assets	*11*		**227**		217
Investments	*12*		**288**		290
			610		602
Current assets					
Stocks	*13*	**1,250**		1,200	
Debtors due within one year	*14*	**2,681**		2,657	
Cash at bank and in hand	*15*	**2**		1	
		3,933		3,858	
Creditors due within one year	*16*	**(3,307)**		(3,118)	
Net current assets			**626**		740
Total assets less current liabilities			**1,236**		1,342
Provisions for liabilities and charges	*17*		**(48)**		(50)
Net assets			**1,188**		1,292
Capital and reserves					
Called up share capital	*18*		**182**		182
Profit and loss account	*19*		**1,006**		1,110
Equity shareholders' funds	*20*		**1,188**		1,292

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

C D Coase
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 unless described otherwise within 'New accounting policies' below

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 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

Intangible assets

Acquired brands and other intangible assets are capitalised when they are controlled through contractual or other legal rights, or are separable from the rest of the business, and the fair value can be reliably measured

Intangible assets are regarded as having limited useful economic lives, are amortised on a straight line basis over those lives Intangible assets that are regarded as having indefinite useful economic lives, are not amortised Assets with indefinite lives are reviewed for impairment annually and other assets are reviewed for impairment wherever events or circumstances indicate that the carrying amount may not be recoverable Impairment reviews, comparing the discounted estimated future operating cash flows with the net carrying value of brands, are carried out to ensure that intangible assets are not carried at above their recoverable amounts Amortisation and any impairment write downs are charged to the profit and loss account

Accounting policies (continued)

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	50 years
Casks and containers	15 to 20 years
Production and service plant	10 to 25 years
Office machinery	5 years
Computers and associated equipment	4 years
Motor vehicles	4 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

Fixed asset investments

Dividend 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

Exchange gains and losses are taken to the profit and loss account

Accounting policies (continued)

Turnover

Turnover represents the invoice value of goods and services including excise duties, 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

Pensions and other post employment benefits

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

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 plan The assets and liabilities of the Diageo UK pension plan 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

Deferred taxation

Full provision is made for timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations using current tax rates The company does not discount these balances No deferred tax is provided in respect of any future remittance of earnings of foreign subsidiaries or associates where no commitment has been made to remit such earnings

Notes to the financial statements

1. 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 £3 million (2006 £4 million, 2005 £2 million, 2004 £1 million), and reduced the tax charge by £1 million (2006 £1 million, 2005 £ 1 million) In aggregate the adoption of FRS 20 has increased the net assets at 30 June 2006 by £2 million and the net assets at 30 June 2005 by £1 million due to the recognition of the deferred tax asset

Notes to the financial statements (continued)

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

Geographical analysis of turnover

The turnover and profit on ordinary activities before taxation are attributable to the production of scotch whisky, and its onward sale to fellow group undertakings and third parties, along with third party sales of Global Duty Free

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

	Year ended 30 June 2007 £ million	Year ended 30 June 2006 £ million
Europe	**686**	549
North America	**87**	116
Asia Pacific	**66**	50
Rest of world	**10**	12
	849	727

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 £668 million (2006 £565 million)

Notes to the financial statements (continued)

3. Operating costs

	Year ended 30 June 2007 £ million	Year ended 30 June 2006 £ million (Restated)
(Increase)/decrease in stocks of finished goods and work in progress	**(50)**	1
Other operating income (a)	**(22)**	(19)
Raw materials and consumables	**461**	342
Advertising, marketing and promotion costs	**31**	41
Other external charges (b)	**112**	62
Staff costs (note 4)	**107**	93
Depreciation of fixed assets	**23**	23
Restructuring costs	**3**	2
	665	545

(a) **Other operating income** includes intercompany management income of £17 million (2006 £12 million) and foreign exchange gain of £nil (2006 £3 million)

(b) **Other external charges** include operating lease rentals for land and buildings of £1 million (2006 £1 million), other lease rentals of £1 million (2006 £1 million) and foreign exchange loss of £3 million (2006 £nil)

Fees in respect of services provided by the auditor were statutory audit £52,871 (2006 £168,252), other non audit work £nil (2006 £nil)

Notes to the financial statements (continued)

4. Staff costs

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

	Year ended 30 June 2007	Year ended 30 June 2006
Full time	**2,622**	2,695
Part time	**8**	4
	2,630	2,699

The aggregate remuneration of all employees comprised

	Year ended 30 June 2007 £ million	Year ended 30 June 2006 £ million (Restated)
Wages and salaries	**76**	64
Employer's social security costs	**6**	6
Share based payments	**3**	4
Employer's pension costs	**18**	14
Other employment costs	**4**	5
	107	93

Pension costs

The employees of the company are members of the Diageo UK pension plan, which is a defined benefit pension plan 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 plan The company made cash contributions of £18 million to the plan in respect of its employees in the year ended 30 June 2007 (2006 – £14 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 2007, 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 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)

Notes to the financial statements (continued)

5. Directors' emoluments

	Year ended 30 June 2007 £ 000	Year ended 30 June 2006 £ 000
Emoluments (excluding pension contributions)	**409**	371

The aggregate emoluments of the highest paid director were £282,291 (2006 £263,127) The highest paid director is a member of a defined benefit scheme, under which his accrued annual pension at the year end was £46,921 (2006 £37,592) The lump sum equivalent of the highest paid director's pension entitlement at the year end was £522,532 (2006 £292,067)

Some of the directors were paid by fellow group undertakings All of the directors paid by Diageo Scotland Limited are members of the Diageo UK pension plan

6. Income from shares in group undertakings

	Year ended 30 June 2007 £ million	Year ended 30 June 2006 £ million
Dividend income from shares in group undertakings	**15**	103

7. Interest receivable and similar income

	Year ended 30 June 2007 £ million	Year ended 30 June 2006 £ million
Bank interest	4	6

Notes to the financial statements (continued)

8. Taxation

(i) Analysis of taxation (charge)/credit for the year	**Year ended 30 June 2007 £ million**	Year ended 30 June 2006 £ million (Restated)
Current tax		
Payment for group relief claimed	**(57)**	(2)
Adjustment in respect of prior years		16
Total current tax (charge)/credit	**(57)**	14
Deferred tax		
Credit for the year	**1**	1
Adjustment for the change in rate of corporation tax	**3**	
Adjustment in respect of prior years	**(3)**	(6)
Total deferred tax	**1**	(5)
Taxation on profit on ordinary activities	**(56)**	9

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

(ii) Factors affecting current tax charge for the year	**Year ended 30 June 2007 £ million**	Year ended 30 June 2006 £ million (Restated)
Profit on activities before taxation	**203**	291
Taxation on profit on ordinary activities at UK corporation tax rate of 30% (2006 30%)	**(61)**	(87)
Items not chargeable for tax purposes		27
Group relief received for nil consideration	**4**	58
Adjustment in respect of prior years		16
Current ordinary tax (charge)/credit for the year	**(57)**	14

Notes to the financial statements (continued)

9. Dividends

	Year ended 30 June 2007 £ million	Year ended 30 June 2006 £ million
Equity shares		
Final dividends in respect of 2006 paid (2006 in respect of 2005 paid)	**254**	267

10. Fixed assets – Intangible assets

	£ million
Cost	
At beginning and end of year	**95**
Net book value	
At beginning and end of year	**95**

The intangible asset is the worldwide distribution right to the Captain Morgan brand (excluding Canada and the United States of America)

Notes to the financial statements (continued)

11. Fixed assets – tangible assets

	Freehold land and buildings £ million	Plant and machinery £ million	Casks, containers and vehicles £ million	Assets in course of construction £ million	Total £ million
Cost					
At 30 June 2006	97	181	112	11	401
Additions	1	10	6	17	34
Disposals		(3)	(2)		(5)
Transfers		11		(11)	
At 30 June 2007	**98**	**199**	**116**	**17**	**430**
Depreciation					
At 30 June 2006	31	100	53		184
Provided during the year	3	13	7		23
Disposals		(2)	(2)		(4)
At 30 June 2007	**34**	**111**	**58**		**203**
Net book value					
At 30 June 2007	**64**	**88**	**58**	**17**	**227**
At 30 June 2006	66	81	59	11	217

Included within the net book value of freehold properties is £4 million (2006 £4 million) in respect of land on which no depreciation is charged

Notes to the financial statements (continued)

12. Fixed assets – investments

	Subsidiary undertakings £ million
Cost	
At 30 June 2006	328
Disposals	(1)
At 30 June 2007	**327**
Provisions	
At 30 June 2006	38
Provided during the year	1
At 30 June 2007	39
Net book value	
At 30 June 2007	**288**
At 30 June 2006	290

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

	Country of incorporation	Principal activity	Percentage and class of shares held
Diageo Distilling Limited	Scotland	Distillers of scotch whisky	100% ordinary shares
Diageo Australia Limited	Australia	Bottlers and marketers of spirits	100% ordinary shares

The investments in subsidiary undertakings 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

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

Donald Fisher Limited, Gleneagles Leisure Limited and Gleneagles Motel Limited, former subsidiary undertakings, resolved on 19 May 2007 to be struck off the register, resulting in neither a gain nor a loss to the company

Notes to the financial statements (continued)

Arthur Bell Distillers Limited and Peter Dawson Limited, former subsidiary undertakings, resolved on 23 March 2007 to be struck off the register, resulting in neither a gain nor a loss to the company

Bulloch Lade & Company Limited, a former subsidiary undertaking, resolved on 13 April 2007 to be struck off the register, resulting in neither a gain nor a loss to the company

Jon Begg Limited, a former subsidiary undertaking, resolved on 27 March 2007 to be struck off the register, resulting in neither a gain nor a loss to the company

13. Stocks

	30 June 2007 £ million	30 June 2006 £ million
Raw materials and consumables	**9**	9
Work in progress	**1**	2
Maturing whisky	**1,208**	1,162
Finished goods and goods for resale	**32**	27
	1,250	1,200

14. Debtors

	30 June 2007 £ million	30 June 2006 £ million
Trade debtors	**40**	38
Amounts owed by fellow group undertakings	**2,602**	2,598
Other debtors	**28**	20
Other prepayments and accrued income	**11**	1
	2,681	2,657

Included in amounts owed by fellow group undertakings is a debtor for £31 million (2006 £51 million), which falls due after one year All other amounts fall due within one year

Notes to the financial statements (continued)

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

16. Creditors - due within one year

	30 June 2007 £ million	30 June 2006 £ million
Overdrafts		3
Trade creditors	**63**	38
Amounts owed to fellow group undertakings	**3,149**	3,001
Other taxation including social security	**21**	6
Other creditors		2
Accruals and deferred income	**67**	59
Corporation tax	**7**	9
	3,307	3,118

17. Provisions for liabilities and charges

	Restructuring provision £ million	**Deferred taxation £ million** (Restated)	**Total £ million** (Restated)
At 30 June 2006	6	44	50
Utilised	(1)	(1)	(2)
At 30 June 2007	**5**	**43**	**48**

Notes to the financial statements (continued)

17. Provisions for liabilities and charges (continued)

Deferred taxation

	30 June 2007 £ million	30 June 2006 £ million (Restated)
Accelerated capital allowances	**34**	48
Other timing differences	**9**	(4)
Deferred tax provision	**43**	44

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

18. Share capital

		30 June 2007 £ million	30 June 2006 £ million
Authorised			
Equity	400,000,000 ordinary shares of 50p each	**200**	200
Allotted, called up and fully paid:			
Equity	363,169,546 ordinary shares of 50p each	**182**	182

Notes to the financial statements (continued)

19. Reserves

	Profit and loss account £ million (Restated)
At 30 June 2006 (originally £1,108million before prior year adjustment)	1,110
Profit for the financial year	147
Share based payments	3
Dividends paid	(254)
At 30 June 2007	**1,006**

The profit and loss account balance at 30 June 2006 has been restated due to the adoption of FRS 20, which is explained in note 1

20. Reconciliation of movement in shareholders' funds

	30 June 2007 £ million	30 June 2006 £ million (Restated)
Profit for the financial year	**147**	300
Dividends paid	**(254)**	(267)
Share based payments	**3**	4
Net (decrease)/addition to shareholders' funds	**(104)**	37
Shareholders' funds at beginning of year (originally £1,290million (2006 £1,254million) before prior year adjustment)	**1,292**	1,255
Shareholders' funds at end of year	**1,188**	1,292

Notes to the financial statements (continued)

21. 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
	£ million	**£ million**	**£ million**	£ million	£ million	£ million
Annual payments under leases expiring:						
After five years	**1**		**1**	1		1
From one to five years		**1**	**1**		1	1
	1	**1**	**2**	1	1	2

Capital expenditure commitments not provided for in these financial statements are estimated at £12 million (2006 £4 million)

The company has revenue purchase commitments totalling £180 million

22. 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