

# **UDV (SJ) Limited**

## **Financial statements 30 June 2008**

**Registered number 989164**

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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 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 2008 are shown on page 5. The directors do not recommend the payment of a dividend for the year (2007 - £nil).

The loss for the year transferred from reserves is £74,568,000 (2007 – profit of £19,362,000 transferred to reserves).

### **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	
M C Flynn	(resigned 15 June 2008)
D Gosnell	
J Kyne	
D A Mahlan	
R M Malcolm	
C R R Marsh	(resigned 30 September 2007)
S C Moore	
P D Tunnacliffe	(appointed 7 January 2008)

A A Abigail and M Pais were appointed directors of the company on 7 August 2008 and 3 October 2008, respectively.

R M Malcolm resigned as a director on 21 November 2008.

### **Directors' emoluments**

None of the directors received any remuneration during the year in respect of their services as directors of the company (2007 - £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 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*

8 Henrietta Place, London W1G 0NB

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 UDV (SJ) Limited**

We have audited the financial statements of UDV (SJ) Limited for the year ended 30 June 2008 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 2008 and of its loss 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, 30 March 2009

**Profit and loss account**

	<i>Notes</i>	<b>Year ended 30 June 2008 £000</b>	<b>Year ended 30 June 2007 £000</b>
Exchange gain/(loss)		<b>1,643</b>	<b>(1,382)</b>
Operating costs	<i>1</i>	<b>(41)</b>	<b>(25)</b>
Net interest (payable)/receivable	<i>3</i>	<b>(37,432)</b>	<b>32,953</b>
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(35,830)</b>	<b>31,546</b>
Taxation on (loss)/profit on ordinary activities	<i>4</i>	<b>(38,738)</b>	<b>(12,184)</b>
<b>(Loss)/profit for the financial year</b>		<b>(74,568)</b>	<b>19,362</b>

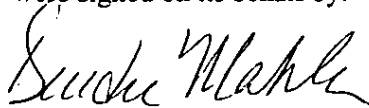
There is no difference between the results for the years shown in the profit and loss account and the results for the relevant years restated on an historical cost basis.

All results arise from continuing operations.

**Balance sheet**

	Notes	30 June 2008 £000	30 June 2007 £000
<b>Fixed assets</b>			
Investments	5	31,630,038	29,970,950
<b>Current assets</b>			
Debtors: due within one year	6	8,309,986	7,754,530
Cash at bank and in hand	7	153	104
Other financial assets	8	48,215	-
		<u>8,358,354</u>	<u>7,754,634</u>
<b>Creditors: due within one year</b>	9	<u>(9,640,628)</u>	<u>(8,020,615)</u>
<b>Net current liabilities</b>		<u>(1,282,274)</u>	<u>(265,981)</u>
<b>Net assets</b>		<u>30,347,764</u>	<u>29,704,969</u>
<b>Capital and reserves</b>			
Called up share capital	10	2,308,770	2,308,770
Share premium account	11	9,191,148	9,191,148
Revaluation reserve	11	18,257,870	17,540,507
Profit and loss account	11	589,976	664,544
<b>Shareholders' funds</b>	12	<u>30,347,764</u>	<u>29,704,969</u>

These financial statements on pages 5 to 15 were approved by the board of directors on 26 March 2009 and were signed on its behalf by:

  
D A Mahlan  
Director

**Statement of total recognised gains and losses**

	<b>Year ended 30 June 2008 £000</b>	<b>Year ended 30 June 2007 £000</b>
(Loss)/profit for the financial year	<b>(74,568)</b>	19,362
Currency translation differences on foreign currency net investments	<b>717,363</b>	(895,831)
<b>Total recognised gains/(losses) for the financial year</b>	<b>642,795</b>	<b>(876,469)</b>
<b>Total recognised gains/(losses) since the last financial statements</b>	<b>642,795</b>	<b>(876,469)</b>



## **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.

### **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 netting exchange differences arising on hedging currency borrowings and other financial instruments. Exchange differences on forward contracts are determined by reference to the rate of exchange under the contract, and any implied forward premium or discount is not separately recognised. 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 at directors' valuation 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: audit fee - £ 41,000 (2007 - £ 25,000), and other non-audit work - £nil (2007 - £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 (2007 - £nil).

### 3. Net interest (payable)/receivable

	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000
Interest receivable on loans to fellow group undertakings	54,058	35,617
Interest receivable from banks	48	17
	<hr/>	<hr/>
Total interest receivable	54,106	35,634
Less:		
Interest payable on loans from fellow group undertakings	(91,538)	(2,681)
	<hr/>	<hr/>
Net interest (payable)/receivable	(37,432)	32,953
	<hr/>	<hr/>

Balances with the company's major intercompany partner, Diageo Finance plc, became interest bearing on 30 November 2007. The company is in net payable position with this partner, so, as a result of the change in the interest terms, interest expense increased from £ 2,681,000 to £ 91,538,000.

### 4. Taxation

	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000
(i) Analysis of taxation charge for the year		
Current tax		
UK corporation tax	(38,738)	(12,184)
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## Notes to the financial statements (continued)

### 4. Taxation (continued)

	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000
<b>(ii) Factors affecting current tax charge for the year</b>		
(Loss)/profit on ordinary activities before taxation	(35,830)	31,546
<b>Current tax</b>		
Taxation on loss/(profit) on ordinary activities at UK corporation tax rate of 29.5% (2007 – 30%)	10,570	(9,464)
Group relief (surrendered)/received for nil consideration	(10,570)	9,464
Items not deductible for tax purposes	(13,500)	-
Adjustment in respect of prior years	(25,238)	(12,184)
Current ordinary tax charge for the year	(38,738)	(12,184)

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 relating to the years 1998 to 2007 for a number UK group companies. This resulted in an additional tax charge in the company of £31,238,000 after group relief and including interest.

### 5. Fixed assets – investments

	2008 £000	2007 £000
Balance brought forward (at directors' valuation)	29,970,950	30,992,294
Additions	1,037,841	-
Exchange adjustments	1,636,555	(1,021,344)
Disposals	(1,015,308)	
<b>Balance carried forward (at directors' valuation)</b>	<b>31,630,038</b>	<b>29,970,950</b>

The balance brought forward at the 2007 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 and other financial instruments.

The company acquired from United Distillers & Vintners (SJ) B.V. a holding of 5,250 issued ordinary C shares of Euro 1 each in Diageo Holdings Netherlands B.V. for a total consideration of £22,533,000 on 3 December 2007.

The company acquired 2218 Class B shares in Diageo Inc by way of a rights issue on 19 February 2008. On 20 February 2008 the company sold 2218 Class B shares in Diageo Inc to Irish Ale Breweries, an indirect subsidiary of Diageo Inc.

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 £14,251,523,000 (2007 - £14,228,990,000).

## Notes to the financial statements (continued)

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

The principal subsidiary undertakings of the company as at 30 June 2008, which are all wholly owned, are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held
<b>Direct subsidiary undertakings</b>			
Diageo Holdings Netherlands B.V.	Netherlands	Investment holding company	100% of Ordinary A 39.98% of Ordinary C
Diageo US Limited	United Kingdom	Investment holding company	100% of Ordinary
Diageo Inc	USA	Investment holding company	100% of Ordinary A shares
<b>Indirect subsidiaries</b>			
Diageo Inc	USA	Investment holding company	100% of Ordinary B shares
Selviac Nederland B.V.	Netherlands	Investment holding company	100% of Ordinary
Diageo Brands B.V.	Netherlands	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>			
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)**

**6. Debtors**

	<b>Year ended 30 June 2008 £000</b>	<b>Year ended 30 June 2007 £000</b>
Amounts owed by fellow group undertakings	<b>8,309,986</b>	<b>7,754,530</b>

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. All amounts fall due within one year.

**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. Other financial assets**

	<b>Current financial assets £000</b>
<b>Intra-group derivative assets</b>	
Financial derivatives	48,215
<b>Total derivative assets</b>	<b>48,215</b>

## Notes to the financial statements (continued)

### 8. Other financial assets (continued)

The company's other financial assets of £48,215,000 (2007 - £nil) represent the forward premium on foreign currency contracts entered into during the financial year 2008 to hedge overseas investments. Derivative assets and liabilities have been recognised in the balance sheet. The company does not use derivative financial instruments for speculative purposes. All transactions in derivative financial instruments are undertaken to manage risk arising from underlying business activities at the group level.

### 9. Creditors – due within one year

	30 June 2008 £000	30 June 2007 £000
Amounts owed to fellow group undertakings	9,575,588	7,994,336
Audit fee accrual	48	25
Corporation tax	64,992	26,254
	<u>9,640,628</u>	<u>8,020,615</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.

### 10. Share capital

	30 June 2008 £000	30 June 2007 £000
<i>Authorised:</i>		
4,750,030,000 Ordinary shares of 50p each	2,375,015	2,375,015
	<u>2,375,015</u>	<u>2,375,015</u>
<i>Allotted, called up and fully paid:</i>		
4,617,540,617 Ordinary shares of 50p each	2,308,770	2,308,770
	<u>2,308,770</u>	<u>2,308,770</u>

Notes to the financial statements (continued)

11. Reserves

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 30 June 2007	9,191,148	17,540,507	664,544	27,396,199
Retained (loss) for the year	-	-	(74,568)	(74,568)
Exchange adjustments	-	717,363	-	717,363
<b>At 30 June 2008</b>	<b>9,191,148</b>	<b>18,257,870</b>	<b>589,976</b>	<b>28,038,994</b>

The revaluation reserve at 30 June 2008 comprises the surplus gains on the revaluation of investments of £18,760,104,000, exchange losses arising on the retranslation of investments of £1,382,129,196 and exchange gains of £879,894,904 on re-translation of hedging foreign currency borrowings and other financial instruments.

The exchange adjustment during the year of £ 717,363,000 consists of exchange gains on retranslation of overseas investments - £1,636,554,000 and exchange losses on hedging foreign company loans and other financial instruments - £919,191,000. The latter has been reduced by £52,652,981 as a result of forward premiums on forward currency contracts hedging overseas investments. Please refer to note 13, which highlights the breakdown of the company's foreign exchange contracts by currency.

12. Reconciliation of movement in shareholders' funds

	30 June 2008 £000	30 June 2007 £000
(Loss)/profit on ordinary activities after taxation	(74,568)	19,362
Exchange adjustments	717,363	(895,831)
<b>Net addition to/(reduction in) shareholders' funds</b>	<b>642,795</b>	<b>(876,469)</b>
Shareholders' funds at beginning of year	29,704,969	30,581,438
<b>Shareholders' funds at end of year</b>	<b>30,347,764</b>	<b>29,704,969</b>

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

**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:

	Australian Dollar £000	Canadian Dollar £000	EURO £000	British Pound £000	Japanese Yen £000	South Korean Won £000	US Dollar £000	Total exposure £000
<b>30 June 2008</b>	(108,173)	(29,902)	(6,590,040)	8,118,972	(25,552)	(290,962)	(1,706,097)	<b>(631,754)</b>
<b>30 June 2007</b>	-	-	(76,351)	371,963	-	(299,941)	5,042	<b>713</b>

**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.

**15. Post balance sheet events**

In January 2009 the company purchased the B, C and D ordinary shares in Diageo Holdings Netherlands B.V., from a fellow group company.

The company was the owner of all of the issued share capital of J & B Scotland Limited. The company sold its shareholding in January 2009 to a fellow group company.

In March 2009 Diageo Inc (a 100% subsidiary of the company) repurchased 30% of its A shares.