

UDV (SJ) Limited
Financial statements
30 June 2012

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 2012

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

Going concern

The company participates in the group's centralised treasury arrangements and so the parent and fellow group undertakings have agreed to provide financial support for the foreseeable future. The majority of the liabilities at the balance sheet date are in respect of balances due to fellow group undertakings. The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Diageo group to continue as a going concern. On the basis of their assessment, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future with the support from the group undertakings. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Financial

The results for the year ended 30 June 2012 are shown on page 5

No dividends were paid during the year (2011 - £12,700,000,000). The directors do not recommend the payment of a final dividend (2011 - £nil).

The loss for the year transferred to reserves is £29,768,000 (2011 - £208,400,000 profit)

Directors

The directors who held office during the year were as follows

M Pais	
P D Tunnacliffe	
G Geiszl	
D Heginbottom	
J J Nicholls	
J A I Franco	(resigned on 2 February 2012)
S J Bolton	(resigned on 2 February 2012)
A M Smith	(resigned on 2 February 2012)

Directors' report (continued)

Directors' remuneration

None of the directors received any remuneration during the year in respect of their services as directors of the company (2011 - £nil)

Secretary

On 2 February 2012, J J Nicholls resigned as secretary of the company and C E Kynaston was appointed in his place


Auditor

Pursuant to Section 487 of the Companies Act 2006, 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 2012

Disclosure of information to auditor

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



M Pais
Director
Lakeside Drive,
Park Royal,
London,
NW10 7HQ

6 December 2012

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)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 2012 set out on pages 5 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2012 and of its profit/loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Lee Edwards (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

13 December 2012

Profit and loss account

	<i>Notes</i>	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Interest receivable		45,863	137,867
Interest payable		(100,615)	(86,688)
Net interest (payable)/receivable	<i>1</i>	(54,752)	51,179
Operating costs	<i>3</i>	(64)	(63)
Other income	<i>5</i>	48	-
Sale of businesses	<i>5</i>	-	124,331
Amounts written off investments	<i>5</i>	-	(47)
(Loss)/profit on ordinary activities before taxation		(54,768)	175,400
Taxation on (loss)/profit on ordinary activities	<i>4</i>	25,000	33,000
(Loss)/profit for the financial year		(29,768)	208,400

All results arise from continuing operations

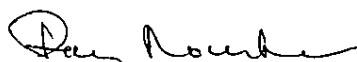
Note of historical cost profits and losses

	<i>Notes</i>	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Reported (loss)/profit on ordinary activities before taxation		(54,768)	175,400
Realisation of investment valuation gains of prior years on disposal		-	4,466,690
Realisation of hedging foreign currency borrowings valuation losses of prior years		-	(560,842)
Historical cost (loss)/profit on ordinary activities before taxation		(54,768)	4,081,248
Historical cost (loss)/profit for the year retained after taxation		(29,768)	4,114,248

Balance sheet

		30 June 2012		30 June 2011	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Investments	5		50,953,092		41,182,544
			<u>50,953,092</u>		<u>41,182,544</u>
Current assets					
Debtors due within one year	6	6,943,294		7,671,895	
Cash at bank and in hand	7	701		70	
		<u>6,943,995</u>		<u>7,671,965</u>	
Creditors due within one year	8	<u>(9,985,003)</u>		<u>(10,650,039)</u>	
Net current liabilities			<u>(3,041,008)</u>		<u>(2,978,074)</u>
Net assets			<u>47,912,084</u>		<u>38,204,470</u>
Capital and reserves					
Called up share capital	9		2,308,770		2,308,770
Share premium account	10		6,908,148		6,908,148
Revaluation reserve	10		34,228,309		24,490,927
Profit and loss account	10		4,466,857		4,496,625
Shareholders' funds	11		<u>47,912,084</u>		<u>38,204,470</u>

These financial statements on pages 5 to 16 were approved by the board of directors on 6 December 2012 and were signed on its behalf by



M Pais
Director

Statement of total recognised gains and losses

	<i>Notes</i>	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
(Loss)/profit for the financial year		(29,768)	208,400
Exchange (losses)	<i>10</i>	(751,065)	(334,447)
Unrealised gain on investments	<i>10</i>	10,488,447	3,882,262
Total recognised gains for the financial year		9,707,614	3,756,215
Total recognised gains since the last financial statements		9,707,614	3,756,215

Accounting policies

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

Basis of preparation

The financial statements are prepared on a going concern basis 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 wholly owned by a member of the Diageo group ("group undertakings") or investees of the Diageo group

The company is exempt from the requirement to prepare consolidated accounts under section 400 of the Companies Act 2006 as its results are included in the published consolidated financial statements of Diageo plc. These financial statements present information about the company 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

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. 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 gains and losses 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

Current tax, including UK corporation tax and overseas tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted at the balance sheet date. Except as otherwise required by FRS 19, deferred tax is provided in full on timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax, or a right to pay less tax, in the future. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Any interest or penalties on tax liabilities are provided in the tax charge

Notes to the financial statements

1. Net interest

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Interest receivable on Loans to fellow group undertakings	45,863	137,867
Total interest income	45,863	137,867
Less		
Interest payable on loans from fellow group undertakings	(99,322)	(86,688)
Discount unwind on deferred and contingent consideration	(1,293)	-
Total interest expense	(100,615)	(86,688)
Net interest (payable)/receivable	(54,752)	51,179

Discount unwind is calculated on the deferred and contingent consideration related to the Zacapa acquisition

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 (2011 - £nil)

3. Operating costs

Fees in respect of audit services provided by the auditor are £64,000 (2011 - £63,000) Amounts receivable by the auditor in respect of other (non-audit) services have not been disclosed as the information is required to be disclosed on a consolidated basis in the consolidated financial statements of Diageo plc

4. Taxation

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
(i) Analysis of taxation charge for the year		
Current tax		
UK corporation tax	25,000	33,000

Notes to the financial statements (continued)

4. Taxation (continued)

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
(ii) Factors affecting current tax charge for the year		
(Loss)/profit on ordinary activities before taxation	(54,768)	175,400
Taxation on (loss)/profit on ordinary activities at UK corporation tax rate of 25.5% (2011– 27.5%)	13,967	(48,237)
Expenses not deductible for tax purposes	-	(13)
Group relief (surrendered)/claimed for nil consideration	(13,979)	14,057
Income not taxable for tax purposes	12	34,193
Adjustment in respect of prior years	25,000	33,000
Current ordinary tax credit for the year	25,000	33,000

5. Fixed assets – investments

	2012 £'000	2011 £'000
Balance brought forward (at directors' valuation)	41,182,544	42,463,493
Exchange adjustments	(1,529,993)	246,767
Additions	812,094	192,846
Disposals	-	(5,602,824)
Revaluation of investments	10,488,447	3,882,262
Balance carried forward (at directors' valuation)	50,953,092	41,182,544

The balance brought forward at the 2011 directors' valuation predominantly represents the investments in Diageo Holdings Netherlands B V , Diageo Investment Holdings Limited and Diageo Inc , 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 5 July 2011, the company acquired a 50% equity controlling stake in Rum Creations Products Inc (RCP), the owner of the Zacapa rum brand, from Industrias Licoreras de Guatemala (ILG), for a cash consideration of \$192,153,000 (£119,429,748) and for deferred and contingent consideration of \$47,908,000 (£29,854,000). ILG has a put option to sell the remaining 50% equity stake to the company exercisable from 2016 calculated on a profit multiple which is considered a surrogate to fair value.

Notes to the financial statements (continued)

5. Fixed assets – investments (continued)

On 22 August 2011 the company subscribed for 170,000 new shares of £1 00 par value each in the share capital of Diageo Investment Holdings Limited (formerly Diageo US Limited) for a cash consideration of £662,810,316

UDV (SJ) Ltd received a distribution of £48,052 from its subsidiary, Baguin Ltd, following the struck off of the company

On 8 February 2011 by way of a rights issue the company subscribed for a further A share of €0 45 in the capital of Diageo Holdings Netherlands BV in respect of and in proportion to the company's existing holding of Class A shares in Diageo Holdings Netherlands BV for a consideration of €228,910,462 02

On 5 April 2011 the company sold the entire issued share capital of Diageo Holdings Netherlands BV to Diageo Investment Holdings Limited (formerly Diageo US Limited) in consideration for the issue of 2,624,160 ordinary shares of £1 each by Diageo US Limited to the company. The consideration represented the historic cost of Diageo Holdings Netherlands BV of £14,271,940,514 and therefore no profit or loss was generated on this transaction

On 5 April 2011 the company sold its shareholding in Diageo Inc to Diageo Finance (Netherlands) & Co in consideration for the payment of £5,727,091,633. The transaction resulted in a profit on sale of £124,266,977 in the profit and loss account and a gain of £4,590,956,529 on a historical cost basis

At 30 June 2012 the directors' valuation was updated to ensure an appropriate carrying value for the company's investments. The investments remain partially financed by foreign currency borrowings. The directors consider that the investments' market values are at least equal to their carrying values

If shown on an historical cost basis and at historic exchange rates, the investments' net carrying value would be stated at a value of £17,615,956,126 (2011 - £16,803,862,000)

Notes to the financial statements (continued)

5. Fixed assets – investments (continued)

The principal subsidiary undertakings of the company as at 30 June 2012

	Country of incorporation	Principal activity	Percentage and class of shares held
Direct subsidiary undertakings			
Diageo Investment Holdings Limited (formerly Diageo US Limited)	United Kingdom	Investment holding company	100% of Ordinary
Rum Creation & Products	British Virgin Islands	Production of premium drinks	50% of shareholding, 100% of Ordinary B shares
Indirect subsidiary undertakings			
Diageo Holdings Netherlands B V	Netherlands	Investment holding company	100% of Ordinary
Diageo Inc	US	Investment holding company	100% of Ordinary A and 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	US	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	US	Production, importing and marketing of premium drinks	100% of Ordinary
Other indirect fixed asset investments			
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 the company's 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 2012 £'000	Year ended 30 June 2011 £'000
Due within one year		
Amounts owed by fellow group undertakings	6,943,294	7,671,895

Amounts owed by fellow group undertakings represent transactions with companies in the Diageo group with which the company has a long term financing relationship. For the purposes of financial statement classification, amounts owed by 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.

Amounts due within one year to group undertakings are unsecured, and repayable on demand.

7. Cash at bank and in hand

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 cash-pool may be offset against the bank balances or overdrafts of those companies included in the cash-pool. The amount shown in the balance sheet of 30 June 2012 includes bank accounts outside the cash-pool amounting to £701,000 (2011 - £70,000).

8. Creditors: due within one year

	30 June 2012 £'000	30 June 2011 £'000
Amounts owed to fellow group undertakings	9,953,793	10,642,976
Audit fee accrual	63	63
Deferred and contingent consideration	31,147	-
Corporation tax	-	25,000
	<u>9,985,003</u>	<u>10,650,039</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. 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)

8. Creditors: due within one year (continued)

Furthermore included within amounts owed to fellow group undertakings is £69,000 (2011 - £478,000), which represents the forward premium on foreign currency contracts entered into during the year to hedge overseas investments

Amounts due to group undertakings are unsecured, and repayable on demand

According to the Zacapa purchase agreement Diageo is obliged to pay deferred and contingent consideration. The company's best estimate, as at 30 June 2012, of the expected cash payment is £31,147,000

9. Share capital

	30 June 2012 £'000	30 June 2011 £'000
<i>Allotted, called up and fully paid:</i>		
4,617,540,617 Ordinary shares of 50p each	2,308,770	2,308,770

10. Reserves

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 30 June 2011	6,908,148	24,490,927	4,496,625	35,895,700
Loss for the financial year	-	-	(29,768)	(29,768)
Exchange adjustments	-	(751,065)	-	(751,065)
Revaluation of investments	-	10,488,447	-	10,488,477
At 30 June 2012	6,908,148	34,228,309	4,466,857	45,603,314

The closing revaluation reserve balance at 30 June 2012 comprises the cumulative surplus gains on the revaluation of investments of £33,685,034,000, cumulative exchange loss arising on the retranslation of investments of £348,427,000 and cumulative exchange gains of £891,702,000 on re-translation of hedging foreign currency borrowings and other financial instruments

The exchange adjustment during the year of £751,065,000 consists of exchange loss on retranslation of overseas investments of £1,529,993,000 and net exchange gains on hedging foreign currency loans and other financial instruments of £778,928,000. The latter includes a loss of £69,000 as a result of forward premiums on forward currency contracts hedging overseas investments. An analysis of the company's foreign exchange contracts by currency is provided in note 12

Notes to the financial statements (continued)

11. Reconciliation of movement in shareholders' funds

	30 June 2012 £'000	30 June 2011 £'000
(Loss)/profit for the financial year	(29,768)	208,400
Dividends paid	-	(12,700,000)
Dividends received	-	4,838,000
Exchange adjustments	(751,065)	(334,447)
Revaluation of investments	10,488,447	3,882,262
Net addition to / (reduction in) shareholders' funds	9,707,614	(4,105,785)
Shareholders' funds at beginning of year	38,204,470	42,310,255
Shareholders' funds at end of year	47,912,084	38,204,470

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 foreign currency exposures on the nominal legs of outstanding foreign exchange derivatives with Diageo Finance plc

	EURO £'000	British Pound £'000	South Korean Won £'000	US Dollar £'000	Total exposure £'000
30 June 2012	0	138,954	(110,168)	(30,326)	(1,540)
30 June 2011	(45,045)	243,472	(174,281)	(28,571)	(4,425)

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 Lakeside Drive, Park Royal, London, NW10 7HQ

14. Contingent liabilities

During the acquisition of 50% equity controlling of RCP, the owner of Zacapa brand, the company granted a put option to ILG to sell the remaining 50% equity stake exercisable from 2016 calculated on a profit multiple which is considered a surrogate to fair value