

UDV (SJ) Limited

**Financial statements
30 June 2005**

Registered number 989164



LD4
COMPANIES HOUSE

•LUS3UECUM

360
06/04/2006

Directors' report

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2005.

Activities

The company is an investment holding company.

Details of changes in investments during the year are set out in note 6 of the financial statements.

Financial

The results for the year ended 30 June 2005 are shown on page 6. Interim dividends totalling £3,426,241,587 (2004 - £nil) were paid during the year. The directors do not recommend the payment of a final dividend for the year (2004 - £nil).

After deduction of the dividends, the loss for the year transferred from reserves is £3,362,342,000 (2004 - profit of £93,850,000 transferred to reserves).

Directors

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

S M Bunn	
C D Coase	(appointed 7 April 2005)
M C Flynn	(appointed 7 April 2005)
D P Gosnell	
M J Lester	(appointed 7 April 2005)
R M Malcolm	
I K Meakins	(resigned 22 November 2004)
R Rajagopal	(resigned 7 April 2005)
J A Southern	

Directors' emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company (2004 - £nil).

Directors' interests

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 28 ¹⁰¹/₁₀₈ p each in the ultimate parent company, Diageo plc:

Directors' report (continued)

Directors' interests (continued)

(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	1,088	128	-	-	-	-	-
C D Coase	14,207	14,207	-	-	-	-	-
M C Flynn	11,673	11,743	-	-	-	-	-
D P Gosnell	12,460	11,962	36,611	11,235	-	-	47,846
M J Lester	30,945	26,306	30,790	-	-	-	30,790
R M Malcolm	17,150	17,681	67,269	13,716	(14,281)	(8,412)	58,292
J A Southern	36,395	34,030	-	-	-	-	-

The directors were granted conditional rights to receive ordinary shares or ADSs (one ADS is equivalent to four 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 or ADSs 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 in year	Lapsed in year	At end of year
S M Bunn	46,319	15,434	(9,316)	-	52,437
C D Coase	141,269	-	-	-	141,269
M C Flynn	17,991	-	-	-	17,991
D P Gosnell	152,679	59,452	(19,017)	-	193,114
M J Lester	113,567	-	-	-	113,567
R M Malcolm	733,484	144,048	(198,916)	-	678,616
	(183,371 ADS)	(36,012 ADS)	(49,729 ADS)	-	(169,654 ADS)
J A Southern	94,476	8,383	(49,405)	-	53,454

The directors held the above options under Diageo plc share option schemes at prices between 460p and 863p per ordinary share for UK options and US\$33.27 and US\$50.92 per ADS for US options, exercisable between 2005 and 2014. 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)

During the year R M Malcolm participated in the 'Diageo US employee stock purchase plan', under which options are granted at a discount to acquire ADSs to the value of contributions made by the participant. The options are exercisable 12 months after the date of grant. The relevant options, exercisable in January 2006, covered a total of 468,9332 ADSs at a price of US \$42.65 per ADS and at 30 June 2005 they amounted to 234.4666 ADS.

Options granted under one of the schemes, the Senior Executive Share Option Plan ('SESOP'), may not normally be exercised unless a performance condition is satisfied. The performance condition applicable to grants of options to date under the SESOP is linked to the increase in earnings per share and is initially applied over the three year period commencing on the date the options are granted. Full details of the performance condition are disclosed in the annual report of the ultimate holding company, Diageo plc.

Options granted for D P Gosnell and R M Malcolm are principally options granted under the SESOP, which are subject to performance conditions as detailed above.


The mid-market share price of Diageo plc shares fluctuated between 658p and 824p during the year. The mid-market share price on 30 June 2005 was 823p.

At 30 June 2005 all the directors (except R M Malcolm) had an interest in 21,465,587 shares and 8,233,337 shares subject to call options held by a trust to satisfy grants made under Diageo incentive plans and savings related share option schemes. In addition, D P Gosnell had a further interest in 6,279,065 shares held by a trust to satisfy grants made under Diageo incentive plans and savings related share option schemes. Also on that date, R M Malcolm had an interest in 19,093,137 shares and 800,000 shares subject to call options, held by trusts 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 reappointed on the expiry of its term in office in respect of the year ended 30 June 2005.

By order of the board



J Nicholls,
Secretary

8 Henrietta Place, London, W1G 0NB

/s/ December 2005

Statement of directors' responsibilities in relation to the financial statements

The following statement, which should be read in conjunction with the independent auditor's report set out on page 5, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditor in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss for the financial year.

The directors, in preparing these financial statements, consider that the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, that all applicable accounting standards have been followed and that it is appropriate to prepare the financial statements on a going concern basis.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps that 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 UDV (SJ) Limited

We have audited the financial statements on pages 6 to 16.

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 auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities as independent auditor, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 of the state of the company's affairs as at 30 June 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
16 December 2005

Profit and loss account

	<i>Notes</i>	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Exchange (loss)/gain		(238)	12
Dividends from group undertakings		47,491	92,861
Net interest receivable	3	38,436	4,867
Profit on disposal of investment		111	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation		85,800	97,740
Taxation on profit on ordinary activities	4	(21,900)	(3,890)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		63,900	93,850
Dividends	5	(3,426,242)	-
		<hr/>	<hr/>
(Loss)/profit for the financial year transferred (from)/to reserves	11	(3,362,342)	93,850
		<hr/>	<hr/>

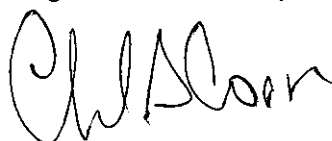
All results arise from continuing operations.

Balance sheet

	Notes	30 June 2005		30 June 2004	
		£000	£000	£000	£000
Fixed assets					
Investments	6		29,812,050		30,817,931
Current assets					
Debtors: due within one year	7	6,967,205		10,725,224	
Cash at bank and in hand	8	7,454		6,917	
			<u>6,974,659</u>	<u>10,732,141</u>	
Creditors: due within one year	9	(6,176,468)		(8,042,831)	
			<u>798,191</u>	<u>2,689,310</u>	
Net current assets					
			<u>30,610,241</u>	<u>33,507,241</u>	
Net assets					
			<u><u>30,610,241</u></u>	<u><u>33,507,241</u></u>	
Capital and reserves					
Called up share capital	10		2,308,770		2,308,770
Share premium account	11	9,191,148		9,191,148	
Revaluation reserve	11	18,536,100		20,925,974	
Profit and loss account	11	574,223		1,081,349	
			<u>28,301,471</u>	<u>31,198,471</u>	
Reserves attributable to equity shareholders					
			<u>30,610,241</u>	<u>33,507,241</u>	
Equity shareholders' funds					
			<u><u>30,610,241</u></u>	<u><u>33,507,241</u></u>	

These financial statements on pages 6 to 16 were approved by the board of directors on 16 December 2005 and were signed on its behalf by:

C D Coase
Director



Statement of total recognised gains and losses

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Profit for the financial year	63,900	93,850
Dividends paid	(3,426,242)	-
Unrealised gain on investments	-	9,447,491
Currency translation differences on foreign currency net investments	465,342	(517,348)
	<hr/>	<hr/>
Total recognised (losses)/gains for the financial year	(2,897,000)	9,023,993
	<hr/>	<hr/>
Total recognised gains and losses since the last financial statements	(2,897,000)	9,023,993
	<hr/> <hr/>	<hr/> <hr/>

Note of historical cost profits and losses

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Reported profit on ordinary activities before taxation	85,800	97,740
Realisation of investment valuation gains of prior years	2,867,994	-
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	2,953,794	97,740
	<hr/> <hr/>	<hr/> <hr/>
Historical cost (loss)/profit for the year retained after taxation and dividends	(494,348)	97,740
	<hr/> <hr/>	<hr/> <hr/>

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 modified by the revaluation of certain fixed asset investments 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 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 group accounts under section 228 of the Companies Act 1985 as its results are included in the published consolidated financial statements of Diageo plc. These financial statements present information about UDV (SJ) Limited as an individual undertaking and not about its group.

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 forward currency contract. The company uses foreign currency borrowings and other financial instruments to provide a hedge against its foreign equity investments. Where this is the case and subject to the provisions in Statement of Standard Accounting Practice No 20, the equity investments are denominated in the appropriate underlying foreign currencies with exchange differences arising on translation taken to reserves, together with netting exchange differences arising on hedging currency borrowings and other financial instruments. Other exchange differences are taken to the profit and loss account.

Fixed asset investments

Investments in shares in group undertakings are stated at directors' valuation as described in note 6 to the accounts. Any unrealised surplus of the revalued amount over cost is taken to a revaluation reserve.

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.

Taxation

Taxation is calculated based on the result for the year and takes into 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.

Notes to the financial statements

1. Operating costs

The auditor's remuneration was paid on behalf of the company by a fellow group undertaking. There were no fees payable to the auditor in respect of non-audit services to the company (2004 - £nil).

2. 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 (2004 - £nil).

Details of the directors' share interests and any share options exercised during the year are included within the directors' report on pages 1 to 3.

3. Net interest receivable

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Interest receivable on loans to fellow group undertakings	38,007	4,627
Other interest receivable	429	240
	<u>38,436</u>	<u>4,867</u>

4. Taxation

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
(i) Analysis of taxation charge for the year		
Current tax		
UK corporation tax	<u>(21,900)</u>	<u>(3,890)</u>

Notes to the financial statements (continued)

4. Taxation (continued)

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
(ii) Factors affecting current tax charge for the year		
Profit on ordinary activities before taxation	85,800	97,740
Current tax		
Taxation on profit on ordinary activities at UK corporation tax rate of 30% (2004 – 30%)	(25,740)	(29,322)
Double Tax Relief	950	20,745
Group relief received for nil consideration	24,790	4,687
Adjustment in respect of prior years	(21,900)	-
Current ordinary tax charge for the year	(21,900)	(3,890)

5. Dividends

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Interim dividends paid	3,426,242	-

Notes to the financial statements (continued)

6. Fixed assets – investments

	2005 £000	2004 £000
Balance brought forward (at 2004 directors' valuation)	30,817,931	22,462,262
Additions	2,413,051	23,151
Disposals	(3,740,647)	-
Exchange adjustments	321,715	(1,114,973)
Revaluation of investments as at 30 June 2004	-	9,447,491
Balance carried forward (at 2005 directors' valuation)	29,812,050	30,817,931

The balance brought forward at the 2004 directors' valuation predominantly represents the investments in Diageo Holdings Netherlands B.V and Diageo US Limited, which are partially financed by foreign currency borrowings. These investment balances are retranslated at the foreign exchange rates prevailing at the balance sheet date and the resulting foreign exchange gains and losses taken to reserves, net of foreign exchange gains and losses on hedging borrowings.

On 21 March 2005, UDV (SJ) Limited purchased the entire share capital in Diageo Inc from Diageo US Limited for £2,413,051,008, as part of a reorganisation of the Diageo plc group. On 23 March 2005, Diageo Inc repurchased 9,620 of its shares for \$7,200,000,000, resulting in a historical cost gain of £2,867,994,310 on that date.

During the year the currency split of the directors' valuation was adjusted to reflect the above reorganisation and any other material adjustments during the year. This is to ensure an appropriate carrying value for the company's investments. The investments remain partially financed by foreign currency borrowings. Accordingly, the 2005 directors' value has been denominated in the currencies of the underlying business which are predominantly Euros, Pounds Sterling and US Dollars.

The directors consider that the investments values are at least equal to their carrying values.

If shown on a historical cost basis and at historic exchange rates, investments would be stated at £13,042,990,000 (2004 - £11,502,707,000). The increase of £1,540,283,000 is principally due to the acquisition of Diageo Inc from Diageo US Limited.

Notes to the financial statements (continued)

6. Fixed assets – investments (continued)

The principal subsidiary undertakings as at 30 June 2005, which are all wholly owned, are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held
Direct subsidiary undertakings			
Diageo Holdings Netherlands B.V.	Netherlands	Investment holding company	100% of Ordinary
Diageo US Limited	United Kingdom	Investment holding company	100% of Ordinary
Diageo Inc	USA	Investment holding company	100% of Ordinary
Indirect subsidiaries			
Selviac Nederland B.V.	Netherlands	Investment holding company	100% of Ordinary
Diageo Brands B.V.	Netherlands	Production, marketing and distribution of premium drinks	100% of Ordinary
Diageo Highlands B.V.	Netherlands	Investment holding company	100% of Ordinary
R & A Bailey & Co	Ireland	Production, marketing and distribution of premium drinks	100% of Ordinary
Diageo Investment Corporation	USA	Financing company for the US group	100% of Ordinary
Diageo Ireland	Ireland	Production, marketing and distribution of premium drinks	100% of Ordinary
Diageo North America, Inc.	USA	Production, importing and marketing of premium drinks	100% of Ordinary
Other indirect fixed asset investments			
General Mills Inc	USA	Producer of packaged consumer goods	7% of common stock shares
Moët Hennessy, SNC	France	Production and distribution of premium drinks	34% of Ordinary

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

Notes to the financial statements (continued)

7. Debtors

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Amounts owed by fellow group undertakings	6,960,567	10,719,136
Other operating debtors	550	-
Corporation tax	6,088	6,088
	<hr/>	<hr/>
	6,967,205	10,725,224
	<hr/>	<hr/>

Amounts owed from fellow group undertakings represent transactions with companies in the Diageo group with which the company has a long term financing relationship. These financing relationships are expected to continue for the foreseeable future. For the purposes of financial statement classification, amounts owed from group undertakings that do not have a specified repayment date are regarded as short term and consequently are considered to have a fair value which is not materially different to the book value.

8. 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.

9. Creditors

	30 June 2005 Due within one year £000	30 June 2004 Due within one year £000
Amounts owed to fellow group undertakings	6,153,060	8,040,113
Other operating creditors	-	1,210
Corporate taxation	23,408	1,508
	<hr/>	<hr/>
	6,176,468	8,042,831
	<hr/>	<hr/>

Amounts owed to fellow group undertakings represent transactions with companies in the Diageo group with which the company has a long term financing relationship. These financing relationships are expected to continue for the foreseeable future. For the purposes of financial statement classification, amounts owed to group undertakings that do not have a specified repayment date are regarded as short term and consequently are considered to have a fair value which is not materially different to the book value.

Notes to the financial statements (continued)

10. Share capital

	30 June 2005 £000	30 June 2004 £000
<i>Authorised:</i>		
Equity - 4,750,030,000 Ordinary shares of 50p each	2,375,015	2,375,015
<i>Allotted, called up and fully paid:</i>		
Equity - 4,617,540,617 Ordinary shares of 50p each	2,308,770	2,308,770

11. Reserves

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 30 June 2004	9,191,148	20,925,974	1,081,349	31,198,471
Retained loss for year	-	-	(3,362,342)	(3,362,342)
Transfer of realised revaluation reserve	-	(2,867,994)	2,867,994	-
Adjustment	-	12,778	(12,778)	-
Exchange adjustments	-	465,342	-	465,342
At 30 June 2005	9,191,148	18,536,100	574,223	28,301,471

The revaluation reserve at 30 June 2005 comprises the surplus gains on the revaluation of investments of £18,760,104,000, exchange losses arising on the retranslation of investments of £1,991,585,472 and exchange gains of £1,767,581,907 on re-translation of hedging foreign currency borrowings and other financial instruments.

The adjustment of £12,778,000 between profit and loss account and revaluation reserve is principally in respect of a misallocation in earlier years between exchange differences taken to the profit and loss account and exchange differences taken to reserves, as a hedge of the company's foreign equity investments. The misallocation occurred in the years ended 30 June 2003 and 30 June 2004.

Notes to the financial statements (continued)

12. Reconciliation of movement in shareholders' funds

	30 June 2005 £000	30 June 2004 £000
Profit on ordinary activities after taxation	63,900	93,850
Ordinary dividends	(3,426,242)	-
Revaluation of investments	-	9,447,491
Exchange adjustments	465,342	(517,348)
Net (reduction in)/addition to shareholders' funds	(2,897,000)	9,023,993
Shareholders' funds at beginning of year	33,507,241	24,483,248
Shareholders' funds at end of year	30,610,241	33,507,241

13. Financial instruments and risk management

As a result of translation exposure cover taken out to provide a hedge against foreign equity investments, the company had the following outstanding gross foreign exchange contracts with Diageo Finance plc:

	Foreign currency amount			US Dollar %	Percentage of total	
	Purchase £000	Sell £000	Total £000		Euro %	Maturity year
30 June 2005	372,362	235,337	607,699	62	2	2005 - 2006
30 June 2004	168,547	164,975	333,522	35	58	2004 - 2005

14. Immediate and ultimate parent undertaking

The immediate parent undertaking of the company is Grand Metropolitan International Holdings 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.