

DIAGEO CAPITAL B.V.

**Report on the financial statements
For the year ended June 30, 2007**

0696308



KPMG Audit
Document to which our auditor's report of

18 DEC 2007

also refers.
Initials for identification purposes
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13-02-2008

Diageo Capital B.V., Amsterdam

Annual Report

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Directors

M.C.T.M. Gerichhausen
D.M.F. Leese
A.P. Bottomley

A.M. Smith
K.J.M. Slobbe

Resigned on May 1, 2007
Resigned November 30, 2007



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Diageo Capital B.V., Amsterdam

Directors' report

The Directors of Diageo Capital B.V. submit their report with respect to the result for the year ended June 30, 2007 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.

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 lends funds to other Diageo group companies.

Dividends

During the year ended June 30, 2007 the company did not pay a dividend.

Results for the year

The company recorded a profit after tax of GBP 490,820 (2006: GBP 567,552).

Personnel

The company has no employees.

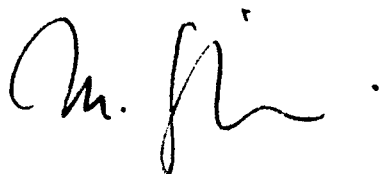
Directors' benefits

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, 18-12-2007

Directors:


A.P. Bottomley

M.C.T.M. Gerichhausen 


D.M.F. Leese



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Diageo Capital B.V., Amsterdam

Balance sheet as at 30 June 2007
(Before appropriation of net result)

ASSETS	Notes	30 June 2007 £	30 June 2006 £
Fixed assets			
<i>Financial fixed assets</i>			
Loans to group companies	3	670.852.702	677.792.558
Total Fixed assets		<u>670.852.702</u>	<u>677.792.558</u>
Current assets			
Deferred note issue costs	4	208.480	363.620
Receivables from group companies		19.322.605	16.749.102
Cash at bank		940	0
Total Current assets		<u>19.532.025</u>	<u>17.112.722</u>
TOTAL ASSETS		<u>690.384.727</u>	<u>694.905.280</u>



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Diageo Capital B.V., Amsterdam

Balance sheet as at 30 June 2007

(Before appropriation of net result)

LIABILITIES

	Notes	30 June 2007 £	30 June 2006 £
Shareholders' equity			
<i>Issued and paid-up share capital</i>	5	12.162	12.162
<i>Retained earnings</i>		1.159.283	591.731
<i>Result for the period</i>		490.820	567.552
		<u>1.662.265</u>	<u>1.171.445</u>
Long-term liabilities			
Medium term note	6	337.363.063	343.981.609
Loans from group companies	7	335.426.351	335.426.351
		<u>672.789.414</u>	<u>679.407.960</u>
Current liabilities			
Cash at bank		0	18
Interest payable on medium term note		6.327.421	6.406.471
Payable to group companies		8.869.259	7.377.657
Accrued corporate income tax (to group company)		728.369	541.729
Other current liabilities		8.000	0
		<u>15.933.049</u>	<u>14.325.875</u>
TOTAL LIABILITIES		<u>690.384.727</u>	<u>694.905.280</u>



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Diageo Capital B.V., Amsterdam

Profit and loss account for the year ended June 30, 2007

	Notes	12 months to 30 June 2007 £	12 months to 30 June 2006 £
Financial income			
Interest income from group companies	3	31.261.535	30.602.903
Net exchange gain/(loss)		1.044	0
		<u>31.262.579</u>	<u>30.602.903</u>
Financial expenses			
Interest expense from group companies	7	(16.783.083)	(15.773.755)
Interest expense on MTN	6	(13.142.028)	(13.270.548)
Amortisation of capitalised issue and discount costs	9	(482.297)	(477.792)
Net exchange loss		0	(123.598)
		<u>(30.407.407)</u>	<u>(29.645.693)</u>
Other expenses			
Administrative expenses		<u>(177.712)</u>	<u>(140.000)</u>
Profit before income tax		677.460	817.210
Income tax		(186.640)	(249.658)
Net profit for the period		<u>490.820</u>	<u>567.552</u>



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Diageo Capital B.V., Amsterdam

Notes to the accounts at June 30, 2007

1 General

The Company is registered in Amsterdam and is primarily engaged in the financing of other companies in the Diageo Group and considers Diageo Brands B.V. as its immediate parent company. The Company's ultimate parent company is Diageo plc, which is listed on the London Stock Exchange.

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, 2007 based on the GBP are:

- closing rate of EUR 1.48 (balance sheet)
- cumulative average rate of EUR 1.48 (profit & loss)

The currency exchange rate used by the company as at June 30, 2006 based on the GBP are:

- closing rate of EUR 1.45 (balance sheet)
- cumulative average rate of EUR 1.46 (profit & loss)

2d Recognition of Income

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

2e Other assets and liabilities

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



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Diageo Capital B.V., Amsterdam

Notes to the accounts at June 30, 2007

3 Loans to Group companies

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

	<u>Original currency</u>	<u>GBP</u>	<u>Interest</u>
Diageo Brands B.V.	GBP 335.426.351	335.426.351	(18.117.049)
Diageo plc	EUR 496.431.000	335.426.351	(13.144.487)
		<u>670.852.702</u>	<u>(31.261.535)</u>

The rate of interest applicable to the loan to Diageo Brands B.V. varied between 4.98% and 5.88% 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 loan to Diageo Plc varied between 3.85% and 3.9% during the year. The interest rate is recalculated every six months, and is set to ensure that the Company recovers the net interest cost of the external bond.

The settlement of accrued interest is timed to coincide with external interest payments. 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 co-incide with the maturity of the MTN.

At 30 June 2006 the company had the following loans to group companies:

	<u>Original currency</u>	<u>GBP</u>	<u>Interest</u>
Diageo Brands B.V.	GBP 335.426.351	335.426.351	(15.463.248)
Diageo plc	EUR 496.431.000	342.366.207	(15.139.655)
		<u>677.792.558</u>	<u>(30.602.903)</u>

The rate of interest applicable to the loan to Diageo Brands B.V. varied between 4.24% and 5.01% 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 loan to Diageo Plc varied between 4.88% and 3.88% during the year. The interest rate is recalculated every six months, and is set to ensure that the Company recovers the net interest cost of the external bond.

The settlement of accrued interest is timed to coincide with external interest payments. 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 co-incide with the maturity of the MTN.

4 Deferred Note issue costs

	<u>30 June 2007</u>	<u>30 June 2006</u>
	<u>GBP</u>	<u>GBP</u>
Net book value at beginning of year	363.620	491.598
Retranslation of opening balance to closing rate	(7.321)	15.768
Amortisation of costs	<u>(147.819)</u>	<u>(143.746)</u>
Net book value at end of year	<u>208.480</u>	<u>363.620</u>



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Diageo Capital B.V., Amsterdam

Notes to the accounts at June 30, 2007

5 Shareholders' Equity

	30 June 2007	30 June 2006
	GBP	GBP
Shareholders' Equity at beginning of year	1.171.445	603.893
Net result for the year	<u>490.820</u>	<u>567.552</u>
Shareholders' Equity at end of year	<u>1.662.265</u>	<u>1.171.445</u>

6 Medium term note

At 30 June 2007 the company had the following external borrowings:

<u>Nominal Amount</u>	<u>Total Discount</u>	<u>Amortised discount</u>	<u>Net book value GBP</u>	<u>Starting date</u>	<u>Maturity date</u>
EUR 500,000,000	EUR (2,480,000)	EUR 1,777,333	<u>337.363.063</u>	4-12-2003	6-1-2009
			<u>337.363.063</u>		

At 30 June 2006 the company had the following external borrowings:

<u>Nominal Amount</u>	<u>Total Discount</u>	<u>Amortised discount</u>	<u>Net book value GBP</u>	<u>Starting date</u>	<u>Maturity date</u>
EUR 500,000,000	EUR (2,480,000)	EUR 1,253,334	<u>343.981.609</u>	4-12-2003	6-1-2009
			<u>343.981.609</u>		

The coupon rate is as follows:

	<u>Fixed coupon coupon rate</u>	<u>12 months to 30 June 2007 GBP</u>	<u>12 months to 30 June 2006 GBP</u>
EUR 500,000,000	3,875%	<u>13.142.028</u>	<u>13.270.548</u>
		<u>13.142.028</u>	<u>13.270.548</u>

The coupon (fixed interest rate) is payable annually in arrears on 6 January until maturity. The medium term note is guaranteed by Diageo plc and is subject to certain covenants.

7 Loans from Group companies

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

	<u>Original currency</u>	<u>GBP</u>	<u>Interest</u>
Diageo plc	GBP 335.426.351	<u>335.426.351</u>	<u>16.783.083</u>
		<u>335.426.351</u>	<u>16.783.083</u>

The rate of interest applicable to the loan to Diageo Plc varied between 4.56% and 5.58% during the year. The interest rate is recalculated every six months, and is set to ensure that the Company recovers the net interest cost of the external bond.

The settlement of accrued interest is timed to coincide with external interest payments. This loan 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 co-incide with the maturity of the MTN.



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Diageo Capital B.V., Amsterdam

Notes to the accounts at June 30, 2007

Note 7 continued

At 30 June 2006 the company had the following loan from group companies:

	<u>Original currency</u>	<u>GBP</u>	<u>Interest</u>
Diageo plc	GBP 335.426.351	335.426.351	15.773.755
		<u>335.426.351</u>	<u>15.773.755</u>

The rate of interest applicable to the loan to Diageo Plc varied between 4.88% and 4.59% during the year. The interest rate is recalculated every six months, and is set to ensure that the Company recovers the net interest cost of the external bond.

The settlement of accrued interest is timed to coincide with external interest payments. The loan 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 co-incide with the maturity of the MTN.

8 Contingent liabilities

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

9 Amortisation of capitalised Medium Term Note (MTN) issue costs

	<u>12 months to 30 June 2007</u>	<u>12 months to 30 June 2006</u>
	<u>GBP</u>	<u>GBP</u>
Amortised issue costs	147.162	143.746
Amortised discount on issued bonds	335.135	334.046
	<u>482.297</u>	<u>477.792</u>

Issue fees are capitalised and amortised over the 5-year life of the MTN. The discount is embedded in the Net Book Value of the bond (see note 6) and is amortised over the life of the MTN bringing it to the nominal amount by maturity.

10 Taxation

Diageo Capital B.V. is subject to taxation in the Netherlands at normal prevailing rates. Diageo Capital B.V. forms part of the fiscal unity of Diageo Brands Holdings B.V.

11 Employees

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

12 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 2006/2007 in which the Directors of the company had a material interest.

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13 Related Party transactions

Included in the Administrative Expenses is an amount of GBP 140,000 (2006: GBP 140,000) charged by other Diageo Group Companies.

The company has entered into loan agreements with Diageo Brands BV and Diageo Plc as noted in Note 3 & 7. The interest income and expense on these loans are also disclosed in Note 3 and 7 (respectively). The interest receivable of GBP 9,361,405 and GBP 6,246,151 (respectively) is included in Receivables from group companies. The interest payable to Diageo Plc of GBP 8,869,259 is included in Payables to group companies.

The majority of excess cash in the company is lent to Diageo Plc. The balance amounting to GBP 3,580,717 is included in Receivables from group companies. The interest rate on this balance is calculated monthly based on LIBOR plus 100 basis points.

The balance arising from the 15 basis points plus interest charged on the loan with Diageo Brands BV is amounting to GBP 134,332. This balance is included in Receivables from group companies. The interest rate on this balance is calculated monthly based on LIBOR plus 100 basis points.



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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 add the result for the year ending June 30, 2007 to the retained earnings of the company.

Audit

The auditor's report is included on the next page.



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

Auditors Report

Report on the financial statements

We have audited the accompanying financial statements 2006/2007 of Diageo Capital B.V., Amsterdam, the Netherlands, which comprise the balance sheet as at 30 June 2007, 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 management board 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

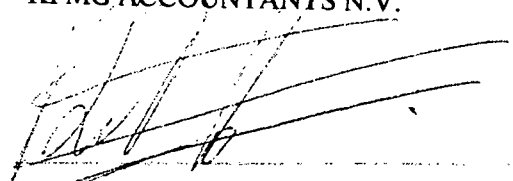
In our opinion, the financial statements give a true and fair view of the financial position of Diageo Capital B.V. as at 30 June 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

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 management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 18 December 2007

KPMG ACCOUNTANTS N.V.



R.W.G. van Teeffelen RA

Paraaf voor identificatiedoeleinden:



13-02-2008

