

**Diageo Finance B.V.**

**Report on the financial statements  
for the year ended 30 June 2008**

Registered number: 34196638

0945634



## **Annual Report**

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#### **Directors**

**M.C.T.M. Gerichhausen**

**D.M.F. Leese**

**A.P. Bottomley**

**J.T.C. Slade**

**A.S. Frame**

**Appointed February 1, 2008**

**Appointed November 21, 2008**

**K.J.M. Slobbe**

**Z. Bodnar**

**Resigned November 30, 2007**

**Resigned September 1, 2007**

## **Directors' report**

The Directors of Diageo Finance B.V. submit their report with respect to the result for the year ended ended June 30, 2008 and the state of the company's affairs as at that date.

### **Directors**

The name of the Directors in office at the date of this report are: M.C.T.M. Gerichhausen, D.M.F. Leese, A.P. Bottomley, J.T.C. Slade and A.S. Frame.

### **Principal activity**

The principal activity of the company is the financing of other companies in the Diageo Group. No significant change in the nature of those activities is expected in the near future. The company raises debt from external markets and Diageo group companies and lends funds to other Diageo group companies.

### **Risk management**

The principal risks and uncertainties facing the company are foreign currency risk associated with certain foreign currency denominated bonds and interest rate risk arising principally on changes in US dollar interest rates. The company uses derivative financial instruments to hedge its exposures to fluctuations in interest and exchange rates. Fair value hedging deals are entered into to manage the interest rate risks to which the fair value of certain assets and liabilities are exposed. Cash flow hedges are carried out to hedge the currency risk of highly probable future foreign currency cash flows, as well as the cash flow risk from changes in interest rates.

### **Dividends**

During the year ended June 30, 2008 the company did not pay a dividend.

### **Results for the year**

The company recorded a loss after tax of GBP 1,529,185 (2007: GBP 904,926 profit).

### **Personnel**

The company has no employees.

**Directors' report (continued)**

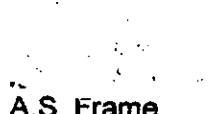
**Directors' benefits**

The Directors of the company have not received or become entitled to receive any benefits other than disclosed in the accounts as Director's emoluments.

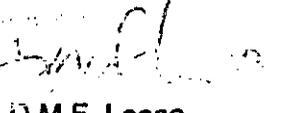
Amsterdam, 17 December, 2008

Directors:

  
A.P. Bottorley

  
A.S. Frame

  
M.C.T.M. Gerichhausen

  
D.M.F. Leese

  
J.T.C. Slade

**Balance sheet as at 30 June 2008**

(Before appropriation of net result)

Assets	Notes	30 June 2008 GBP	30 June 2007 GBP
<b>Fixed assets</b>			
<i>Financial fixed assets</i>			
Loans to group companies	3	1,572,655,560	1,886,915,908
Other accrued assets	4	0	4,736,815
<b>Total fixed assets</b>		<u>1,572,655,560</u>	<u>1,891,652,723</u>
<b>Current assets</b>			
Net interest receivable on external interest rate swaps	4	961,146	0
Deferred bond issue costs	5	1,990,982	2,453,581
Loans to group companies	3	200,703,518	0
Receivable from group companies		19,530,433	21,446,661
Cash at bank		135,284	8,739
<b>Total current assets</b>		<u>223,321,363</u>	<u>23,908,981</u>
<b>Total assets</b>		<u>1,795,976,923</u>	<u>1,915,561,704</u>

**Balance sheet as at 30 June 2008 (continued)**  
(Before appropriation of net result)

<b>LIABILITIES</b>	<b>Notes</b>	<b>30 June 2008</b> <b>GBP</b>	<b>30 June 2007</b> <b>GBP</b>
<b>Shareholders' equity</b>			
Issued and paid-up share capital	6	12,162	12,162
Retained earnings		2,268,338	1,363,412
Result for the period		(1,529,185)	904,926
		<u>751,315</u>	<u>2,280,500</u>
<b>Long-term liabilities</b>			
Bonds issued	7	927,966,497	918,299,756
Medium term note	8	0	199,004,975
Loans from group companies	9	626,086,643	748,356,543
		<u>1,554,053,140</u>	<u>1,865,661,274</u>
<b>Current liabilities</b>			
Medium term note	8	201,005,025	0
Accrued corporate income tax (to group company)		654,412	1,177,827
Payable to group companies		7,480,558	7,579,044
Other interest payable (on bonds issued)		9,994,704	9,878,103
Other current liabilities	10	22,037,769	28,984,956
		<u>241,172,468</u>	<u>47,619,930</u>
<b>TOTAL LIABILITIES</b>		<u><b>1,795,976,923</b></u>	<u><b>1,915,561,704</b></u>

**Profit and loss account for the year ended 30 June 2008**

	Notes	12 months to 30 June 2008 GBP	12 months to 30 June 2007 GBP
<b>Financial income</b>			
Interest income from group companies	3	97,731,987	106,117,243
Net interest income from internal swaps		<u>2,528,994</u>	<u>0</u>
		100,260,981	106,117,243
<b>Financial expenses</b>			
Interest expenses on bonds and MTN	7,8	(55,229,867)	(62,883,613)
Interest expense from group companies	9	(31,813,375)	(32,690,427)
Net interest expense from external swaps		(7,256,070)	(5,876,443)
Amortisation of capitalised issue and discount costs	12	(915,653)	(1,045,721)
Net interest expense from internal cross currency swaps		(6,895,657)	(1,215,145)
Net interest expense from internal swaps		0	(312,888)
Net exchange gain/(loss)		<u>20,599</u>	<u>(152,942)</u>
		(102,090,023)	(104,177,179)
<b>Other expenses</b>			
Administrative expenses		(223,556)	(691,027)
<b>Profit/(loss) before income tax</b>		<u>(2,052,598)</u>	<u>1,249,037</u>
Income tax		523,413	(344,111)
<b>Net profit/(loss) for the period</b>		<u>(1,529,185)</u>	<u>904,926</u>

## **Notes to the accounts at 30 June 2008**

### **1 General**

The Company is registered in Amsterdam and is primarily engaged in issuing external debt on the New York Stock Exchange, which it uses for the financing of other Diageo companies within the Diageo Group. Diageo Brands BV is considered as the Company's immediate parent company. The Company's ultimate parent company is Diageo plc, which is listed on the London Stock Exchange. The Company's financial statements are included in the consolidated financial statements of Diageo plc.

### **2 Summary of significant accounting policies**

#### **2a Basis of presentation**

The financial statements have been prepared in accordance with applicable generally accepted accounting standards in the Netherlands and are in compliance with the provisions of the Netherlands Civil Code, Book 2, Part 9.

#### **2b Accounting policies**

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

#### **2c Foreign currency translation**

Transactions in foreign currencies and assets and liabilities denominated in foreign currencies are translated into GBP at the rate of exchange ruling at the transaction date and at the balance sheet date respectively. All exchange differences arising from the foregoing are taken to the profit and loss account.

The currency exchange rates used by the company as at June 30, 2008 based on the GBP are:

- closing rate of USD 1.99 (balance sheet)
- cumulative average rate of USD 2.01 (profit & loss)

The currency exchange rates used by the company as at June 30, 2007 based on the GBP are:

- closing rate of USD 2.01 (balance sheet)
- cumulative average rate of USD 1.93 (profit & loss)

#### **2d Recognition of Income**

Income and expenses are recorded in the year in which they originate unless indicated otherwise.

Notes to the accounts at 30 June 2008 (continued)

**2e Other assets and liabilities**

All other assets and liabilities are stated at their face value.

**2f Amortized costs**

The bonds and medium term note are valued at amortized costs whereby the discounts have been amortized based upon the linear method and presented as financial expenses.

**2g Financial Instruments**

For derivatives that are designated as part of a hedge relation and are effective, costprice hedge accounting is applied and therefore interest and currency movements are recognised on an accruals basis. Otherwise, derivatives are valued at the lower of cost price and market value. If market value is lower than cost, a loss provision is accounted for.

**3 Loans to Group companies**

At 30 June 2008 the company had the following long term loans to group companies:

	<u>Original currency</u>	<u>GBP</u>	<u>F08 interest</u>
Diageo Brands B.V.	GBP 276,086,643	276,086,643	14,915,974
Diageo Brands B.V.	GBP 271,608,868	271,608,868	17,606,952
Diageo Brands B.V.	GBP 350,000,000	350,000,000	18,489,606
		<u>897,695,510</u>	<u>51,012,532</u>
	<u>Original currency</u>	<u>GBP</u>	<u>F08 interest</u>
Diageo Plc	USD 597,408,000	300,205,025	16,794,128
Diageo Plc	USD 745,762,500	374,755,025	19,992,124
		<u>674,960,050</u>	<u>36,786,252</u>
<b>Total long-term loans to group companies</b>		<u>1,572,655,560</u>	<u>87,798,784</u>

The maturity date of the above loans is between 2011 and 2015.

These loans can be repaid at any time and/or repayment can be requested at any time. However, it is expected the repayment of the loan principals will coincide with the maturity of the respective bonds and MTN to which they relate.

The USD 399 million loan to Diageo plc matures on 30 March 2009 and is therefore reclassified to current assets. At 30 June 2008 the company had the following short term loans to group companies:

	<u>Original currency</u>	<u>GBP</u>	<u>F08 interest</u>
Diageo Plc	USD 399,400,000	200,703,518	9,748,286
		<u>200,703,518</u>	<u>9,748,286</u>
Total loans to group companies		<u>1,773,359,078</u>	<u>97,547,070</u>
Interest on amounts receivable from group companies			<u>184,917</u>
Total interest income from group companies			<u>97,731,987</u>

**Notes to the accounts at 30 June 2008 (continued)**

The USD proceeds on the bonds issued prior to 30 June 2005, less discount and fees are swapped from USD to GBP via the swaps as mentioned in note 4 and note 10. The USD proceeds on the bonds and MTN issued on 28 October 2005 and 30 March 2006 were loaned to Diageo Plc. Diageo Plc loaned £350m back to the company on 28 October 2005. The resulting GBP from Diageo Plc, under both arrangements are then onward lent to Diageo Brands B.V.

The rate of interest applicable to the loans to Diageo Brands B.V. varied between 5.228% and 6.776% during the year. The interest rate is recalculated every six months, and is set to ensure that the Company recovers the net interest cost, plus a margin of 15 basis points per annum.

The rate of interest applicable to the loans to Diageo Plc varied between 2.995% and 5.663% during the year. The interest rates include both fixed and variable interest rates. The variable interest rate is recalculated every six months, and is set to ensure that the Company recovers the net external interest from the Bonds and MTN with an additional margin of 15 basis points per annum.

The settlement of accrued interest is timed to coincide with external interest payments.

	<u>Year ending 30 June 2008 GBP</u>	<u>Year ending 30 June 2007 GBP</u>
Opening balance as per 1 July previous year	1,886,915,908	1,972,470,105
New loans	0	0
Repayments	(124,022,255)	0
Reclassification to current assets	(200,703,518)	0
Exchange results and other movements	<u>10,465,425</u>	<u>(85,554,197)</u>
Balance as at 30 June	<u>1,572,655,560</u>	<u>1,886,915,908</u>

**Notes to the accounts at 30 June 2008 (continued)**

At 30 June 2007 the company had the following loans to group companies:

	<u>Original currency</u>	<u>GBP</u>	<u>F07 interest</u>
Diageo Brands B.V.	GBP 276,086,643	276,086,643	14,616,621
Diageo Brands B.V.	GBP 271,608,868	271,608,868	15,042,675
Diageo Brands B.V.	GBP 72,222,222	72,222,222	3,795,100
Diageo Brands B.V.	GBP 138,888,889	138,888,889	7,298,270
Diageo Brands B.V.	GBP 138,888,889	138,888,889	7,298,270
		<u>897,695,510</u>	<u>48,050,937</u>
	<u>Original currency</u>	<u>GBP</u>	<u>F07 interest</u>
Diageo Plc	USD 597,408,000	297,217,910	17,500,037
Diageo Plc	USD 245,762,500	122,269,900	7,541,709
Diageo Plc	USD 500,000,000	248,756,219	13,921,272
Diageo Plc	USD 122,300,000	60,845,771	3,493,554
Diageo Plc	USD 123,462,500	61,424,129	3,655,274
Diageo Plc	USD 399,400,000	198,706,468	11,954,459
		<u>989,220,398</u>	<u>58,066,306</u>
<b>Total loans to group companies</b>		<u>1,886,915,908</u>	<u>106,117,243</u>

The rate of interest applicable to the loans to Diageo Brands B.V. varied between 5.05% and 5.8% during the year.

The rate of interest applicable to the loans to Diageo Plc varied between 3.875% and 5.9% during the year. The interest rates include both fixed and variable interest rates.

Notes to the accounts at 30 June 2008 (continued)

4 Other accrued assets

	30 June 2008	30 June 2007
	GBP	GBP
Receivable from external interest rate swaps	0	4,736,815
	<u>0</u>	<u>4,736,815</u>

On 28 October 2005 the Company entered into external interest rate swaps for a notional amount of USD 250m to swap fixed interest rates on part of the USD 750m bond loan to variable interest rates. On the same date the effect of these swaps was reflected in the USD interest rates receivable on internal loans to Diageo plc, such that the Company recovers the net USD external interest on the USD 750m bonds and USD 250m swaps as explained in note 3 and note 9.

On 6 June 2006 the Company entered into external interest rate swaps for the same notional amounts to swap back the above floating rates to fixed interest rates (thereby effectively closing the above swap); in addition on the same date these external swaps are mirrored by the internal loans from and to Diageo Plc for the same notional amounts as explained in note 3 and note 9. As a result the Company continues to recover the total net USD external interest on the bonds and swaps on the USD 750m bond from Diageo plc.

All of the above mentioned swaps on the USD 750m bond have been closed out on 19 December 2007, which caused a loss of GBP 4.5m. The loss is accounted for under net interest expenses from external swaps in the profit and loss account.

For presentation purposes, receivables from external interest rate swaps have been netted with interest payables on external interest rate swaps and reclassified under current assets amounting to GBP 961,146 (see also note 10).

5 Deferred bond issue costs

	30 June 2008	30 June 2007
	GBP	GBP
Net book value at beginning of year	2,453,581	3,319,077
Retranslation of opening balance to closing rate	19,810	(282,132)
Amortisation of costs	(482,409)	(583,364)
Net book value at end of year	<u>1,990,982</u>	<u>2,453,581</u>

6 Shareholders' Equity

	30 June 2008	30 June 2007
	GBP	GBP
Shareholders' Equity at beginning of year	2,280,500	1,375,574
Net result for the year	(1,529,185)	904,926
Shareholders' Equity at end of year	<u>751,315</u>	<u>2,280,500</u>

The authorised share capital of the Company amounts to EUR 90,000.

Notes to the accounts at 30 June 2008 (continued)

7 Bonds issued

At 30 June 2008 the company had the following bonds:

Nominal Amount /USD/	Total Discount /USD/	Original currency after discount /USD/	Amortised discount /USD/	Net book value /USD/	Net book value /GBP/
500,000,000	(4,175,000)	495,825,000	2,534,821	498,359,821	250,432,071
600,000,000	(792,000)	599,208,000	254,571	599,462,571	301,237,473
750,000,000	(1,612,500)	748,387,500	443,438	748,830,938	376,296,953
1,850,000,000	(6,579,500)	1,843,420,500	3,232,830	1,846,653,330	927,966,497

The value dates and maturity dates of the bonds above are the following:

Nominal Amount /USD/	Value date	Maturity date
500,000,000	02/04/2004	01/04/2011
600,000,000	30/03/2006	01/04/2013
750,000,000	28/10/2005	28/10/2015
1,850,000,000		

The coupon rate is as follows:

	Fixed coupon rate	12 months to 30 June 2008 GBP	12 months to 30 June 2007 GBP
USD 500,000,000 due 2011	3.875%	(9,639,303)	(10,038,860)
USD 600,000,000 due 2013	5.500%	(16,417,913)	(17,098,446)
USD 750,000,000 due 2015	5.300%	(19,776,119)	(20,595,855)
USD 500,000,000 due 2006	3.000%	0	(3,562,265)
		(45,833,335)	(51,295,426)

Issue fees are capitalised and amortised over the life of the bond. The discount is embedded in the Net Book Value of the bond and is amortised over the life of the bond bringing it to the nominal amount by maturity. The interest is payable semi-annually. The bonds issued are guaranteed by Diageo plc and are subject to certain covenants.

Notes to the accounts at 30 June 2008 (continued)

At 30 June 2007 the company had the following bonds:

Nominal Amount /USD/	Total Discount /USD/	Original currency after discount /USD/	Amortised discount /USD/	Net book value /USD/	Net book value /GBP/
500,000,000	(4,175,000)	495,825,000	1,938,393	497,763,393	247,643,479
600,000,000	(792,000)	599,208,000	141,429	599,349,428	298,183,795
750,000,000	(1,612,500)	748,387,500	282,188	748,669,687	372,472,482
1,850,000,000	(6,579,500)	1,843,420,500	2,362,009	1,845,782,508	918,299,756

8 Medium term note

At 30 June 2008 the company had the following medium term note:

Nominal Amount USD	Total Discount USD	Net book value USD	Net book value GBP	Starting date	Maturity date
400,000,000	-	400,000,000	201,005,025	30/03/2006	30/03/2009
		400,000,000	201,005,025		

As per 30 June 2008 the medium term note has been disclosed among current liabilities as it matures on 30 March 2009.

The coupon rate is as follows:

	Floating coupon coupon rate	12 months to 30 June 2008 GBP	12 months to 30 June 2007 GBP
USD 400,000,000 due 2009	4.6411%	(9,396,532)	(11,588,187)
		(9,396,532)	(11,588,187)

The coupon (floating 3 month USD Libor + 12 basis points) is payable quarterly in arrears commencing 28/09/07. The average rate in F08 was 4.6411% with 4 coupon payments during the year. The medium term note is guaranteed by Diageo plc and is subject to certain covenants.

At 30 June 2007 the company had the following medium term note:

Nominal Amount USD	Total Discount USD	Net book value USD	Net book value GBP	Starting date	Maturity date
400,000,000	-	400,000,000	199,004,975	30/03/2006	30/03/2009
		400,000,000	199,004,975		

Notes to the accounts at 30 June 2008 (continued)

The coupon rate during the previous financial year was as follows:

	Floating coupon coupon rate	12 months to 30 June 2007 GBP	12 months to 30 June 2006 GBP
USD 400,000,000 due 2009	5.5913%	(11,588,187)	(2,806,967)
		<u>(11,588,187)</u>	<u>(2,806,967)</u>

The floating coupon (floating 3 month USD Libor + 12 basis points) is payable quarterly in arrears commencing 30/3/06 until maturity. The medium term note is guaranteed by Diageo plc and is subject to certain covenants.

## 9 Loans from Group companies

At 30 June 2008 the company had the following loans from group companies:

	Original currency	GBP	Interest
Diageo Plc	GBP 276,086,643	276,086,643	14,080,123
Diageo Plc	GBP 350,000,000	350,000,000	17,733,252
		<u>626,086,643</u>	<u>31,813,375</u>

The rate of interest applicable to the loans from Diageo Plc were 5.103% and 5.0528% (GBP loan). The interest rates on the GBP loans are fixed until maturity in 2015. These loans can be repaid at any time and/or repayment can be requested at any time.

However, it is expected the repayment of the loan principals will coincide with the maturity of the respective bonds and MTN to which they relate.

At 30 June 2007 the company had the following loans from group companies:

	Original currency	GBP	Interest
Diageo Plc	GBP 350,000,000	350,000,000	17,684,800
Diageo Plc	GBP 276,086,643	276,086,643	7,604,039
Diageo Plc	USD 122,300,000	60,845,771	3,746,314
Diageo Plc	USD 123,462,500	61,424,129	3,655,275
		<u>748,356,543</u>	<u>32,690,427</u>

The rate of interest applicable to the loans from Diageo Plc were 5.05% and 5.103% (GBP loan). The interest rate on the USD loans are recalculated every six months. The interest rates on the GBP loan are fixed until maturity in 2015.

These loans can be repaid at any time and/or repayment can be requested at any time. However, it is expected the repayment of the loan principals will coincide with the maturity of the respective bonds and MTN to which they relate.

Notes to the accounts at 30 June 2008 (continued)

**10 Other current liabilities**

	30 June 2008	30 June 2007
	GBP	GBP
Net principal payable from cross currency swap	22,021,002	23,413,410
Other interest payables on external interest rate swaps	0	5,507,253
Other interest payables on internal interest rate swaps	0	30,293
Operating accruals	16,767	34,000
	<u>22,037,769</u>	<u>28,984,956</u>

Cross currency interest rate swaps were entered into with Diageo plc on 6 January 2004 and 2 April 2004 to convert the USD bond proceeds at fixed rates to EUR at floating rates. When the company changed its functional currency to GBP on 1st July 2005, the EUR legs of these cross currency interest rate swaps were transferred to GBP.

For presentation purposes, other interest payables on external interest rate swaps have been netted with the receivables from external interest rate swaps and reclassified under current assets (see also note 4). Furthermore, other interest payables on internal interest rate swaps amounting to GBP 961,146 have been reclassified under payable to group companies.

**11 Contingent liabilities**

Diageo Finance B.V. forms part of the fiscal unity of Diageo Brands Holdings B.V. Therefore, Diageo Finance B.V. is jointly and severally liable to all corporate income tax debts within the fiscal unity.

**12 Amortisation of capitalised issue and discount costs**

	12 months to 30 June 2008	12 months to 30 June 2007
	GBP	GBP
Amortised issue costs	(482,409)	(583,364)
Amortised discount on issued bonds	(433,244)	(462,357)
	<u>(915,653)</u>	<u>(1,045,721)</u>

Issues fees are capitalised and amortised over the life of the bonds and MTN. Discounts are embedded in the Net Book Value of the bonds and MTN and are amortised over the life of the bonds and MTN.

**Notes to the accounts at 30 June 2008 (continued)**

**13 Taxation**

Diageo Finance B.V. is subject to taxation in the Netherlands at normal prevailing rates. Diageo Finance B.V. forms part of the fiscal unity of Diageo Brands Holdings B.V. Tax charges are settled through the intercompany account.

**14 Employees**

The company had no employees during the year ended June 30, 2008 and 2007.

**15 Director's emoluments and interests**

The Directors did not receive any remuneration in respect of services during the year concerned. There were no contracts of significance during 2007/2008 in which the Directors of the company had a material interest.

**16 Related Party transactions**

**Administrative expenses and loans**

Included in the Administrative Expenses is an amount of GBP 210,000 (2007: 227,500) charged by other Diageo Group Companies.

The company has entered into loan agreements with Diageo Brands BV as noted in Note 3. The interest income on these loans is also disclosed in Note 3. The interest receivable at the year end of GBP 11,345,384 (2007: GBP 7,079,365) is included in Receivables from group companies.

The company has entered into a loan agreement with Diageo Plc as noted in Note 3 and 9. The interest income and expense on these loans are also disclosed in Note 3 and 9. The interest receivable at the year end of GBP 7,651,743 (2007: GBP 8,668,665) is included in Receivables from group companies. The interest payable at the year end of GBP 6,526,371 (2007: GBP 7,579,045) is included in Payables to group companies.

**Notes to the accounts at 30 June 2008 (continued)**

**Derivatives**

The company entered into the following interest rate swap arrangements with internal and external parties:

USD 500m bond

External interest rate swaps with a notional of USD 500m were entered into on 3 February 2005 to swap the fixed rates on the bond to floating interest rates (6 month LIBOR). On the same dates the company entered into interest rate swaps with Diageo plc to swap floating interest rates to fixed rates. As a result the net economic effect of these external and internal swaps is nil.

In addition the company has entered on 1 April 2006 into a cross currency interest rate swap with Diageo Plc, designated as a hedge for the USD 500m bond which is accounted for based on cost price hedge accounting. These cross currency interest rate swaps convert the USD 500m bond proceeds at fixed rates to GBP 271.6m at floating rates.

USD 600m bond

There are no derivatives related to this USD 600m bond.

USD 750m bond

For the interest rate swaps and cash settlement of these interest rate swaps in December 2007 reference is made to note 4. As a result no swaps are outstanding regarding this USD 750m bond per year end.

USD 400m MTN

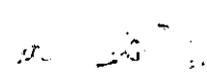
Further external interest rate swaps were entered into on 6 June 2006 to swap floating rates on the MTN to fixed rates. On the same date the company entered into interest rate swaps with Diageo Plc to swap fixed interest rates to floating interest rates. As a result the net economic effect of these external and internal swaps is nil. Further external interest rate swaps were entered into on 7 April 2008 to swap back the above mentioned fixed rates to floating while on the same date the company entered into interest rate swaps with Diageo plc to swap the floating interest rates to fixed interest rates. As a result the net economic effect of these external and internal swaps is also nil.

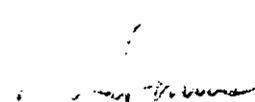
**Interest income/receivable on the internal swaps**

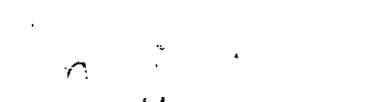
Net interest income on the internal swaps of GBP 2,528,994 (2007: expense of GBP 312,888) is disclosed separately in the profit and loss account. The interest receivable of GBP 1,445,854 (2007: GBP 8,668,665) is included in Receivable from Group companies and interest payable of GBP 2,407,000 (2007: GBP 7,579,045) is included in Payables to Group companies. The net principal payable on the cross currency swaps is disclosed in Note 10.

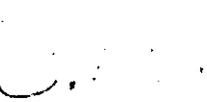
Amsterdam, 17 December, 2008

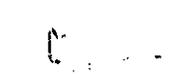
Directors:

  
A.P. Bottomley

  
A.S. Frame

  
M.C.T.M. Gerichhausen

  
D.M.F. Leese

  
J.T. Slade

## **Other information**

### **Appropriation of profit**

Article 19 of the company's articles of association states that the result for the year is at the disposal of the shareholders.

### **Profit appropriation - management proposal**

The directors propose to charge the loss for the year ending June 30, 2008 to the retained earnings of the company.

### **Audit**

The auditors' report is included on the next page.

### **Subsequent events**

There were no material events occurring between the end of the financial year and the date of signing the report.

**Auditors' report**



To: the General Meeting of Shareholders of Diageo Finance B.V.

## **AUDITOR'S REPORT**

### **Report on the financial statements**

We have audited the accompanying financial statements 2007/2008 of Diageo Finance B.V., Amsterdam, which comprise the balance sheet as at 30 June 2008, the profit and loss account for the year then ended and the notes.

### **Management's responsibility**

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the directors' report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Diageo Finance B.V. as at 30 June 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.



**Report on other legal and regulatory requirements**

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the directors' report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 17 December 2008

KPMG ACCOUNTANTS N.V.

R.W.G. van Teeffelen RA