

# **UDV (SJ) Limited**

## **Financial statements 30 June 2007**

**Registered number 989164**



## **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 is an investment holding company

Details of changes in investments during the year are set out in note 5 of the financial statements

### **Financial**

The results for the year ended 30 June 2007 are shown on page 5 The directors do not recommend the payment of a dividend for the year (2006 - £nil)

The profit for the year transferred to reserves is £19,362,000 (2006 – £70,959,000)

### **Directors**

The directors who held office during the year were as follows

S M Bunn	
C D Coase	
G P Crickmore	(appointed 28 June 2007)
M C Flynn	
D P Gosnell	
J Kyne	(appointed 28 June 2007)
M J Lester	(resigned 31 August 2006)
D A Mahlan	(appointed 27 April 2007)
R M Malcolm	
C R R Marsh	
S C Moore	(appointed 28 June 2007)

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

S M Bunn resigned as a director of the company on 04 January 2008

### **Directors' emoluments**

None of the directors received any remuneration during the year in respect of their services as directors of the company (2006 - £nil)

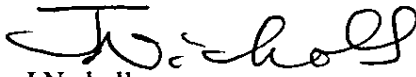
## Directors' report (continued)

### 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*

8 Henrietta Place, London W1G 0NB

April 2007

## **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 UDV (SJ) Limited

We have audited the financial statements of UDV (SJ) 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 3. 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*

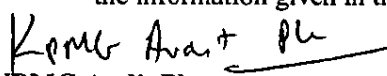
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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

24 April 2008

**Profit and loss account**

	<i>Notes</i>	<b>Year ended 30 June 2007 £000</b>	<b>Year ended 30 June 2006 £000</b>
Exchange loss		(1,382)	(7,097)
Dividends from group undertakings		-	54,547
Operating costs	<i>1</i>	(25)	-
 Net interest receivable	 <i>3</i>	 32,953	 37,056
 <b>Profit on ordinary activities before taxation</b>		 <b>31,546</b>	 84,506
Taxation on profit on ordinary activities	<i>4</i>	(12,184)	(13,547)
 <b>Profit on ordinary activities after taxation</b>		 <b>19,362</b>	 70,959

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**

	<i>Notes</i>	30 June 2007		30 June 2006	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Investments	5		29,970,950		30,992,294
<b>Current assets</b>					
Debtors due within one year	6	7,754,530		5,553,713	
Cash at bank and in hand	7	104		90	
			7,754,634		5,553,803
<b>Creditors due within one year</b>	8	(8,020,615)		(5,964,659)	
<b>Net current liabilities</b>			(265,981)		(410,856)
<b>Net assets</b>			29,704,969		30,581,438
<b>Capital and reserves</b>					
Called up share capital	9		2,308,770		2,308,770
Share premium account	10		9,191,148		9,191,148
Revaluation reserve	10		17,540,507		18,436,338
Profit and loss account	10		664,544		645,182
<b>Equity shareholders' funds</b>			29,704,969		30,581,438

These financial statements on pages 5 to 14 were approved by the board of directors on 11 April 2008 and were signed on its behalf by



D A Mahlan  
Director

**Statement of total recognised gains and losses**

	<b>Year ended 30 June 2007 £000</b>	<b>Year ended 30 June 2006 £000</b>
Profit for the financial year	<b>19,362</b>	<b>70,959</b>
Currency translation differences on foreign currency net investments	<b>(895,831)</b>	<b>(99,762)</b>
	<hr/>	<hr/>
<b>Total recognised losses for the financial year</b>	<b>(876,469)</b>	<b>(28,803)</b>
	<hr/>	<hr/>
<b>Total recognised losses since the last financial statements</b>	<b>(876,469)</b>	<b>(28,803)</b>
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**Note of historical cost profits and losses**

	<b>Year ended 30 June 2007 £000</b>	<b>Year ended 30 June 2006 £000</b>
Reported profit on ordinary activities before taxation	<b>31,546</b>	<b>84,506</b>
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<b>Historical cost profit on ordinary activities before taxation</b>	<b>31,546</b>	<b>84,506</b>
	<hr/>	<hr/>
<b>Historical cost profit for the year retained after taxation</b>	<b>19,362</b>	<b>70,959</b>
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## **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. The accounting policies of the company are consistent with those applied last year.

### **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.

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.

### **Going concern**

The financial statements have been prepared on a going concern basis as a fellow group undertaking has agreed to provide financial support for the foreseeable future. The only liabilities at the balance sheet date are in respect of balances due.

### **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 the net 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 5 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 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.

### **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**

Fees in respect of services provided by the auditor were Statutory audit £ 5,000 (2006 - £nil), Group audit £ 20,000 (2006 - £nil) and other non-audit work £nil (2006 - £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 (2006 - £nil)

### **3. Net interest receivable**

	<b>Year ended 30 June 2007 £000</b>	<b>Year ended 30 June 2006 £000</b>
Interest receivable on loans to fellow group undertakings	<b>35,617</b>	38,668
Other interest receivable	<b>17</b>	47
	<hr/>	<hr/>
Total interest receivable	<b>35,634</b>	38,715
Less		
Interest payable on loans from fellow group undertakings	<b>(2,681)</b>	(1,659)
	<hr/>	<hr/>
Net interest receivable	<b>32,953</b>	37,056
	<hr/>	<hr/>

### **4. Taxation**

	<b>Year ended 30 June 2007 £000</b>	<b>Year ended 30 June 2006 £000</b>
<b>(i) Analysis of taxation charge for the year</b>		
<b>Current tax</b>		
UK corporation tax	<b>(12,184)</b>	(13,547)
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## Notes to the financial statements (continued)

### 4. Taxation (continued)

	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
(ii) Factors affecting current tax charge for the year		
Profit on ordinary activities before taxation	31,546	84,506
<b>Current tax</b>		
Taxation on profit on ordinary activities at UK corporation tax rate of 30% (2006 – 30%)	(9,464)	(25,352)
Group relief received for nil consideration	9,464	25,352
Adjustment in respect of prior years	(12,184)	(13,547)
Current ordinary tax charge for the year	(12,184)	(13,547)

### 5. Fixed assets – investments

	2007 £000	2006 £000
Balance brought forward (at directors' valuation)	30,992,294	29,812,050
Additions	-	1,186,000
Exchange adjustments	(1,021,344)	(5,756)
<b>Balance carried forward (at directors' valuation)</b>	<b>29,970,950</b>	<b>30,992,294</b>

The balance brought forward at the 2006 directors' valuation predominantly represents the investments in Diageo Holdings Netherlands B V, Diageo Inc 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 and other financial instruments

On 18 January 2006, the company acquired the entire issued share capital of J & B Scotland Limited from Justerini & Brooks, Limited, for consideration of £1,186 million and subscribed for a further 5,784,123,000 new ordinary shares of £1 each at par in J & B Scotland Limited. The company sold the entire issued share capital of United Distillers & Vintners (SJ) B V, one of its subsidiaries, to J & B Scotland Limited for a cash consideration of £5,784,122,960. On 1 February 2006, J & B Scotland Limited transferred its J&B Rare whisky business to United Distillers & Vintners (SJ) B V for a consideration of £1,155,000,000, to be satisfied by the issue of new shares. On 1 April 2006, United Distillers & Vintners (SJ) B V disposed of the J&B Rare whisky business to Diageo Brands B V, owned indirectly by Diageo Holdings Netherlands B V.

During the previous 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 2007 directors' value has been denominated in the currencies of the underlying business which are predominantly Euros, Pounds Sterling and US Dollars.

**Notes to the financial statements (continued)**

**5. Fixed assets – investments (continued)**

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

If shown on an historical cost basis and at historic exchange rates, the investments would be stated at a value of £14,228,990,000 (2006 - £14,228,990,000).

The principal subsidiary undertakings as at 30 June 2007, which are all wholly owned, are as follows

	<b>Country of incorporation</b>	<b>Principal activity</b>	<b>Class and percentage of shares held</b>
<b>Direct subsidiary undertakings</b>			
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
<b>Indirect subsidiaries</b>			
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
<b>Other indirect fixed asset investments</b>			
Moet 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)

### 6. Debtors

	Year ended 30 June 2007 £000	Year ended 30 June 2006 £000
Amounts owed by fellow group undertakings	7,754,530	5,553,713

Amounts owed by 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. Amounts owed by group undertakings that do not have a specified repayment date and which are at floating interest rates are considered to have a fair value which is not materially different to the book value.

### 7. 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.

### 8. Creditors – due within one year

	30 June 2007 £000	30 June 2006 £000
Amounts owed to fellow group undertakings	7,994,336	5,956,266
Other operating creditors	25	-
Corporation tax	26,254	8,393
	<u>8,020,615</u>	<u>5,964,659</u>

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. Amounts owed to group undertakings that do not have a specified repayment date and which are at floating interest rates are considered to have a fair value which is not materially different to the book value.

## Notes to the financial statements (continued)

### 9. Share capital

	30 June 2007 £000	30 June 2006 £000
<i>Authorised</i>		
4,750,030,000 Ordinary shares of 50p each	2,375,015	2,375,015
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<i>Allotted, called up and fully paid:</i>		
Equity - 4,617,540,617 Ordinary shares of 50p each	2,308,770	2,308,770
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### 10. Reserves

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 30 June 2006	9,191,148	18,436,338	645,182	28,272,668
Retained profit for the year	-	-	19,362	19,362
Exchange adjustments	-	(895,831)	-	(895,831)
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At 30 June 2007	9,191,148	17,540,507	664,544	27,396,199
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The revaluation reserve at 30 June 2007 comprises the surplus gains on the revaluation of investments of £18,760,104,000 (supported by external appraisal reports prepared in 2000 and in 2004), accumulated exchange losses arising on the retranslation of investments of £3,018,683,541 and exchange gains of £1,799,086,748 on re-translation of hedging foreign currency borrowings and other financial instruments

### 11. Reconciliation of movement in shareholders' funds

	30 June 2007 £000	30 June 2006 £000
Profit on ordinary activities after taxation	19,362	70,959
Exchange adjustments	(895,831)	(99,762)
	<hr/>	<hr/>
Net reduction in shareholders' funds	(876,469)	(28,803)
Shareholders' funds at beginning of year	30,581,438	30,610,241
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Shareholders' funds at end of year	29,704,969	30,581,438
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**Notes to the financial statements (continued)**

**12. 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			Percentage of total			Maturity year
	Purchase £000	Sell £000	Total £000	US Dollar %	Euro %	South Korean Won %	
30 June 2007	203,052	574,302	777,354	52	10	39	2007
30 June 2006	266,222	221,263	487,485	45	1	54	2006 – 2007

**13. 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