Diageo Scotland Limited

Financial statements
30 June 2008

Registered number SC000750

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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 company's principal activities are the production, maturation and 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 2008

The development and performance of the principal activities of the company were, for the year ended 30 June 2008, 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 in consideration for holding the stock.

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 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 2008 are shown on page 7.

A dividend of £71 million (2007 - £254 million) was paid during the year. The profit for the year transferred to reserves is £2 million (2007 - £147 million).

Directors

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

S M Bunn	(resigned 4 January 2008)
C D Coase	
G P Crickmore	(appointed 10 August 2007)
C M Davies	(appointed 10 August 2007)
B H Donaghey	
M C Flynn	(resigned 15 June 2008)
P M Heade	(resigned 31 July 2007)
R A Hibbins	(appointed 10 March 2008)
J Kyne	(appointed 18 February 2008)
N Makos	
C R R Marsh	(resigned 30 September 2007)
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 detailed in note 4 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 2008, in respect of the company, is 66 days (2007 - 58 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 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

Edinburgh Park
5 Lochside Way
Edinburgh EH12 9DT

30 March 2009

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 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
Chartered Accountants
Registered Auditor
London

KPMG Audit Plc

30 March 2009

Profit and loss account

	Notes	**Year ended 30 June 2008 £ million**	Year ended 30 June 2007 £ million
Turnover	*1*	**880**	849
Operating costs	*2*	**(687)**	(665)
Operating profit		**193**	184
Income from shares in group undertakings	*5*	**13**	15
Interest receivable	*6*	**4**	4
Profit on ordinary activities before taxation		**210**	203
Taxation on profit on ordinary activities	*7*	**(208)**	(56)
Profit for the financial year		**2**	147

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.

Balance sheet

	Notes	30 June 2008		30 June 2007	
		£ million	£ million	£ million	£ million
Fixed assets					
Intangible assets	*8*		**95**		95
Tangible assets	*9*		**238**		227
Investments	*10*		**288**		288
			621		610
Current assets					
Stocks	*11*	**1,382**		1,250	
Debtors	*12*	**2,472**		2,681	
Cash at bank and in hand	*13*	**-**		2	
		3,854		3,933	
Creditors: due within one year	*14*	**(3,304)**		(3,307)	
Net current assets			**550**		626
Total assets less current liabilities			**1,171**		1,236
Provisions for liabilities and charges	*15*		**(48)**		(48)
Net assets			**1,123**		1,188
Capital and reserves					
Called up share capital	*16*		**182**		182
Profit and loss account	*17*		**941**		1,006
Shareholders' funds	*18*		**1,123**		1,188

These financial statements on pages 7 to 23 were approved by the board of directors on 30 March 2009 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 that 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.

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 that 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 whenever 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 intangible assets, are carried out to ensure that they 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

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

Foreign currency transactions are recorded at the rate of exchange on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the financial year end exchange rates.

Exchange rate 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 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 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.

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 undertaking's 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.

Notes to the financial statements

1. 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, maturation and marketing of scotch whisky and other spirits, 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 2008 £ million	Year ended 30 June 2007 £ million
Europe	**662**	686
North America	**120**	87
Asia Pacific	**90**	66
Rest of world	**8**	10
	880	849

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 £675 million (2007 - £668 million).

Notes to the financial statements (continued)

2. Operating costs

	Year ended 30 June 2008 £ million	Year ended 30 June 2007 £ million
Increase in stocks of finished goods and work in progress	**(129)**	(50)
Other operating income (a)	**(35)**	(22)
Raw materials and consumables	**567**	461
Advertising, marketing and promotion costs	**42**	31
Other external charges (b)	**113**	112
Staff costs (note 3)	**104**	107
Depreciation of fixed assets	**25**	23
Restructuring costs	**-**	3
	687	665

(a) **Other operating income** includes intercompany management income of £32 million (2007 - £17 million).

(b) **Other external charges** includes operating lease rentals for land and buildings of £1 million (2007 - £1 million); other lease rentals of £1 million (2007 - £1 million) and foreign exchange loss of £1 million (2007 - £3 million).

Fees in respect of services provided by the auditor were: statutory audit £166,629 (2007 - £152,871); and other non-audit work £nil (2007 - £nil).

Notes to the financial statements (continued)

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	**2,839**	2,622
Part time	**7**	8
	2,846	2,630

The aggregate remuneration of all employees comprised:

	Year ended 30 June 2008 £ million	Year ended 30 June 2007 £ million
Wages and salaries	**78**	76
Employer's social security costs	**6**	6
Employer's pension costs	**14**	18
Share based payments	**4**	3
Other employment costs	**2**	4
	104	107

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 plans between individual companies and therefore the company accounts for it as a defined contribution scheme. The company made cash contributions of £14 million to the schemes in respect of its employees in the year ended 30 June 2008 (2007 – £18 million).

The assets and liabilities of the Diageo UK pension plans and related disclosures are contained in Diageo plc's annual report for the year ended 30 June 2008. 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 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).

Notes to the financial statements (continued)

4. Directors' emoluments

	Year ended 30 June 2008 £ 000	Year ended 30 June 2007 £ 000
Emoluments (excluding pension contributions)	**493**	409

The aggregate emoluments of the highest paid director were £322,443 (2007 - £282,291). The highest paid director is a member of a defined benefit scheme, under which his accrued annual pension at the year end was £53,993.12 (2007 - £46,921). The lump sum equivalent of the highest paid director's pension entitlement at the year-end was £636,077 (2007 - £522,532).

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 plans.

5. Income from shares in group undertakings

	Year ended 30 June 2008 £ million	Year ended 30 June 2007 £ million
Dividend income from shares in group undertakings	**13**	15

6. Interest receivable

	Year ended 30 June 2008 £ million	Year ended 30 June 2007 £ million
Bank interest received	**4**	4

Notes to the financial statements (continued)

7. Taxation

(i) Analysis of taxation charge for the year	**Year ended 30 June 2008 £ million**	Year ended 30 June 2007 £ million
Current tax		
Payment for group relief claimed	**(61)**	(57)
Adjustment in respect of prior year	**(147)**	-
Total current tax charge	**(208)**	(57)
Deferred tax		
(Charge)/credit for the year	**(3)**	1
Adjustment for the change in rate of corporation tax	**-**	3
Adjustment in respect of prior year	**3**	(3)
Total deferred tax	**-**	1
Taxation on profit on ordinary activities	**(208)**	(56)

(ii) Factors affecting current tax charge for the year	**Year ended 30 June 2008 £ million**	Year ended 30 June 2007 £ million
Profit on activities before taxation	**210**	203
Taxation on profit on ordinary activities at UK corporation tax rate of 29.5% (2007 - 30%)	**(62)**	(61)
Expenses not allowable and other permanent differences	**2**	-
Items not chargeable for tax purposes	**3**	-
Tax audit adjustments	**(12)**	-
Group relief received for nil consideration	**5**	4
Movement on ACAs and other timing differences	**3**	-
Adjustments in respect of prior year	**(147)**	-
Current ordinary tax charge for the year	**(208)**	(57)

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 £147 million after group relief and including interest.

Notes to the financial statements (continued)

8. 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).

9. Fixed assets – tangible assets

	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 2007	98	199	116	17	430
Additions	-	11	14	13	38
Disposals	-	(7)	(3)	-	(10)
Transfers	1	12	5	(18)	-
At 30 June 2008	**99**	**215**	**132**	**12**	**458**
Depreciation					
At 30 June 2007	34	111	58	-	203
Provided during the year	3	14	8	-	25
Disposals	-	(6)	(2)	-	(8)
At 30 June 2008	**37**	**119**	**64**	**-**	**220**
Net book value					
At 30 June 2008	**62**	**96**	**68**	**12**	**238**
At 30 June 2007	64	88	58	17	227

Included within the net book value of freehold properties is £4 million (2007 - £4 million) in respect of land on which no depreciation is charged.

Notes to the financial statements (continued)

10. Fixed assets – investments

	Subsidiary undertakings £ million
Cost	
At beginning and end of year	327
Provisions	
At beginning and end of year	39
Net book value	
At beginning and end of year	**288**

The principal subsidiary undertakings of the company and the percentage of share capital directly owned are as follows:

	Country of incorporation	Principal activity	Percentage and class of shares held
Diageo Distilling Limited	Scotland	Distillers of scotch whisky and spirit	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.

Notes to the financial statements (continued)

11. Stocks

	30 June 2008 £ million	30 June 2007 £ million
Raw materials and consumables	**12**	9
Work in progress	**3**	1
Maturing whisky	**1,326**	1,208
Finished goods and goods for resale	**41**	32
	1,382	1,250

12. Debtors

	30 June 2008 £ million	30 June 2007 £ million
Trade debtors	**65**	40
Amounts owed by fellow group undertakings	**2,374**	2,602
Other debtors	**13**	28
Other prepayments and accrued income	**20**	11
	2,472	2,681

Included in amounts owed by fellow group undertakings is a debtor for £21 million (2007 - £31 million), which falls due after one year. All other 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.

14. Creditors - due within one year

	30 June 2008 £ million	30 June 2007 £ million
Trade creditors	**78**	63
Amounts owed to fellow group undertakings	**3,004**	3,149
Other taxation including social security	**8**	21
Accruals and deferred income	**60**	67
Corporation tax	**154**	7
	3,304	3,307

15. Provisions for liabilities and charges

	Restructuring provision £ million	**Deferred taxation £ million**	**Total £ million**
At beginning and end of year	5	43	48

Notes to the financial statements (continued)

18. Reconciliation of movement in shareholders' funds

	30 June 2008 £ million	30 June 2007 £ million
Profit for the financial year	**2**	147
Dividends paid	**(71)**	(254)
Share based payments	**4**	3
Net reduction in shareholders' funds	**(65)**	(104)
Shareholders' funds at beginning of year	**1,188**	1,292
Shareholders' funds at end of year	**1,123**	1,188

19. 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 and buildings £ million	**Other £ million**	**Total £ million**	Land and buildings £ million	Other £ million	Total £ 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 (2007 - £12 million).

The company has purchase commitments totalling £131 million (2007 - £180 million).

Notes to the financial statements (continued)

20. 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.

21. Post balance sheet event

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.