Diageo Distilling Limited

Financial statements
30 June 2009

Registered number SC009211

Directors' report

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2009.

Activities

The company's principal activities during the year were the distillation of malt and grain whisky and neutral spirit, the warehousing of malt and grain spirit and the provision of engineering services. The directors foresee no changes in the company's activities. The majority of the company's products and services are sold to other group companies.

Business review

Development and performance of the business of the company during the financial year and position of the company as at 30 June 2009

The development and performance of the principal activities of the company were, for the year ended 30 June 2009, entirely dependent on the respective demands of the Diageo subsidiaries with whom it trades.

Financial and other key performance indicators

The principal key performance indicator that is used by the company's management to analyse the development, performance or position of the company's business is turnover.

For the year ended 30 June 2009 turnover increased by £27,160,000 from £249,717,000 to £276,877,000. The growth in turnover primarily arose due to the Diageo group strategy to increase distillation of whisky in order to create additional stock to fulfill future demand.

Amounts owed by fellow group undertakings reduced by £730,649,000 and amounts owed to fellow group undertakings reduced by £715,229,000 following a group wide exercise to reduce the number of outstanding inter company balances. Third party working capital was tightly controlled and reduced slightly against the comparative year.

Principal risks and uncertainties facing the company as at 30 June 2009

These principal activities are provided at cost and are therefore not considered to expose the company to significant risks and uncertainties.

The company would be affected if there were catastrophic failure of its major production facilities and warehouses. The company keeps a substantial stock of aged product categories, principally scotch whisky on behalf of Diageo Scotland Limited in its warehouses. The loss through fire or other natural disaster of all or a portion of the production facilities could result in a significant reduction in the production of scotch whisky. There can be no assurance that insurance proceeds would cover the replacement value of assets, were such assets to be lost due to fire or natural disasters or destruction resulting from negligence or the acts of third parties.

The two support services, warehousing and engineering, are provided largely based on internal plans and apart from ad hoc running repairs, the requirements are generally known at the start of the financial year. The provision of these services is therefore not considered to expose the company to significant risks and uncertainties.

Directors' report (continued)

Financial risk management

The company's funding, liquidity and exposure to interest rate and foreign exchange rate risk, coincide with those facing the Diageo group as a whole and are managed by the group's treasury department. The treasury department uses a combination of derivative and conventional financial instruments to manage these underlying risks.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operation or future developments, the company has access to group funding.

Credit risk

The company's trading is primarily with other group companies and therefore has limited exposure to credit risk.

Directors' report (continued)

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Directors' report (continued)

Financial

The results for the year ended 30 June 2009 are shown on page 8.

The directors do not recommend the payment of a dividend (2008 - £nil).

The profit for the year transferred to reserves is £30,970,000 (2008 - £35,795,000).

Directors

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

A A Abigail	(appointed 7 August 2008)
R Bedford	
C D Coase	
G P Crickmore	
B H Donaghey	
B Higgs	
J Kyne	(resigned 30 June 2009)
N Mákos	
S C Moore	
A M Smith	(appointed 29 June 2009)
P D Tunnacliffe	

A A Abigail resigned as a director of the company on 1 October 2009.

R Bedford resigned as a director of the company on 11 February 2010.

S C Moore resigned as a director of the company on 3 March 2010.

R Bee was appointed as a director of the company on 16 March 2010.

Directors' remuneration

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

Directors' report (continued)

Employee involvement

The company's goal is to offer an energising work environment, personal growth and recognition and attractive rewards for the performance contribution its people make to the company. 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 the company's values as an organisation.

The company is a multi-cultural community operating in an increasingly diverse business world and is committed to active equality and diversity practices. The company 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. The company invests in the growth and development of its people, which contributes directly to the performance and results of the business. Where practical, the company encourages flexible ways of working to enable employees to take some control over the balance between work and home life. The company's reward systems recognise the contribution employees make to the success and reflect the value of the role they are performing.

The company is committed to the safety and wellbeing of employees at work. It promotes responsible drinking behaviours among all its people. The company 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.

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 2009, in respect of the company, is 67 days (2008 - 66 days).

Directors' report (continued)

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 2009.

Disclosure of information to auditors

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

N Mákos
Director

Edinburgh Park
5 Lochside Way
Edinburgh EH12 9DT

22 March 2010

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 Diageo Distilling Limited

We have audited the financial statements of Diageo Distilling Limited for the year ended 30 June 2009 set out on pages 8 to 24. 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 directors' responsibilities statement set out on page 6, 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 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/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of company's affairs as at 30 June 2009 and of its profit 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the director's 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.

Hugh Harvie (Senior Statutory Auditor)
For and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
KPMG Audit Plc
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Date: 25.3.2010

Profit and loss account

	Notes	**Year ended 30 June 2009 £000**	Year ended 30 June 2008 £000
Turnover	*1*	**276,877**	249,717
Operating costs	*2-4*	**(274,540)**	(245,663)
Operating profit		**2,337**	4,054
Net interest receivable	*5*	**15,993**	36,190
Profit on ordinary activities before taxation		**18,330**	40,244
Taxation on profit on ordinary activities	*6*	**12,640**	(4,449)
Profit for the financial year	*17*	**30,970**	35,795

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.

Note of historical cost profits and losses

	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
Profit on ordinary activities before taxation	**18,330**	40,244
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**3,718**	3,457
Historical cost profit on ordinary activities before taxation	**22,048**	43,701
Historical cost profit for the financial year	**34,688**	39,252

Balance sheet

	Notes	30 June 2009 £000	30 June 2009 £000	30 June 2008 £000	30 June 2008 £000
Fixed assets					
Tangible assets	*7*		**385,771**		324,558
Investments	*8*		**-**		-
			385,771		324,558
Current assets					
Stocks	*9*	**27,155**		32,464	
Debtors: due within one year	*10*	**162,095**		895,932	
Cash at bank	*11*	**501**		295	
		189,751		928,691	
Creditors: due within one year	*12*	**(52,967)**		(765,207)	
Net current assets			**136,784**		163,484
Total assets less current liabilities			**522,555**		488,042
Creditors: due after one year	*13*		**(14,180)**		-
Provisions for liabilities and charges	*14*		**(12,010)**		(24,650)
Net assets			**496,365**		463,392
Capital and reserves					
Called up share capital	*15*		**217,216**		217,216
Revaluation reserve	*16*		**48,169**		51,887
Profit and loss account	*16*		**230,980**		194,289
Shareholders' funds	*17*		**496,365**		463,392

These financial statements on pages 8 to 24 were approved by the board of directors on 22 March 2010 and were signed on its behalf by:

N Mákos
Director

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 law and 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.

Tangible fixed assets

Land and buildings are stated at cost or at professional valuation less depreciation. Plant and machinery and freehold land and buildings were revalued as at 31 December 1986 and 31 December 1992, respectively.

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

Industrial and other buildings	10 to 50 years
Plant and machinery	5 to 25 years
Fixtures and fittings	5 to 10 years
Computer software	up to 5 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 assets which are disposed of is transferred to the profit and loss account reserve in the year of disposal 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.

Finance costs

Finance costs attributable to the acquisition, construction or production of a qualifying asset, being an asset that is necessarily takes a substantial period of time to get ready for its intended use or sale, are recognised as charges in the profit and loss account for the period in which they are incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes raw materials, direct labour and expenses, and an appropriate proportion of production and other overheads.

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.

Exchange rate gains and losses are taken to the profit and loss account.

Turnover

Turnover comprise revenue from the sale of goods. Revenue from the sale of goods includes excise and import duties which the company pays as principal but excludes amounts collected on behalf of third parties, such as value added tax. Turnover is recognised depending upon individual customer terms at the time of dispatch, delivery or some other specific point when the risk of loss transfers. Provision is made for returns where appropriate. Turnover is stated net of price discounts, allowances for customer loyalty and certain promotional activities and similar items.

Pensions and other post employment benefits

The employees of the company are members of the Diageo UK pension plans, which are defined benefit schemes.

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.

Exceptional items

Exceptional items are those that, in management's judgement, need to be disclosed by virtue of their size or incidence. Such items are included within the profit and loss account caption to which they relate and are separately disclosed either in the notes to the financial statements or on the face of the profit and loss account.

Accounting policies (continued)

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.

Share based payments

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 that company's shares are granted to a subsidiary undertaking's employees, an expense is 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, 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 models, 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 the distillation of malt and grain whisky and neutral spirit, the warehousing of maturing malt and grain spirit and the provision of engineering services, all of which is carried out in the United Kingdom. Where excess capacity exists, the warehousing and engineering services are offered externally at cost plus mark-up.

The directors have taken advantage of the exemption from full disclosure of segmental information required by Statement of Standard Accounting Practice No. 25 as the company is a wholly owned subsidiary. Segmental disclosures are provided in the accounts of the ultimate parent company, Diageo plc.

2. Operating costs

	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
Raw materials and consumables	**143,479**	121,439
Staff costs (note 3)	**58,490**	56,343
Other operating income (a)	**(525)**	(1,183)
Other external charges (b)	**50,660**	48,498
Depreciation of tangible fixed assets	**22,436**	20,566
	274,540	245,663

(a) **Other operating income** includes: net revenue from lease of land of £34,000 (2008 – £49,000) and profit on asset disposal of £491,000 (2008 – £992,000).

(b) **Other external charges** include operating lease rentals of £512,000 (2008 - £178,000), intercompany management charges of £220,000 (2008 - £276,000) and foreign exchange loss of £2,195,000 (2008 - £844,000).

Fees in respect of services provided by the auditors were: statutory audit £13,000 (2008 - £13,000) and other non-audit work £nil (2008 - £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 2009	Year ended 30 June 2008
Full time	**1,288**	1,282
Part time	**20**	-
	1,308	1,282

The aggregate remuneration of all employees comprised:

	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
Wages and salaries	**43,386**	42,061
Employer's social security costs	**3,529**	3,380
Employer's pension costs	**9,572**	9,036
Share based payments	**2,003**	1,866
	58,490	56,343

Retirement benefits

The employees of the company are members of the Diageo UK pension plans, which are defined benefit schemes.

It is not possible to allocate the assets and liabilities of the pension plans between individual companies and therefore the company accounts for it as a defined contribution scheme. The company made cash contributions of £9,572,000 to the scheme in respect of its employees in the year ended 30 June 2009 (2008 - £9,036,000).

The assets and liabilities of the Diageo UK pensions plans and related disclosures are contained in Diageo plc's annual report for the year ended 30 June 2009; however, the balances referred to are not all attributable to the company.

Notes to the financial statements (continued)

3. Staff costs (continued)

Share based payments

For the three years ended 30 June 2009, the calculation of the fair value charge for the company for share based payments is based on the salary costs of the company and the assumptions used by the Diageo group to calculate the fair value charge. The assumptions used for the awards made during the year are as follows.

	Executive share option plans	Savings plans	Executive share award plans
Weighted average assumptions			
Risk free interest rate	4.2%	4.0%	3.6%
Expected life of the options	60 months	43 months	36 months
Expected volatility	14%	15%	-
Dividend yield	4.2%	4.2%	4.2%
Weighted average share price	987p	906p	902p
Weighted average fair value of options/awards granted in the year	132p	159p	428p

The calculation of the fair value of each option and share award used the binomial (share option and savings plan) and Monte Carlo (share award plans) option pricing models.

The risk free interest rate is based on the UK treasury coupon strips in effect at the time of the grant, for the expected life of the option. The expected life of the options represents the period of time that options granted to be outstanding. The group uses historical data to estimate option exercise and employee termination within the valuation model. Expected volatility is based on implied volatilities from traded options on the group's shares, historical volatility of the group's shares and other factors.

Further 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 2009 (see note 32 of Diageo plc's annual report).

Notes to the financial statements (continued)

4. Directors' remuneration

	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
Remunerations (excluding pension contributions)	**371**	368
Executive share schemes	**13**	54
	384	422

The aggregate remunerations and amounts receivable under long term incentive schemes of the highest paid director was £204,000 (2008 - £206,000). The highest paid director is a member of a defined benefit scheme, under which his accrued annual pension at the year end was £47,000 (2008 - £42,000). The lump sum equivalent of the highest paid director's pension entitlement at the year end was £528,000 (2008 - £389,000).

Some of the directors were paid by fellow group undertakings. All of the directors paid by the company are members of the Diageo UK pension plans.

5. Net interest receivable

	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
Interest receivable on loans to fellow group undertakings	**17,414**	36,190
Less:		
Other interest payable	**(1,421)**	-
	15,993	36,190

Notes to the financial statements (continued)

6. Taxation

(i) Analysis of taxation credit /(charge) for the year	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
Current tax		
Adjustment in respect of prior years	-	(134)
Total current tax	-	(134)
Deferred tax		
Credit for the year	1,976	408
Adjustment in respect of prior years	10,664	(4,723)
Total deferred tax	12,640	(4,315)
Taxation credit /(charge) on profit on ordinary activities	12,640	(4,449)

(ii) Factors affecting current tax charge for the year	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
Profit on ordinary activities before taxation	18,330	40,244
Taxation on profit on ordinary activities at UK corporation tax rate of 28% (2008 – 29.5%)	(5,132)	(11,872)
Expenses not deductible for tax purposes and other permanent differences	797	1,779
Group relief received for nil consideration	10,139	12,461
Depreciation in excess of capital allowances and other timing differences	(3,921)	(430)
Non- qualifying depreciation	(1,883)	(1,938)
Adjustment in respect of prior years	-	(134)
Current ordinary tax charge for the year	-	(134)

Notes to the financial statements (continued)

7. Fixed assets – tangible assets

	Land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Assets in course of construction £000	Total £000
Cost					
At 30 June 2008	237,834	318,047	8,547	54,420	618,848
Additions	22,005	10,817	90	51,385	84,297
Disposals	(182)	(825)	-	-	(1,007)
Transfers	8,558	40,884	68	(49,510)	-
At 30 June 2009	**268,215**	**368,923**	**8,705**	**56,295**	**702,138**
Depreciation					
At 30 June 2008	(88,931)	(199,520)	(5,839)	-	(294,290)
Provided during the year	(6,725)	(15,259)	(452)	-	(22,436)
Disposals	58	301	-	-	359
At 30 June 2009	**(95,598)**	**(214,478)**	**(6,291)**	-	**(316,367)**
Net book value					
At 30 June 2009	**172,617**	**154,445**	**2,414**	**56,295**	**385,771**
At 30 June 2008	148,903	118,527	2,708	54,420	324,558

All land and buildings are freehold. Included within the net book value of freehold properties is an amount of £5,713,000(2008 - £5,574,000) in respect of land on which no depreciation is charged.

Included in the total net book value of plant and machinery is £14,744,000 (2008 - £nil) in respect of assets held under finance leases. Depreciation for the year on those assets was £nil (2008 - £nil).

The total cost or valuation for land and buildings, and plant and machinery and fixtures and fittings comprises:

	Land and buildings		**Plant and machinery, fixtures and fittings**	
	30 June 2009 £000	30 June 2008 £000	**30 June 2009 £000**	30 June 2008 £000
At 1992 professional valuation	**192,418**	192,418	-	-
At 1986 professional valuation	-	-	**66,504**	66,504
At cost	**75,797**	45,416	**311,124**	260,090
	268,215	237,834	**377,628**	326,594

Notes to the financial statements (continued)

7. Fixed assets – tangible assets (continued)

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 and plant and machinery (i.e. the original cost to the company of all land and buildings and plant and machinery) and the related depreciation were:

	Land and buildings		**Plant and machinery**	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	£000	£000	**£000**	£000
Historical cost	**186,408**	155,953	**336,370**	285,493
Aggregated depreciation based on historical cost	**(57,653)**	(53,105)	**(186,232)**	(172,798)
Historical net book value	**128,755**	102,848	**150,138**	112,695

8. Fixed assets – investments

	Other investments £000
Cost	
At beginning and end of year	98
Provisions	
At beginning and end of year	(98)
Net book value	
At beginning and end of year	-

The investment represents 5.69% (2008 – 5.69%) interest in the Combination of Rothes Distillers, Rothes, Moray. The principal activity of the Combination of Rothes Distillers is the production of animal feeds from distillery by-products. The investment has been written down to £1.

Notes to the financial statements (continued)

9. Stocks

	30 June 2009 £000	30 June 2008 £000
Raw materials and consumables	**26,166**	31,571
Finished goods and goods for resale	**989**	893
	27,155	32,464

10. Debtors: due within one year

	30 June 2009 £000	30 June 2008 £000
Trade debtors	**672**	1,155
Amounts owed by fellow group undertakings	**152,647**	883,296
Other debtors	**665**	1,954
Other prepayments and accrued income	**8,111**	9,527
	162,095	895,932

11. Cash at bank

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. The amount shown in the balance sheet of 30 June 2009 includes bank accounts outside the cashpool amounting to £58,000 (2008 - £69,000).

Notes to the financial statements (continued)

12. Creditors: due within one year

	30 June 2009 £000	30 June 2008 £000
Trade creditors	30,881	28,785
Amounts owed to fellow group undertakings	16,609	731,838
Other taxation including social security	84	67
Corporation tax	-	134
Net obligation under finance leases	564	-
Accruals and deferred income	4,829	4,383
	52,967	765,207

13. Creditors: due after one year

	30 June 2009 £000	30 June 2008 £000
Net obligation under finance leases	14,180	-
	14,180	-

Net obligations under finance leases:

	30 June 2009 £000	30 June 2008 £000
Gross obligations due:		
After five years	16,160	-
From one to five years	6,464	-
Within one year	1,616	-
	24,240	-
Less: future finance charges	(9,496)	-
	14,744	-

Notes to the financial statements (continued)

14. Provisions for liabilities and charges

	Deferred taxation £000
At 30 June 2008	24,650
Profit and loss account	(12,640)
At 30 June 2009	**12,010**

The elements of deferred taxation are as follows:

	30 June 2009 £000	30 June 2008 £000
Accelerated capital allowances	**12,551**	27,011
Other timing differences	**(541)**	(2,361)
Deferred tax provision	**12,010**	24,650

15. Share capital

	30 June 2009 £000	30 June 2008 £000
***Authorised*:**		
217,217,000 ordinary shares of £1 each	**217,217**	217,217
Allotted, called up and fully paid:		
217,215,530 ordinary shares of £1 each	**217,216**	217,216

Notes to the financial statements (continued)

16. Reserves

	Revaluation reserve £000	Profit and loss account £000	Total £000
At 30 June 2008	51,887	194,289	246,176
Retained profit for the financial year	-	30,970	30,970
Share based payments	-	2,003	2,003
Transfer from revaluation reserve	(3,718)	3,718	-
At 30 June 2009	**48,169**	**230,980**	**279,149**

The transfer from the revaluation reserve to the profit and loss account of £3,718,000 (2008 - £3,457,000) represents the difference between the historical cost depreciation charge and the actual depreciation charge on the tangible fixed assets for the year ended 30 June 2009.

17. Reconciliation of movement in shareholder's funds

	30 June 2009 £000	30 June 2008 £000
Profit for the financial year	**30,970**	35,795
Share based payments	**2,003**	1,866
Net addition to shareholders' funds	**32,973**	37,661
Shareholders' funds at beginning of year	**463,392**	425,731
Shareholders' funds at end of year	**496,365**	463,392

Notes to the financial statements (continued)

18. Commitments

At 30 June 2009 the company had minimum annual commitments under non-cancellable operating leases as follows:

		30 June 2009			30 June 2008	
	Land and buildings	**Other**	**Total**	Land and buildings	Other	Total
	£000	**£000**	**£000**	£000	£000	£000
Annual payments under leases expiring:						
After five years	**44**	**3**	**47**	44	-	44
From one to five years	**-**	**148**	**148**	-	212	212
Within one year	**-**	**49**	**49**	-	24	24
	44	**200**	**244**	44	236	280

Capital expenditure commitments not provided for in these financial statements are estimated at £85,632,000 (2008 - £42,800,000).

19. Immediate and ultimate parent undertaking

The immediate parent undertaking of the company is Diageo Scotland Limited, a company incorporated and registered in Scotland.

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.

20. Post balance sheet event

On 1 July 2009 the company announced a restructuring programme, to close a distillery and outsource certain warehousing operations. In the year ending 30 June 2010, the company expects to incur exceptional charges of £18 million before taxation for restructuring activities.