

Gleneagles Hotels Limited

Financial statements 30 June 2008

Registered company number SC97000

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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 was principally engaged during the year in operating The Gleneagles Hotel, Auchterarder, Perthshire.

Business Review

Development and performance of the business of the company during the financial year and position of the company as at 30 June 2008

The development and performance of the business during the year was in line with expectations. Occupancy levels were higher than the previous year; however, business activity and operating profit continued to be affected by construction projects, which were completed in the year. The profit and loss on disposal of fixed assets in the year ended 30 June 2008 comprises profits on disposal of certain parcels of land.

Principal risks and uncertainties facing the company as at 30 June 2008

The principal risks and uncertainties facing the company, as a member of the Diageo group, coincide with those facing the group as a whole. These are disclosed in the accounts of Diageo plc.

Due to the nature of the company's business, the risk of non-performance by counterparties to transactions of the company is considered remote.

Financial and other key performance indicators

The directors do not consider that analysis using key performance indicators is necessary (or appropriate) for an understanding of the development, performance or position of the business of the company, or that there are any factors by reference to which any meaningful analysis of the development, performance or position of the business of the company could be carried out.

The principal key performance indicators that are used to assess the performance of the Diageo group as a whole are described in the Business Review contained within the annual report of Diageo plc.

Directors' report (continued)

Financial

The results for the year ended 30 June 2008 are shown on page 6.

A dividend of £nil (2007 - £20,800,000) was paid during the year. The profit for the year transferred to reserves is £11,580,000 (2007 - £16,656,000).

Directors

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

P V Elsmie (appointed 21 May 2008)
D A Kemp
P J Lederer
N C Rose

Directors' emoluments

Details of the directors' emoluments are shown in note 4 of these financial statements.

Employee involvement

Diageo's goal is to be an 'Employer of Choice' offering an energising work environment, personal growth and recognition and attractive rewards for the performance contribution its people make to the group. Its employee policies are designed to support these goals and to do so in a manner that is fair and equitable to all employees. These policies take account of external legislation, internal codes of conduct, as well as Diageo's values as an organisation.

Diageo is a multi-cultural community operating in an increasingly diverse business world and is committed to active equality and diversity practices. The group offers people with disability the same opportunities for employment, training and career progression as other employees. Employees who become disabled and unable to continue in their existing jobs are given the opportunity to be retrained for suitable alternative employment. It is also committed to attracting and retaining talented people. Diageo invests in the growth and development of its people, which contributes directly to the performance and results of the business. Where practical, Diageo encourages flexible ways of working to enable employees to take some control over the balance between work and home life. Diageo's reward systems recognise the contribution employees make to the success and reflect the value of the role they are performing.

Diageo is committed to the safety and wellbeing of employees at work. It promotes responsible drinking behaviours among all its people. Diageo is committed to open and continuous dialogue with its employees as a way to inform and engage them in the company's strategy and business goals as well as harnessing the ideas employees will have on improving broad areas of business performance.

Each senior manager is responsible for supporting the Diageo Executive and senior leadership community in delivering against these communication and employee engagement goals. The group has an intranet web site from which employees with access to a computer can obtain timely and accurate news and information.

Directors' report (continued)

The group has entered into numerous collective bargaining agreements and believes that its employee relations are satisfactory.

Supplier payment policy

The company agrees terms and conditions for its business transactions when orders for goods and services are placed, ensuring that suppliers are aware of the terms of payment and including the relevant terms in contracts where appropriate. These arrangements are adhered to when making payments, subject to the terms and conditions being met by the supplier.

The number of days' purchases included in creditors as at 30 June 2008, in respect of the company, is 25 days (2007 – 17 days).

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

The Gleneagles Hotel
Auchterarder, Perthshire PH3 1NF
20 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 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 and 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 reasonable 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 Gleneagles Hotels Limited

We have audited the financial statements of Gleneagles Hotels 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, the note of historical cost profit 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 4. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company 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

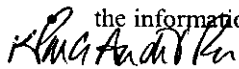
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

30 March 2009

Profit and loss account

	<i>Notes</i>	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000
Turnover	<i>1</i>	38,231	35,322
Operating costs	<i>2</i>	(37,195)	(33,326)
		<hr/>	<hr/>
Operating profit		1,036	1,996
Disposal of fixed assets	<i>5</i>	4,573	7,694
Net interest receivable	<i>6</i>	5,456	5,048
		<hr/>	<hr/>
Profit on ordinary activities before taxation		11,065	14,738
Taxation on profit on ordinary activities	<i>7</i>	515	1,918
		<hr/>	<hr/>
Profit for the financial year		<u>11,580</u>	<u>16,656</u>

There are no recognised gains and losses other than the result for the year and consequently a statement of total recognised gains and losses has not been presented as part of the financial statements.

All results arise from continuing operations.

Balance sheet

	Notes	30 June 2008		30 June 2007	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8		84,595		79,496
Investments	9		16		16
			<hr/>		<hr/>
			84,611		79,512
Current assets					
Stocks	10	4,114		1,251	
Debtors: due within one year	11	332,000		329,061	
Cash at bank and in hand		7,699		1,175	
		<hr/>		<hr/>	
		343,813		331,487	
Creditors: due within one year	12	(140,452)		(134,649)	
		<hr/>		<hr/>	
Net current assets			203,361		196,838
			<hr/>		<hr/>
Total assets less current liabilities			287,972		276,350
Provisions for liabilities and charges	13		(31)		(546)
			<hr/>		<hr/>
Net assets			287,941		275,804
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	14		235,709		235,709
Revaluation reserve	15	12,690		12,838	
Profit and loss account	15	39,542		27,257	
		<hr/>		<hr/>	
			52,232		40,095
			<hr/>		<hr/>
Shareholders' funds			287,941		275,804
			<hr/>		<hr/>

These financial statements on pages 6 to 23 were approved by the board of directors on 30th March 2009 and were signed on its behalf by:



D A Kemp
Director

Note of historical cost profits and losses

	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000
Reported profit on ordinary activities before taxation	11,065	14,738
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	148	213
Historical cost profit on ordinary activities before taxation	11,213	14,951
Historical cost profit for the year retained after taxation	11,728	16,869

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 land and buildings) 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.

Tangible fixed assets

Land and buildings are stated at cost or, for certain assets acquired prior to 1993, at professional valuation less depreciation.

Freehold land is not depreciated. Leaseholds are depreciated over the unexpired period of the lease. Other tangible fixed assets are depreciated on a straight-line basis to estimated residual values over their expected useful lives within the following ranges:

Building - core	100 years
Building - surfaces	25 years
Equestrian Centre	36 years
Plant & Machinery	4 to 12 years
Fixtures and fittings	4 to 7 years

Reviews are carried out if there is some indication that impairment may have occurred, to ensure that fixed assets are not carried at above their recoverable amounts.

Profit or loss on the sale of a property is the difference between the disposal proceeds and the net book value, including any revaluation of the asset. Any amount in the revaluation reserve relating to such an asset is transferred directly to the profit and loss account reserve and is not included in the profit for the year.

Fixed asset investments

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.

Accounting policies (continued)

Leases

Where the company has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Other leases are treated as operating leases, with payments and receipts taken to the profit and loss account on a straight-line basis over the life of the lease.

Stocks

Stocks are stated at the lower of cost and net realisable value.

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 foreign currency contract. Assets and liabilities in foreign currencies are translated into sterling at the financial year end exchange rates or, if hedged forward, at the rate of exchange under the related foreign currency contract.

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

Turnover

Turnover represents the net invoice value of goods and services including excise duties and royalties receivable, but excluding value added tax.

Turnover for goods is recognised at the fair value of the right to consideration. Turnover is recognised at the point that the service is provided.

Advertising

Advertising production costs are charged to the profit and loss account when the advertisement is first shown to the public.

Pensions and other post employment benefits

The employees of the company are members of the Diageo UK pension plan which is a defined benefit scheme.

FRS 17 – *Retirement benefits*, adopted by the Diageo Group from 1 July 2003, replaced the use of actuarial values for assessing pension costs in favour of a market-based approach. In order to cope with the volatility inherent in this measurement basis, the standard requires that the profit and loss account shows the relatively stable ongoing service cost, the expected return on assets and the interest on the liabilities. Differences between expected and actual return on assets, and the impact on the liabilities of changes in assumptions, are reflected in the statement of total recognised gains and losses.

It is not possible to allocate the assets and liabilities of the pension plan between individual companies and therefore the company accounts for it as a defined contribution scheme. The assets and liabilities of the Diageo UK pension plan are recognised in the Diageo plc consolidated financial statements.

Accounting policies (continued)

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.

Share-based payment

The ultimate parent, Diageo plc, operates a number of share-based incentive schemes (awards of shares and options). Where the ultimate parent's shares, or options over the company's shares, are granted to a subsidiary undertaking's employees, an expense should be recorded in the profit and loss account, with a corresponding credit to reserves. This charge is measured at the fair value of the share or share option at the date of grant (for awards granted after 7 November 2002) and is recognised on a straight-line basis over the vesting period of the award. The fair value is measured on the binomial or Monte Carlo model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Notes to the financial statements

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

The turnover and profit on ordinary activities before taxation are attributable to one class of business, that of hotels, all of which is carried out in the United Kingdom.

2. Operating costs

	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000
Raw materials and consumables	6,095	5,713
Advertising, marketing and promotion costs	1,795	1,288
Other external charges (a)	292	312
Staff costs (note 3)	15,021	13,610
Depreciation and other amounts written off fixed assets	3,182	2,811
Other operating charges	10,810	9,592
	<hr/>	<hr/>
	37,195	33,326
	<hr/>	<hr/>

- (a) **Other external charges** include: operating lease rentals for plant and machinery of £242,000 (2007 - £251,000); other lease rentals (largely properties) of £41,000 (2007 - £45,000); gains in respect of foreign exchange £11,000 (2007 - £3,000).

Fees in respect of services provided by the auditor were: statutory audit £20,000 (2007 - £19,000). Other non-audit work £nil (2007 - £nil).

Notes to the financial statements (continued)

3. Staff costs

The average number of employees, including directors, during the year was:

	Year ended 30 June 2008	Year ended 30 June 2007
Full time	617	552
Part time	59	53
	<u>676</u>	<u>605</u>

The aggregate remuneration of all employees comprised:

	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000
Wages and salaries	12,140	10,785
Pension contribution	1,372	1,483
Social security costs	952	840
Share costs	557	502
	<u>15,021</u>	<u>13,610</u>

Retirement benefits

The employees of the company are members of the Diageo UK pension plan which is a defined benefit scheme.

It is not possible to allocate the assets and liabilities of the pension plan between individual companies and therefore the company accounts for it as a defined contribution scheme. The company made contributions of £1,372,000 to the scheme in respect of its employees in the year ended 30 June 2008 (2007 – £1,483,000).

The assets and liabilities of the Diageo UK pension plan are recognised in the Diageo plc consolidated financial statements.

Share based payments

The fair value of share options or share grants is measured at grant date, based on the binomial or Monte Carlo model, and is recognised as a cost in the profit and loss account over the vesting period of the option or share grant with a corresponding adjustment to reserves. Full details of the valuation and accounting for share options schemes and policies are contained in Diageo plc's annual report for the year ended 30 June 2008 (see note 18).

Notes to the financial statements (continued)

4. Directors' emoluments

	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000
Emoluments (excluding pension contributions)	486	312

The emoluments, and amounts receivable under longer term incentive schemes, of the highest paid director amounted to £286,905 (2007 - £182,810). The highest paid director is a member of a defined benefit scheme under which his accrued annual pension at the year-end was £122,903 (2007 - £105,815). The lump sum equivalent of the highest paid director's pension entitlement at the year-end was £2,263,676 (2007 - £1,883,833).

All of the directors are members of the Diageo UK pension fund, which is a defined benefit scheme.

N C Rose is a director of the ultimate parent undertaking, Diageo plc, and his emoluments were paid by that company and disclosed in its annual report.

Notes to the financial statements (continued)

5. Disposal of fixed assets

	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000
Profits on the sale of fixed assets	4,573	7,694
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6. Net interest receivable

	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000
Interest payable on loans from fellow group undertakings	-	(7)
Less:		
Interest receivable on loans to fellow group undertakings	5,363	4,996
Other-interest receivable	93	59
	<hr/>	<hr/>
	5,456	5,048
	<hr/>	<hr/>

Notes to the financial statements (continued)

7. Taxation

	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000
(i) Analysis of taxation credit/(charge) for the year		
Deferred tax		
Prior year	989	1,154
Current year (a)	(446)	714
Adjustment for change in rate of corporation tax (b)	(28)	50
Total deferred tax	515	1,918
Taxation on profit on ordinary activities	515	1,918

(a) The current year deferred tax credit includes a credit of £nil (F07: £1,007,000) relating to the reversal of timing differences on buildings following the removal of any clawback of allowances on such buildings in the Finance Act 2007.

(b) The deferred tax liability has been adjusted to reflect the reduction in the rate of corporation tax from 30% to 28% with effect from 1 April 2008.

	Year ended 30 June 2008 £000	Year ended 30 June 2007 £000
(ii) Factors affecting current tax charge for the year		
Profit on ordinary activities before taxation	11,065	14,738
Taxation on profit on ordinary activities at UK corporation tax rate of 29.5% (2007 – 30%)	3,264	4,421
Capital allowances in excess of depreciation	(438)	(434)
Items not taxable for tax purposes	(1,669)	(2,309)
Expenses not deductible for tax purposes	1,140	411
Group relief received for nil consideration	(2,297)	(2,089)
Current ordinary tax charge for the year	-	-

Notes to the financial statements (continued)

8. Fixed assets – tangible assets

	Land and buildings	Plant and machinery	Fixtures and fittings	Assets in course of construction	Total
	£000	£000	£000	£000	£000
Cost					
At 30 June 2007	73,965	4,893	23,729	6,414	109,001
Additions	206	93	136	8,151	8,586
Disposals	(397)	-	(155)	-	(552)
Transfers	10,477	422	3,130	(14,029)	-
At 30 June 2008	84,251	5,408	26,840	536	117,035
Depreciation					
At 30 June 2007	5,190	4,058	20,257	-	29,505
Provided during the year	1,536	243	1,403	-	3,182
Disposals	(112)	-	(135)	-	(247)
At 30 June 2008	6,614	4,301	21,525	-	32,440
Net book value					
At 30 June 2008	77,637	1,107	5,315	536	84,595
At 30 June 2007	68,775	835	3,472	6,414	79,496

Notes to the financial statements (continued)

8. Fixed assets – tangible assets (continued)

The total cost or valuation for land and buildings comprises:

	30 June 2008 £000	30 June 2007 £000
At 1992 professional valuation	48,244	48,540
At cost	36,007	25,425
	<hr/>	<hr/>
	84,251	73,965
	<hr/>	<hr/>

The 1992 valuations were made on an open market existing use basis except for specialised properties, which were valued on a depreciated replacement cost basis.

Historical cost figures for land and buildings (i.e. the original cost to the company of all land and buildings) and the related depreciation were:

	30 June 2008 £000	30 June 2007 £000
Historical cost	70,166	61,333
Aggregated depreciation based on historical cost	(6,251)	(5,292)
	<hr/>	<hr/>
Historical net book value	63,915	56,041
	<hr/>	<hr/>

	30 June 2008 £000	30 June 2007 £000
Freehold	84,251	73,965
	<hr/>	<hr/>

Included within the net book value of freehold properties is £9,914,000 (2007 - £9,914,000) in respect of land on which no depreciation is charged.

Notes to the financial statements (continued)

9. Fixed assets – investments

	Subsidiary undertakings £000
Cost at beginning and end of year	16

The subsidiary undertakings and the percentage of issued share capital owned are as follows:

	Country of incorporation	Principal activity	Percentage of shares held
<i>Direct holdings:</i>			
Gleneagles Resort Developments Limited	Scotland	Property development	100%
Equiscot Limited	Scotland	In liquidation	100%

The investments in subsidiary undertakings are held at cost less, where appropriate, provision for impairment in value.

In the opinion of the directors, the investment in and amounts due from the company's subsidiary undertakings are worth at least the amount at which they are stated in the financial statements.

10. Stocks

	30 June 2008 £000	30 June 2007 £000
Raw materials and consumables	165	143
Finished goods and goods for resale	3,949	1,108
	<hr/> 4,114 <hr/>	<hr/> 1,251 <hr/>

Notes to the financial statements (continued)

11. Debtors

	30 June 2008	30 June 2007
	£000	£000
Trade debtors	4,104	2,786
Amounts owed by fellow group undertakings	327,482	316,962
Other debtors	-	8,895
Other prepayments and accrued income	414	418
	<hr/>	<hr/>
	332,000	329,061
	<hr/>	<hr/>

All amounts fall due within one year.

12. Creditors – due within one year

	30 June 2008	30 June 2007
	£000	£000
Trade creditors	1,733	913
Amounts owed to fellow group undertakings	130,342	127,595
Other taxation including social security	616	-
Other creditors	727	536
Accruals and deferred income	7,034	5,605
	<hr/>	<hr/>
	140,452	134,649
	<hr/>	<hr/>

Notes to the financial statements (continued)

13. Provisions for liabilities and charges

	Deferred taxation £000
At 30 June 2007	(546)
Profit and loss account	515
	<hr/>
At 30 June 2008	(31)
	<hr/>

	30 June 2008 £000	30 June 2007 £000
Accelerated depreciation	703	1,058
Other timing differences	(672)	(512)
	<hr/>	<hr/>
Deferred tax provision	31	546
	<hr/>	<hr/>

14. Share capital

	30 June 2008 £000	30 June 2007 £000
<i>Authorised:</i>		
236,659,000 ordinary shares of £1 each	236,659	236,659
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
235,709,000 ordinary shares of £1 each	235,709	235,709
	<hr/>	<hr/>

Notes to the financial statements (continued)

15. Reserves

	Revaluation reserve £000	Profit and loss account £000	Total £000
At 30 June 2007	12,838	27,257	40,095
Retained profit for year	-	11,580	11,580
Realisation of revaluation reserve	(148)	148	-
Share based payments	-	557	557
At 30 June 2008	12,690	39,542	52,232

16. Reconciliation of movement in shareholders' funds

	30 June 2008 £000	30 June 2007 £000
Profit for the financial year	11,580	16,656
Dividends paid on ordinary shares	-	(20,800)
Share based payments	557	502
Net addition to/(reduction in) shareholders' funds	12,137	(3,642)
Shareholders' funds at beginning of year	275,804	279,446
Shareholders' funds at end of year	287,941	275,804

Notes to the financial statements (continued)

17. Commitments

At 30 June 2008 the company had minimum annual commitments under non-cancellable operating leases as follows:

	30 June 2008 Other £000	30 June 2007 Other £000
Annual payments under leases expiring:		
After five years	50	61
From one to five years	169	54
Within one year	64	181
	<hr/>	<hr/>
	283	296
	<hr/>	<hr/>

18. Immediate and ultimate parent undertaking

The immediate and 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.

19. Post balance sheet events

On 30 March 2009 the company declared a dividend of £29 million to be paid to the ordinary shareholders.