

Diageo United Kingdom Limited

Financial statements 30 June 2006

Registered number 560661

MONDAY



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COMPANIES HOUSE

Directors' report

The directors have pleasure in submitting their annual report, together with the audited financial statements, for the year ended 30 June 2006

Activities

The principal activity of the company is the receipt of interest from a fellow group company

Financial

The results for the year ended 30 June 2006 are shown on page 6

The directors do not recommend the payment of a dividend (2005 - £nil)

The profit for the year transferred to reserves is £3,817,000 (2005 - £103,055,000)

Directors

The directors who held office during the year were as follows

S M Bunn
C D Coase
M C Flynn
M J Lester
N Makos (appointed 26 May 2006)

M J Lester resigned as a director on 31 August 2006

Directors' emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company (2005 - £nil)

Directors' report (continued)

Directors' interests (continued)

No directors had any interest, beneficial or non-beneficial, in the share capital of the company or had a material interest during the year in any significant contract with the company or any subsidiary

The directors who held office at the end of the financial year had the following beneficial interests in the ordinary shares of 28¹⁰¹/₁₀₈ pence each in the ultimate parent company, Diageo plc

(i) Ordinary shares and conditional rights to ordinary shares

| | Ordinary shares | | Conditional rights to ordinary shares | | | | |
|-------------------|---|----------------|---|-----------------|----------------|----------------|----------------|
| | At beginning of year (or date of appointment) | At end of year | At beginning of year (or date of appointment) | Granted in year | Vested in year | Lapsed in year | At end of year |
| S M Bunn | 128 | 132 | - | - | - | - | - |
| C D Coase | 14,207 | 15,000 | - | 23,380 | - | - | 23,380 |
| M C Flynn | 11,743 | 12,377 | - | - | - | - | - |
| M J Lester | 26,306 | 28,852 | 30,790 | 8,361 | (3,521) | - | 35,630 |
| N Makos | - | - | - | - | - | - | - |

The directors were granted conditional rights to receive ordinary shares or, exceptionally, a cash sum under certain long-term incentive plans. Any conditional rights are shown in the table as ordinary share equivalents. The conditional rights to ordinary shares are subject to share performance criteria of Diageo plc ordinary shares. The numbers disclosed in the above table represent the maximum number of conditional rights. Full details of the performance criteria are disclosed in the annual report of the ultimate holding company, Diageo plc.

(ii) Options

| | Options over ordinary shares | | | |
|-------------------|---|-----------------|-----------------------|----------------|
| | At beginning of year (or date of appointment) | Granted in year | Exercised during year | At end of year |
| S M Bunn | 52,437 | 12,420 | (19,033) | 45,824 |
| C D Coase | 141,269 | 16,366 | (18,550) | 139,085 |
| M C Flynn | 17,991 | 3,037 | (3,608) | 17,420 |
| M J Lester | 113,567 | 17,693 | (55,550) | 75,710 |
| N Makos | 13,463 | - | - | 13,463 |

The directors held the above options under Diageo plc share option schemes at prices between 518 pence and 815 pence per ordinary share exercisable between 2006 and 2015. Certain options granted in the Republic of Ireland were granted at a price of Euros 7.37 per ordinary share. The options are granted at market value on the date the option is granted and the option price is payable when the option is exercised.

Directors' report (continued)

Directors' interests (continued)

The mid-market share price of Diageo plc shares fluctuated between 778 pence and 928 pence per share during the year. The mid-market share price on 30 June 2006 was 917 pence.

At 30 June 2006 all the directors had an interest in 17,791,320 shares and 8,045,000 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes. M J Lester had a further interest in 6,460,442 shares held by a trust to satisfy grants made under Diageo incentive plans and savings related share option schemes.

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 re-appointed on the expiry of its term in office in respect of the year ended 30 June 2006.

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
12 December 2006

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 United Kingdom Limited

We have audited the financial statements of Diageo United Kingdom Limited for the year ended 30 June 2006, 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 4. 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 2006 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

20 December 2006

Profit and loss account

| | | Year ended 30 June 2006 | Year ended 30 June 2005 |
|---|--------------|------------------------------------|------------------------------------|
| | <i>Notes</i> | £'000 | £'000 |
| Turnover | 2 | - | 6,014 |
| Cost of sales | | <u>-</u> | <u>(1,807)</u> |
| Gross profit | | - | 4,207 |
| Administrative expenses | | - | (1,074) |
| Other operating (expenses)/income | | <u>(276)</u> | <u>1,152</u> |
| Operating (loss)/profit | | (276) | 4,285 |
| Exceptional items | 5 | - | 95,000 |
| Interest receivable | 6 | <u>4,093</u> | <u>3,714</u> |
| Profit on ordinary activities before taxation | | 3,817 | 102,999 |
| Taxation on profit on ordinary activities | 7 | <u>-</u> | <u>56</u> |
| Profit on ordinary activities after taxation transferred to reserves | 13 | <u>3,817</u> | <u>103,055</u> |

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

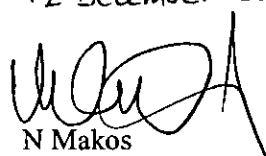
Diageo United Kingdom Limited
Year ended 30 June 2006

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Balance Sheet

| | <i>Notes</i> | 30 June 2006 | | 30 June 2005 | |
|--|--------------|---------------------|--------------|---------------------|--------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | | | | | |
| Investments | 8 | | 382 | | 382 |
| Current assets | | | | | |
| Debtors | 9 | 196,305 | | 192,918 | |
| Cash at bank and in hand | | - | | 24 | |
| | | <hr/> | | <hr/> | |
| | | 196,305 | | 192,942 | |
| Creditors: due within one year | 11 | (2,857) | | (3,311) | |
| | | <hr/> | | <hr/> | |
| Net current assets | | | 193,448 | | 189,631 |
| | | | <hr/> | | <hr/> |
| Net assets | | | 193,830 | | 190,013 |
| | | | <hr/> | | <hr/> |
| Capital and reserves | | | | | |
| Called up share capital | 12 | | 46,283 | | 46,283 |
| Share premium account | 13 | 3,045 | | 3,045 | |
| Profit and loss account | 13 | 144,502 | | 140,685 | |
| | | <hr/> | | <hr/> | |
| Reserves attributable to equity shareholders | | | 147,547 | | 143,730 |
| | | | <hr/> | | <hr/> |
| Equity shareholders' funds | | | 193,830 | | 190,013 |
| | | | <hr/> | | <hr/> |

The financial statements on pages 6 to 13 were approved by the board of directors on 12 December 2006 and signed on its behalf by


N Makos
Director

Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements are prepared under the historical cost convention, and in accordance with applicable UK accounting standards

The company is a wholly owned subsidiary of Diageo plc and is included in the consolidated financial statements of Diageo plc which are publicly available. Consequently, the company has taken advantage of the exemption for 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 group accounts under Section 228 of the Companies Act 1985 as its results are included in the published consolidated financial statements of Diageo plc

Fixed asset investments

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

Deferred taxation

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Assets and liabilities in foreign currencies are translated into sterling at the financial year end exchange rates

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

Notes to the financial statements

1. New accounting policies

The accounting policies of the company are consistent with those applied last year, apart from where the company has adopted the following accounting standards in the year

FRS 21 – Events after the balance sheet date This standard specifies the accounting treatment to be adopted and the disclosures to be provided by entities for events occurring after the balance sheet date. The adoption of this standard has not resulted in the restatement of information reported in respect of the year ended 30 June 2005, nor has it impacted the results in respect of the year ended 30 June 2006

FRS 25 – Financial Instruments: Disclosure and Presentation The company has adopted the presentation requirements of FRS 25 in these financial statements. The presentational requirements apply to the classification of financial instruments into financial assets, financial liabilities or equity instruments, the classification of related interest, dividend, gains and losses, and the circumstances around which financial assets and liabilities should be offset. The adoption of these requirements has not resulted in the restatement of the information in respect of the year ended 30 June 2005, nor has it impacted the results in respect of the year ended 30 June 2006. Note that the company has not adopted the disclosure requirements of FRS 25 in these financial statements

FRS 28 – Corresponding amounts FRS 28 sets out the requirements for the disclosure of corresponding amounts for items disclosed in a company's primary financial statements and the notes to the financial statements

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

For the year ended 30 June 2006 there is no turnover and the profit on ordinary activities before taxation arises from receipt of interest from a group company. For the year ended 30 June 2005 the turnover and profit on ordinary activities before taxation are attributable to one class of business, that of the sale of spirits

Geographical analysis of turnover

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

| | Year ended 30 June 2006 | Year ended 30 June 2005 |
|-----------------|------------------------------------|------------------------------------|
| | £'000 | £'000 |
| United Kingdom | - | 2,469 |
| Europe | - | 976 |
| Asia and Africa | - | 2,258 |
| Other areas | - | 311 |
| | <hr/> | <hr/> |
| | - | 6,014 |
| | <hr/> | <hr/> |

Notes to the financial statements (continued)

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

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

3. Operating costs

The auditor's remuneration was paid on behalf of the company by another Diageo group undertaking. There were no fees payable to the auditor in respect of non-audit services (2005 - £nil).

4. Directors and employees

The company did not employ any staff during either the current or prior year.

None of the directors received any remuneration during the financial year in respect of their services as directors of the company (2005 - £nil).

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

5. Exceptional items

| | Year ended 30 June 2006 | Year ended 30 June 2005 |
|-------------------------------|------------------------------------|------------------------------------|
| | £'000 | £'000 |
| Disposal of intangible assets | - | 95,000 |
| | <u> </u> | <u> </u> |

6. Interest receivable

| | Year ended 30 June 2006 | Year ended 30 June 2005 |
|---|------------------------------------|------------------------------------|
| | £'000 | £'000 |
| Interest receivable from fellow group undertaking - Diageo Finance plc | 4,093 | 3,714 |
| | <u> </u> | <u> </u> |

Notes to the financial statements (continued)

7. Taxation

| | Year ended 30 June 2006 £'000 | Year ended 30 June 2005 £'000 |
|---|--|--|
| (i) Analysis of taxation credit for the year | | |
| Current tax | | |
| Current tax credit for the year | - | - |
| | <hr/> | <hr/> |
| Total current tax | - | - |
| Deferred tax | | |
| UK | - | 56 |
| | <hr/> | <hr/> |
| Total deferred tax | - | 56 |
| | <hr/> | <hr/> |
| Taxation on profit on ordinary activities | - | 56 |
| | <hr/> | <hr/> |

| | Year ended 30 June 2006 £'000 | Year ended 30 June 2005 £'000 |
|---|--|--|
| (ii) Factors affecting current tax charge | | |
| Profit on ordinary activities before tax | 3,817 | 102,999 |
| | <hr/> | <hr/> |
| Taxation on profit on ordinary activities at UK corporation tax rate of 30% (2005 – 30%) | (1,145) | (30,900) |
| Items not chargeable for tax purposes | - | 28,500 |
| Group relief received for nil consideration | 1,145 | 2,400 |
| | <hr/> | <hr/> |
| Current ordinary tax charge for the year | - | - |
| | <hr/> | <hr/> |

8. Fixed asset investments

| | Shares in subsidiary undertaking £'000 |
|------------------------------|---|
| At beginning and end of year | 382 |
| | <hr/> |

Notes to the financial statements (continued)

8. Fixed asset investments (continued)

The subsidiary undertaking at 30 June 2006, with 100% of its ordinary share capital directly owned by the company, was

| | Country of incorporation | Principal activity |
|----------------|-------------------------------------|---------------------------|
| Rigrun Limited | England | Dormant |

In the opinion of the directors, the investment in the company's subsidiary undertaking is worth at least the amount at which it is stated in the financial statements

9. Debtors

| | 30 June 2006 £'000 | 30 June 2005 £'000 |
|---|-------------------------------|-------------------------------|
| Trade debtors | - | 146 |
| Deferred tax | 56 | 56 |
| Amounts owed by fellow group undertakings | 196,249 | 192,716 |
| | <u>196,305</u> | <u>192,918</u> |

All amounts fall due within one year

10. Deferred tax

| | 30 June 2006 £'000 | 30 June 2005 £'000 |
|--------------------------|-------------------------------|-------------------------------|
| At 30 June 2005 | 56 | - |
| Other timing differences | - | 56 |
| At 30 June 2006 | <u>56</u> | <u>56</u> |

11. Creditors – due within one year

| | 30 June 2006 £'000 | 30 June 2005 £'000 |
|---|-------------------------------|-------------------------------|
| Amounts owed to Rigrun Limited | 978 | 978 |
| Amounts owed to fellow group undertakings | 474 | 928 |
| Other creditors | 1,405 | 1,405 |
| | <u>2,857</u> | <u>3,311</u> |

Notes to the financial statements (continued)

12. Called up share capital

| | 30 June 2006 | 30 June 2005 |
|---|---------------------|---------------------|
| | £'000 | £'000 |
| Authorised: | | |
| Equity - 200,000,000 ordinary shares of £1 each | 200,000 | 200,000 |
| | <u> </u> | <u> </u> |
| Allotted, called up and fully paid: | | |
| Equity - 46,283,347 ordinary shares of £1 each | 46,283 | 46,283 |
| | <u> </u> | <u> </u> |

13. Reserves

| | Share premium account | Profit and loss account |
|---------------------|------------------------------|--------------------------------|
| | £'000 | £'000 |
| At 30 June 2005 | 3,045 | 140,685 |
| Profit for the year | - | 3,817 |
| | <u> </u> | <u> </u> |
| At 30 June 2006 | 3,045 | 144,502 |
| | <u> </u> | <u> </u> |

14. Reconciliation of movement in shareholders' funds

| | 30 June 2006 | 30 June 2005 |
|--|---------------------|---------------------|
| | £'000 | £'000 |
| Profit on ordinary activities after taxation | 3,817 | 103,055 |
| Shareholders' funds at beginning of the year | 190,013 | 86,958 |
| | <u> </u> | <u> </u> |
| Shareholders' funds at end of the year | 193,830 | 190,013 |
| | <u> </u> | <u> </u> |

15. 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