Historical information (continued)

Notes to the historical information

1 Accounting policies The consolidated financial statements for the five years ended 30 June 2011 were prepared in accordance with IFRS. The IFRS accounting policies applied by the group to the financial information in this document are presented in 'Accounting policies of the group' in the consolidated financial statements.

2 Exceptional items Exceptional items are charges or credits which, in management's judgment, need to be disclosed by virtue of their size or incidence in order for the user to obtain a proper understanding of the financial information. Such items are included within the income statement caption to which they relate. An analysis of exceptional items for continuing operations is as follows:

	Year ended 30 June				
	2011	2010	2009	2008	2007
	£ million	£ million	£ million	£ million	£ million
Items included in operating profit					
Restructuring programmes	**(111)**	(142)	(170)	(78)	—
Duty settlements	**(127)**	—	—	—	—
Brand impairment	**(39)**	(35)	—	—	—
SEC settlement	**(12)**	—	—	—	—
Disposal of Park Royal property	**—**	—	—	—	40
	(289)	(177)	(170)	(78)	40
Sale of businesses	**(14)**	(15)	—	9	(1)
Items included in taxation					
Tax credit on exceptional operating items	**51**	39	37	8	—
Tax credit on sale of businesses	**3**	10	—	—	—
Settlements agreed with tax authorities	**66**	—	155	—	—
	120	49	192	8	—
Exceptional items in continuing operations	**(183)**	(143)	22	(61)	39
Discontinued operations net of taxation	**—**	(19)	2	26	139
Exceptional items	**(183)**	(162)	24	(35)	178

3 Discontinued operations In the year ended 30 June 2010 discontinued operations comprise a charge of £19 million in respect of the discounted value of anticipated future payments to new thalidomide claimants. In the years ended 30 June 2009, 30 June 2008 and 30 June 2007 discontinued operations are in respect of the quick service restaurants business (Burger King, sold 13 December 2002) and the packaged food business (Pillsbury sold 31 October 2001).

4 Dividends The board expects that Diageo will pay an interim dividend in April and a final dividend in October of each year. Approximately 40% of the total dividend in respect of any financial year is expected to be paid as an interim dividend and approximately 60% as a final dividend. The payment of any future dividends, subject to shareholder approval, will depend upon Diageo's earnings, financial condition and such other factors as the board deems relevant. Proposed dividends are not considered to be a liability until they are approved by the board for the interim dividend and by the shareholders at the annual general meeting for the final dividend.

Historical information (continued)

The table below sets out the amounts of interim, final and total cash dividends paid by the company on each ordinary share. The dividends are translated into US dollars per ADS (each ADS representing four ordinary shares) at the noon buying rate on each of the respective dividend payment dates.

		Year ended 30 June				
		2011	**2010**	**2009**	**2008**	**2007**
		pence	**pence**	**pence**	**pence**	**pence**
Per ordinary share	Interim	**15.50**	14.60	13.90	13.20	12.55
	Final	**24.90**	23.50	22.20	21.15	20.15
	Total	**40.40**	38.10	36.10	34.35	32.70
		$	**$**	**$**	**$**	**$**
Per ADS	Interim	**1.02**	0.90	0.82	1.05	0.99
	Final	**1.60**	1.48	1.46	1.46	1.64
	Total	**2.62**	2.38	2.28	2.51	2.63

Note: Subject to shareholders' approval the final dividend for the year ended 30 June 2011 will be paid on 24 October 2011, and payment to US ADR holders will be made on 28 October 2011. In the table above, an exchange rate of £1 = $1.61 has been assumed for this dividend, but the exact amount of the payment to US ADR holders will be determined by the rate of exchange on 24 October 2011.

5 Net borrowings definition Net borrowings are defined as gross borrowings (short term borrowings and long term borrowings plus finance lease liabilities plus interest rate hedging instruments, cross currency interest rate swaps and funding foreign currency forwards and swaps used to manage borrowings) less cash and cash equivalents and other liquid resources.

6 Share capital During the years ended 30 June 2011 and 30 June 2010 the company did not repurchase any ordinary shares for cancellation or to be held as treasury shares (2009 – 38 million ordinary shares, cost of £354 million; 2008 – 97 million ordinary shares, cost of £1,008 million; 2007 – 141 million ordinary shares, cost of £1,405 million).

7 Exchange rates A substantial portion of the group's assets, liabilities, revenues and expenses are denominated in currencies other than pounds sterling. For a discussion of the impact of exchange rate fluctuations on the company's financial condition and results of operations, see 'Business review – Risk management'.

The following table shows period end and average US dollar/pound sterling noon buying exchange rates, for the periods indicated, expressed in US dollars per £1.

	Year ended 30 June				
	2011	**2010**	**2009**	**2008**	**2007**
	$	**$**	**$**	**$**	**$**
Year end	**1.61**	1.50	1.65	1.99	2.01
Average rate(a)	**1.59**	1.57	1.60	2.01	1.93

(a) The average of the noon buying rates on the last business day of each month during the year ended 30 June.

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Historical information (continued)

The following table shows period end, high, low and average US dollar/pound sterling noon buying exchange rates by month, for the six-month period to 31 August 2011, expressed in US dollars per £1. The information in respect of the month of August is for the period up to and including 31 August 2011.

						2011
	August	July	June	May	April	March
	$	$	$	$	$	$
Month end	**1.63**	**1.64**	**1.61**	**1.64**	**1.67**	**1.61**
Month high	**1.66**	**1.64**	**1.64**	**1.67**	**1.67**	**1.64**
Month low	**1.62**	**1.59**	**1.60**	**1.61**	**1.61**	**1.60**
Average rate(a)	**1.64**	**1.62**	**1.62**	**1.63**	**1.64**	**1.62**

The average exchange rate for period 1 to 7 September 2011 was £1 = $1.61 and the noon buying rate on 7 September was £1 = $1.59.

(a) The average of the noon buying rates on each business day of the month.

(b) These rates have been provided for information only. They are not necessarily the rates that have been used in this document for currency translations or in the preparation of the consolidated financial statements. See note 2(e) to the consolidated financial statements for the actual rates used in the preparation of the consolidated financial statements.

Business description

Diageo is the world's leading premium drinks business, operating globally across spirits, beer and wine.

Diageo plc is incorporated as a public limited company in England and Wales. Diageo was incorporated as Arthur Guinness Son & Company Limited on 21 October 1886. The group was formed by the merger of Grand Metropolitan Public Limited Company (GrandMet) and Guinness PLC (the Guinness Group) in December 1997. Diageo plc's principal executive office is located at Lakeside Drive, Park Royal, London NW10 7HQ and its telephone number is +44 (0) 20 8978 6000.

Diageo is a major participant in the global beverage alcohol industry, producing and distributing a leading collection of branded premium spirits, beer and wine. It brings together world class brands and a management team that seeks to maximise shareholder value over the long term. The management team expects to continue the strategy of investing behind Diageo's strategic brands, launching innovative new products, and seeking to expand selectively either through partnerships or acquisitions that add long term value for shareholders.

Strategy

Diageo is the leading premium spirits business in the world by volume, by net sales and by operating profit and is one of a small number of premium drinks companies that operate globally across spirits, beer and wine. Diageo creates long term value for shareholders through its outstanding brands, its geographical breadth and the expertise of its people.

Diageo manages a broad range of brands across several categories. It manages eight of the world's top twenty premium spirits brands, including Smirnoff, the number one brand by volume and Johnnie Walker, the number one brand by value. In beer, Diageo owns the only global stout brand, Guinness, and a range of lager brands sold primarily in Africa. Diageo's wine brands are sold predominantly in North America and Great Britain across a full range of price points.

Diageo is a global company with its products sold in more than 180 markets around the world. In the developed markets of North America and Europe, Diageo has built scale and strong routes to market. Diageo is also the number one international spirits company in the emerging markets of Africa, Latin America and Asia. These rapid growth markets now comprise approximately one third of Diageo's net sales, up from 22% in 2005. Through continued organic growth driven by infrastructure investments and targeted acquisitions, these markets are expected to contribute to 50% of Diageo's net sales by 2015.

In the majority of markets, Diageo's brands reach customers and consumers through local teams with strong local expertise and networks. In countries where Diageo has not established its own subsidiary, it looks to expand organically through business partners and third party distributors. Diageo is also committed to explore opportunities to expand geographically through acquisitions, within its financial criteria. The acquisition of companies with strong local routes to market and brands that appeal to the growing number of middle class consumers are particularly appealing. The acquisition of Mey Içki in Turkey and the investment in ShuiJingFang in China are two examples of this strategy in action.

Diageo combines the benefits of global scale with local insights into consumer trends and behaviours to deliver world class marketing campaigns. For example, the Keep Walking campaign on Johnnie Walker has been running globally for over 10 years, based on the universal appeal of personal progress. The marketing campaign is true to this insight although the local creative executions look different around the world. Likewise, consumer insights inform Diageo's innovation launches and

Business description (continued)

pipeline. The premiumisation of scotch to appeal to consumers of luxury brands and the development of ready to serve cocktails as at-home consumption increases have been particularly successful.

Diageo is also focused on driving category growth with its customers through shopper insights. The sales ambition is to win at the point of purchase. The 'Diageo Way of Selling' programme equips four thousand salesmen with best practice tools and processes. It builds capabilities in sales execution, customer service and the efficient use of trade investment so that Diageo becomes an indispensable business partner to its customers.

Market participation Since 2005 up to the year ended 30 June 2011 Diageo managed its business through four regions: North America, Europe, International, and Asia Pacific. The North American region, comprising the United States and Canada, accounts for the largest proportion of Diageo's net sales and operating profit. Europe is comprised of Great Britain, Ireland, Iberia, Northern Europe, Southern Europe, and Russia and Eastern Europe. The International region is made up of three business units: Latin America and the Caribbean (including Mexico), Africa and Global Travel and Middle East (GTME). The Asia Pacific region comprises South Korea, Japan, the People's Republic of China, India and other Asian markets, Australia and New Zealand. In the past financial year roughly two-thirds of net sales were derived from developed markets (mainly North America and Western Europe) and one-third from emerging markets (mainly Latin America and the Caribbean, Africa and Asia Pacific). In 2005 approximately four-fifths of net sales arose in emerging markets and one-fifth in emerging markets.

During the year ended 30 June 2011 the group reviewed its operating model across its businesses and commenced a restructuring programme that is expected to be fully implemented by 30 June 2013. The main objective of the programme is to improve the effectiveness and productivity of the group's operations and to deploy resources closer to the market and in those geographical regions where the potential for growth is greatest. This review will result in changes to the group's regional structure and the way it organises its central functions. The principal countries impacted are the United Kingdom, Ireland and the United States.

On 25 May 2011 Diageo announced that the International region from 1 July 2011 will have two autonomous regions: Diageo Latin America and Diageo Africa. The Global Travel business will be divided and each specific duty free operation will be allocated to the market of the geographic region where it is located. The Middle East business will become part of Asia Pacific.

Product offering Diageo classifies 14 brands as global strategic brands: Johnnie Walker, Smirnoff, Baileys, Crown Royal, Captain Morgan, Jose Cuervo, JeB, Buchanan's, Windsor, Ketel One vodka, Cîroc, Tanqueray, Bushmills and Guinness. These brands are the main focus for the business and 78% of the group's marketing spend supports these brands. In aggregate, for the year ended 30 June 2011, they comprised 66% of Diageo's net sales.

Brand performance for the year ended 30 June 2011 is now reported for the 14 strategic brands above which replaces the brand performance reporting of eight global priority brands disclosed in prior years and reflects the way the brands are managed.

Business effectiveness Over the long term, Diageo's strategy continues to focus on driving growth and increasing shareholder value.

Business description (continued)

Premium drinks

Diageo is engaged in a broad range of activities within the beverage alcohol industry, with products sold in approximately 180 markets around the world. Its operations include producing, distilling, brewing, bottling, packaging, distributing, developing and marketing a range of brands. Diageo markets a wide range of recognised beverage alcohol brands including a number of the world's leading spirits and beer brands. In calendar year 2010, the Diageo brand range included 17 of the top 100 premium distilled spirits brands worldwide.

References to ready to drink products in this report include progressive adult beverages in the United States and certain markets supplied by the United States.

In the year ended 30 June 2011, Diageo sold 118.6 million equivalent units of spirits (including ready to drink), 25.8 million equivalent units of beer and 3.1 million equivalent units of wine. In the year ended 30 June 2011, ready to drink products contributed 5.7 million equivalent units of total volume, of which Smirnoff ready to drink variants accounted for 3.8 million equivalent units. Volume has been measured on an equivalent units basis to nine-litre cases of spirits. An equivalent unit represents one nine-litre case of spirits, which is approximately 272 servings. A serving comprises 33 ml of spirits, 165 ml of wine, or 330 ml of ready to drink or beer. Therefore, to convert volume of products other than spirits to equivalent units, the following guide has been used: beer in hectolitres divide by 0.9, wine in nine-litre cases divide by five, ready to drink in nine-litre cases divide by 10 and certain pre-mixed products that are classified as ready to drink in nine-litre cases divide by five.

Diageo's portfolio of premium drinks comprises brands owned by the company as a principal and brands held by the company under agency or distribution agreements. Diageo's agency agreements vary depending on the particular brand, but tend to be for a fixed number of years. Diageo's principal agency brand is Jose Cuervo in North America and many other markets (with distribution rights extending to 1 July 2013). Diageo also brews and sells other companies' beer brands under licence, including Budweiser and Carlsberg lagers in Ireland, Heineken lager in Jamaica and Tiger beer in Malaysia. There can be no assurance that Diageo will be able to prevent termination of distribution, manufacturing or licence agreements or to renegotiate distribution, manufacturing or licence agreements on favourable terms when they expire.

Diageo classifies its brands as strategic brands and other brands.

The strategic brands:
Johnnie Walker scotch whiskies
Smirnoff vodka and Smirnoff ready to drink products
Baileys Original Irish Cream liqueur
Crown Royal Canadian whisky
Captain Morgan rum and rum based products
Jose Cuervo tequila (agency brand in North America and many other markets)
JeB scotch whisky
Buchanan's scotch whisky
Windsor Premier scotch whisky
Ketel One vodka (exclusive worldwide distribution rights)
Cîroc vodka
Tanqueray gin
Bushmills Irish whiskey
Guinness stout

Business description (continued)

Diageo has 14 strategic brands that it markets worldwide. Diageo considers these brands to have the greatest current and future earnings potential. Figures for strategic brands include related ready to drink products, unless otherwise indicated.

In the year ended 30 June 2011, strategic brands accounted for 65% of total volume (95.8 million equivalent units) and contributed net sales of £6,576 million.

Johnnie Walker scotch whiskies comprise Johnnie Walker Red Label, Johnnie Walker Black Label and several other brand variants. During the year ended 30 June 2011, Johnnie Walker Red Label sold 10.9 million equivalent units, Johnnie Walker Black Label sold 6.1 million equivalent units and the remaining variants sold 0.8 million equivalent units. The Johnnie Walker franchise was ranked, by volume, as the number one premium scotch whisky and the number three premium spirit brand in the world.

Smirnoff achieved volume of 28.3 million equivalent units in the year ended 30 June 2011. Smirnoff vodka volume was 24.5 million equivalent units. It was ranked, by volume, as the number one premium vodka and the number one premium spirit brand in the world. Smirnoff ready to drink volume totalled 3.8 million equivalent units.

Baileys was ranked, by volume, as the number one liqueur in the world, having sold 6.8 million equivalent units in the year ended 30 June 2011.

Captain Morgan was ranked number two in the world by volume, amongst its competitive set, the rum category, with volume of 9.1 million equivalent units in the year ended 30 June 2011.

Guinness is the group's only strategic beer brand, and for the year ended 30 June 2011 achieved volume of 11 million equivalent units.

Certain strategic brands were also ranked, by volume, among the leading premium distilled spirits brands by Impact Databank. These include: Jose Cuervo, ranked the number one premium tequila in the world; Crown Royal Canadian whisky, ranked the number one Canadian whisky in the world; Tanqueray gin, ranked the number one imported gin in the United States; and JeB scotch whisky (comprising JeB Rare, JeB Reserve, JeB Manhattan and JeB Jet), ranked the number four premium scotch whisky in the world. During the year ended 30 June 2011, Jose Cuervo, Crown Royal, Tanqueray and JeB sold 4.6 million, 5.1 million, 2.0 million and 4.6 million equivalent units, respectively.

Other strategic brands, Buchanan's, Windsor, Bushmills, Ketel One vodka and Cîroc sold 1.5 million, 1.0 million, 0.6 million, 2.1 million and 1.3 million equivalent units, respectively, in the year ended 30 June 2011.

Other spirits brands include:
Gordon's gin and vodka
Old Parr scotch whisky
Bell's scotch whisky
The Classic Malts scotch whiskies
Seagram's 7 Crown whiskey and Seagram's VO whisky
Cacique rum
White Horse scotch whisky
Don Julio tequila
Bundaberg rum

Business description (continued)

For the year ended 30 June 2011, other spirits brands contributed volume of 33.8 million equivalent units, representing 23% of total Diageo volume, and net sales of £1,684 million.

Other beer brands include:
Malta Guinness non-alcoholic malt
Harp lager
Tusker lager
Smithwick's ale
Senator lager
Red Stripe lager

In the year ended 30 June 2011, Diageo sold 14.8 million equivalent units of beers other than Guinness, achieving net sales of £1,029 million. Other beer volume was mainly attributable to owned brands with a minority being attributable to beers brewed and/or sold under licence, such as Budweiser lager and Carlsberg lager in Ireland, Tiger beer in Malaysia and Heineken lager in Jamaica.

Wine brands include:
Blossom Hill
Sterling Vineyards
Beaulieu Vineyard
Navarro Correas
Acacia Vineyard
Rosenblum Cellars
Piat d'Or
Chalone Vineyard
Santa Rita

For the year ended 30 June 2011, wine volume was 3.1 million equivalent units, contributing net sales of £488 million.

Production Diageo owns 106 production facilities including maltings, distilleries, breweries, packaging plants, maturation warehouses, cooperages, vineyards, wineries and distribution warehouses. Production also occurs at plants owned and operated by third parties and joint ventures at a number of locations internationally.

Approximately 85% of total production is undertaken by Global Supply organised into four production centres, namely Europe Supply, America Supply, Global Beer Supply and Asia Supply. The remaining production activities of the group are integrated with the distribution organisation, principally in Africa within International. The majority of Global Supply's production centres have several production facilities. The locations, principal activities, products, packaging production capacity and packaging production volume of Global Supply's principal production centres in the year ended 30 June 2011 are set out in the table below.

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Business description (continued)

Production centre	Location	Principal products	Production capacity in millions of equivalent units*	Production volume in 2011 in millions of equivalent units
Europe Supply	United Kingdom	Scotch whisky, gin, vodka, rum, ready to drink	81	51
	Ireland (Baileys)	Irish cream liqueur, vodka	13	8
	Italy (Santa Vittoria)	Vodka, wine, rum, ready to drink	10	6
America Supply	United States	Vodka, gin, tequila, rum, wine, American whiskey, progressive adult beverages, ready to drink	37	30
	Canada	Vodka, gin, rum, Canadian whisky	9	9
Global Beer Supply	Ireland (Guinness)	Beer	9	8
	Jamaica	Beer	1	1
Asia Supply	Australia	Rum, vodka, ready to drink	4	3
	Philippines	Whisky, gin, vodka	2	1

* Capacity represents ongoing production capacity at any production centre. The production capacities quoted in the table are based on actual production levels for the year ended 30 June 2011 adjusted for the elimination of unplanned losses and inefficiencies, and taking into account planned manning levels for the coming year.

Spirits are produced in distilleries located worldwide. The group owns 29 scotch whisky distilleries in Scotland, an Irish whiskey distillery in Northern Ireland, two whisky distilleries in Canada, a whisky distillery in the United States and vodka/gin distilleries in the United Kingdom and the United States. Diageo produces Smirnoff vodka internationally, Popov vodka and Gordon's vodka in the United States, and Baileys in the Republic of Ireland and Northern Ireland. Rum is blended and bottled in the United States, Canada, Italy and the United Kingdom, and is distilled, blended and bottled in Australia and Venezuela. All of Diageo's maturing scotch whisky is located in warehouses in Scotland (primarily at Blackgrange), its maturing Canadian whisky in La Salle and Gimli in Canada and all its maturing American whiskey in Kentucky and Tennessee in the United States.

In July 2009, the group announced a restructuring of its operations in Scotland. The plans included the consolidation of distilling, packaging and warehousing activities and involved the closure of a packaging plant, a distillery and a cooperage over a three-year period. Investment is concentrated in the production sites at Leven in Fife where a new packaging facility has become operational in the summer of 2011, at Shieldhall near Glasgow and at a new state of the art cooperage at Cambus near Alloa. The Kilmarnock packaging facility will close in the spring of 2012.

In May 2011 Diageo announced the closure of the Menlo Park bottling plant in California and the specialty product building at the Relay plant in Maryland, in the United States. New investment will be made in the North American spirits supply chain over the next 18 months principally in the packaging plants at Plainfield in Illinois and Relay in Maryland.

Business description (continued)

In the year ended 30 June 2010 Diageo also announced the closure of the Dorval bottling plant in Quebec Canada with the production moved to Delta Beverages in Woodbridge, Ontario. In addition, a restructuring of the Daventry distribution centre in the United Kingdom was announced in 2010.

In June 2008, Diageo and the government of the US Virgin Islands announced a public/private initiative for the construction and operation of a high capacity distillery in St Croix. This new facility became operational in November 2010 and has the capacity to distil up to 13 million equivalent units annually and will supply all bulk rum used to produce Captain Morgan branded products for the United States.

Diageo produces a range of ready to drink products mainly in the United Kingdom, Italy, South Africa, Australia, the United States and Canada.

Diageo's principal brewing facilities are at the St James's Gate brewery in Dublin and in Kilkenny, Waterford and Dundalk in the Republic of Ireland, and in Nigeria, Kenya, Ghana, Cameroon, Tanzania, Malaysia and Jamaica. Ireland is the main exporter of the Guinness brand. In other countries, Guinness is brewed by third parties under licence arrangements. In addition, Diageo owns a 25% equity interest in Sedibeng brewery in South Africa.

All Guinness Draught production is at the St James's Gate brewery in Dublin in the Republic of Ireland. Guinness Draught in cans and bottles is packaged at Runcorn and Belfast in the United Kingdom. The Runcorn facility performs the kegging of Guinness Draught, transported to the United Kingdom in bulk for the Great Britain market.

Diageo announced the restructuring of its brewing operations in Ireland in 2008 with the intention of consolidating operations to a new greenfield brewery in the Dublin area and decommissioning the existing brewing infrastructure. The project was reviewed in 2009 due to the changing economic conditions both globally and locally in Ireland. A review of options continued in 2011 to examine the desirability of network consolidation. The project remains under review and a business case for investment behind consolidation is being developed for approval.

Diageo's principal wineries are in the United States and Argentina. For European markets, wines are mainly bottled in Diageo's facilities in Italy. Wines are sold both in their local markets and overseas.

Property, plant and equipment Diageo owns or leases land and buildings throughout the world. The principal production facilities are described above. As at 30 June 2011, Diageo's land and buildings are included in the group's consolidated balance sheet at a net book value of £734 million. Diageo's two largest individual facilities, in terms of book value, are Leven bottling and blending facility in Scotland and St James's Gate brewery in Dublin. Diageo's properties are primarily a variety of manufacturing, distilling, brewing, bottling and administration facilities spread across the group's worldwide operations, as well as vineyards and wineries in the United States. Approximately 40%, 20% and 19% of the book value of Diageo's land and buildings comprise properties located in Great Britain, Ireland and the United States, respectively. Approximately 90% by value of the group's properties are owned and approximately 3% are held under leases running for 50 years or longer.

During the years ended 30 June 2011 and 30 June 2010 a number of vineyards and facilities located in Napa Valley, California were purchased and leased back to Diageo under a 20-year lease, with Diageo holding options to extend the lease at fair value for up to 80 years in total. Diageo remains the operator of the properties under the lease agreement and retains ownership of the brands, vines and grapes, which remain a strategic part of Diageo's wine business.

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Business description (continued)

Raw materials and supply agreements The group has a number of long term contracts in place for the purchase of significant raw materials including glass, other packaging, tequila, bulk whisky, neutral spirits, cream, rum and grapes. In addition, forward contracts are in place for the purchase of other raw materials including sugar and cereals to minimise the effects of short term price fluctuations.

Cream is the principal raw material used in the production of Irish cream liqueur and is sourced from Ireland. Grapes are used in the production of wine and are sourced from suppliers in the United States and Argentina. Other raw materials purchased in significant quantities for the production of spirits and beer are tequila, bulk whisky, neutral spirits, molasses, rum, cereals, sugar and a number of flavours (such as juniper berries, agave, chocolate and herbs). These are sourced from suppliers around the world.

The majority of products are supplied to customers in glass bottles. Glass is purchased from suppliers located around the world, the principal supplier being the Owens Illinois group.

Diageo has a supply agreement with Casa Cuervo SA de CV, a Mexican company, for the supply of bulk tequila used to make the Jose Cuervo line of tequilas and tequila drinks in the United States. The supply agreement extends to June 2013.

Diageo has a supply agreement with Destilería Serrallés Inc, a Puerto Rican corporation, under which Diageo purchases all bulk rum for use in Captain Morgan products sold in the United States. Diageo and Destilería Serrallés Inc have agreed that this supply agreement will terminate with effect from the end of December 2011, from which time Diageo intends to source rum for its Captain Morgan products from the Diageo distillery that has recently been constructed in the US Virgin Islands.

Diageo has an exclusive and perpetual supply agreement with the Nolet Group, a Dutch company, for the supply of Ketel One vodka.

Marketing and distribution Diageo is committed to investing in its brands. In the year ended 30 June 2011, £1,538 million was spent worldwide on marketing brands with a focus on the fourteen strategic brands that accounted for 78% of total marketing spend.

Diageo makes extensive use of magazine, newspaper, point of sale and poster and billboard advertising, and uses radio, cinema, television and internet advertising where appropriate and permitted by law to engage with consumers and customers. Diageo runs consumer promotional programmes in the on trade (for example, licensed bars and restaurants) and supports customers in both the on and off trades with shopper/consumer promotions. Sponsorship is utilised in brand marketing with Diageo currently active in the sponsorship of the Vodafone McLaren Mercedes Formula One Team, a NASCAR racing team and the Johnnie Walker golf championships.

Business analysis In the year ended 30 June 2011, North America, Europe, International and Asia Pacific contributed 41%, 26%, 26% and 7%, respectively, of the group's operating profit before exceptional items and corporate costs.