Notes to the historical information

1 Accounting policies The financial statements for the four years ended 30 June 2009 were prepared in accordance with IFRS. Extracts from the income statement and balance sheet as of and for the year ended 30 June 2005 presented here have been restated under IFRS as applied by the group from financial information previously reported in accordance with UK GAAP. The group adopted the provisions of *IAS 39 – Financial instruments: recognition and measurement* from 1 July 2005. As permitted under *IFRS 1 – First-time adoption of International Financial Reporting Standards,* financial instruments in the year ended 30 June 2005 remain recorded in accordance with previous UK GAAP accounting policies, and the adjustment to IAS 39 was reflected in the consolidated balance sheet at 1 July 2005. 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 financial statements.

2 Exceptional items These are items which, in management's judgement, 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 before taxation for continuing operations is as follows:

	Year ended 30 June				
	2009	**2008**	**2007**	**2006**	**2005**
	£ million	**£ million**	**£ million**	**£ million**	**£ million**
Exceptional items (charged)/credited to operating profit					
Global restructuring programme	**(166)**	–	–	–	–
Restructuring of Irish brewing operations	**(4)**	(78)	–	–	–
Disposal of Park Royal property	**–**	–	40	–	–
Park Royal brewery accelerated depreciation	**–**	–	–	–	(29)
Seagram integration costs	**–**	–	–	–	(30)
Thalidomide Trust	**–**	–	–	–	(149)
Disposal of other property	**–**	–	–	–	7
	(170)	(78)	40	–	(201)
Other exceptional items					
Gain on disposal of General Mills shares	**–**	–	–	151	221
Gains/(losses) on disposal and termination of businesses	**–**	9	(1)	6	(7)
	–	9	(1)	157	214
Tax exceptional items					
Tax credit in respect of exceptional operating items	**37**	8	–	–	58
Tax credit in respect of other exceptional items	**–**	–	–	2	20
Tax credit in respect of settlements agreed with tax authorities	**155**	–	–	313	–
	192	8	–	315	78
Total exceptional items	**22**	(61)	39	472	91

3 Taxation The taxation charge deducted from income for the year was £292 million (2008 – £522 million; 2007 – £678 million; 2006 – £181 million; 2005 – £599 million). Included in the taxation charge were the following items: in the year ended 30 June 2009, a net tax credit of £155 million in respect of settlements agreed with tax authorities which gave rise to changes in the value of deferred tax assets and tax provisions, and a tax credit of £37 million on exceptional items; in the year ended 30 June 2008, a tax credit of £8 million on exceptional operating items; in the year ended 30 June 2007, a net tax charge of £24 million from intra group reorganisations of brand businesses, a reduction in the carrying value of deferred tax assets primarily following a reduction in tax rates of £74 million, and a provision for settlement of tax liabilities related to the GrandMet/Guinness merger of £64 million; in the year ended 30 June 2006, an exceptional tax credit of £315 million arose principally as a consequence of the agreement with fiscal authorities of the carrying values of certain brands, which resulted in an increase to the group's deferred tax assets of £313 million; and in the year ended 30 June 2005, there were £58 million of tax credits on exceptional operating items and £20 million of tax credits on exceptional business disposals.

4 Discontinued operations Discontinued operations in the years ended 30 June 2009, 30 June 2008, 30 June 2007 and 30 June 2005 are adjustments in respect of the former quick service restaurants business (Burger King, sold 13 December 2002) and the former packaged food business (Pillsbury, sold 31 October 2001).

5 Dividends The board expects that in each year Diageo will pay an interim dividend in April and a final dividend in October. 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. The information provided in the tables above and below represents the amounts payable in respect of the relevant financial year, and the final dividend amount included in these tables represents the dividend proposed by the directors but not approved by the shareholders and therefore is not reflected as a deduction from reserves at the balance sheet date.

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				
		2009	**2008**	**2007**	**2006**	**2005**
		pence	**pence**	**pence**	**pence**	**pence**
Per ordinary share	Interim	**13.90**	13.20	12.55	11.95	11.35
	Final	**22.20**	21.15	20.15	19.15	18.20
	Total	**36.10**	34.35	32.70	31.10	29.55
		$	**$**	**$**	**$**	**$**
Per ADS	Interim	**0.82**	1.05	0.99	0.84	0.85
	Final	**1.47**	1.46	1.64	1.43	1.29
	Total	**2.29**	2.51	2.63	2.27	2.14

Note: Subject to shareholder approval, the final dividend for the year ended 30 June 2009 will be paid on 19 October 2009 and payment to US ADR holders will be made on 23 October 2009. In the table above, an exchange rate as of 30 June 2009 of £1 = $1.65 has been used to calculate this dividend, but the exact amount of the payment to US ADR holders will be determined by the rate of exchange on 19 October 2009.

6 Definitions Net borrowings are defined as total borrowings (short term borrowings and long term borrowings plus finance lease obligations), interest rate fair value hedging instruments and foreign currency swaps and forwards, less cash and cash equivalents and other liquid resources. Other liquid resources represent amounts with an original maturity date of greater than three months but less than one year.

7 Share capital The called up share capital represents the par value of ordinary shares of $28^{101}/_{108}$ pence in issue. There were 2,754 million ordinary shares in issue and fully paid up at the balance sheet date (2008 – 2,822 million; 2007 – 2,931 million; 2006 – 3,051 million; 2005 – 3,050 million). Of these, 23 million are held in employee share trusts (2008 – 26 million; 2007 – 33 million; 2006 – 42 million; 2005 – 43 million) and 255 million are held as treasury shares (2008 – 279 million; 2007 – 281 million; 2006 – 252 million; 2005 – 86 million). Shares held in employee share trusts and treasury shares are deducted in arriving at equity attributable to the parent company's equity shareholders.

During the year ended 30 June 2009, the company repurchased 38 million ordinary shares as part of its share buyback programmes at a cost including fees and stamp duty of £354 million (2008 – 97 million ordinary shares, cost of £1,008 million; 2007 – 141 million ordinary shares, cost of £1,405 million; 2006 – 164 million ordinary shares, cost of £1,407 million; 2005 – 94 million ordinary shares, cost of £710 million) and 6 million ordinary shares to be held as treasury shares for hedging share scheme grants provided to employees during the year at a cost of £63 million (2008 – 11 million ordinary shares, cost of £124 million; 2007 – 9 million ordinary shares, cost of £82 million; 2006 – 2 million ordinary shares, cost of £21 million; 2005 – nil, £nil). In addition the company utilised 0.3 million ordinary shares held as treasury shares with an historical purchase cost of £3 million to satisfy options exercised by employees during the year (2008 – 1 million ordinary shares, cost of £11 million; 2007 – 1 million ordinary shares, cost of £10 million; 2006 and 2005 – nil, £nil).

8 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				
	2009	**2008**	**2007**	**2006**	**2005**
	$	**$**	**$**	**$**	**$**
Year end	**1.65**	1.99	2.01	1.85	1.79
Average rate(a)	**1.60**	2.01	1.93	1.78	1.86

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 2009, expressed in US dollars per £1.

						2009
	August	July	June	May	April	March
	$	$	$	$	$	$
Month end	**1.63**	**1.67**	**1.65**	**1.62**	**1.48**	**1.43**
Month high	**1.70**	**1.67**	**1.66**	**1.62**	**1.50**	**1.47**
Month low	**1.62**	**1.60**	**1.60**	**1.49**	**1.44**	**1.37**
Average rate(b)	**1.65**	**1.64**	**1.64**	**1.54**	**1.47**	**1.42**

The average exchange rate for the period 1 to 7 September 2009 was £1=$1.63 and the noon buying rate on 7 September 2009 was £1=$1.63.

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

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

(c) 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(c) 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 with a collection of international brands. Diageo was the eighteenth largest publicly quoted company in the United Kingdom in terms of market capitalisation on 7 September 2009, with a market capitalisation of approximately £24 billion.

Diageo plc is incorporated as a public limited company in England and Wales. Diageo plc's principal executive office is located at 8 Henrietta Place, London W1G 0NB and its telephone number is +44 (0) 20 7927 5200.

Diageo is a major participant in the branded beverage alcohol industry and operates globally. It brings together world-class brands and a management team committed to the maximisation of shareholder value. The management team expects to continue its strategy of investing in global brands, expanding internationally and launching innovative new products and brands.

Diageo produces and distributes a leading collection of branded premium spirits, beer and wine. The wide range of premium brands it produces and distributes includes Smirnoff vodka, Johnnie Walker scotch whisky, Baileys Original Irish Cream liqueur, Captain Morgan rum, JeB scotch whisky, Tanqueray gin and Guinness stout. In addition it also has the distribution rights for the José Cuervo tequila brands in North America and many other markets.

Strategy

Diageo is the world's leading premium drinks business and operates on an international scale. It is one of a small number of premium drinks companies that operate across spirits, beer and wine. Diageo is the leading premium spirits business in the world by volume, by net sales and by operating profit and it manages eight of the world's top 20 spirits brands as defined by Impact Databank. Diageo's beer brands include the only global stout brand, Guinness, and together these beer brands account for approximately 22% of net sales while Diageo's wine brands represent approximately 6% of Diageo's net sales.

Diageo's size provides for scale efficiencies in production, selling and marketing. This enables cost efficiencies and the dissemination of best practices in business operations across markets and brands, allowing Diageo to serve its customers and consumers better.

All of the above factors enable Diageo to attract and retain talented individuals with the capabilities to contribute to the delivery of Diageo's strategy, which is to focus on premium drinks to grow its business through organic sales and operating profit growth and the acquisition of premium drinks brands that add value for shareholders.

Diageo's brands have broad consumer appeal across geographies, and the company and its employees are proud of the responsible manner in which the brands are marketed and the role that moderate consumption of these brands plays in the lives of many people.

Diageo acknowledges that – like many other products – when misused, alcohol may lead to health or social problems for the individual or society as a whole. Diageo seeks to be at the forefront of industry efforts to promote responsible drinking and works with other stakeholders to combat alcohol misuse. Diageo's approach is based on three principles: combating alcohol misuse; setting world-class standards for responsible marketing and innovation; and promoting a shared understanding of what responsible drinking means in order to reduce alcohol-related harm.

Market participation Diageo targets its geographical priorities in terms of the major regional economies in which it operates. These markets are managed under four business areas: North America, Europe, International and Asia Pacific. The North American business area comprises the United States and Canada. The European business area comprises Great Britain, Ireland, Iberia, Northern Europe, Southern Europe, and Russia and Eastern Europe. The International business area comprises Latin America and the Caribbean (including Mexico), Africa and the Global Travel and Middle East business. The Asia Pacific business area comprises India, The People's Republic of China, South Korea, Japan and other Asian markets, Australia and New Zealand. North America accounts for the largest proportion of Diageo's operating profit.

Product offering Diageo manages its brands in terms of global priority brands, local priority brands and category brands. Acting as the main focus for the business, global priority brands are Diageo's primary growth drivers across markets. Local priority brands have leading positions in the markets in which they are distributed. They drive growth on a significant scale but with a narrower geographical reach than the global priority brands. Category brands comprise the smaller scale brands in Diageo's collection.

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

Incorporation Diageo was originally 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).

Premium drinks

Diageo is engaged in a broad range of activities within the beverage alcohol industry, with products trading 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 2008, the Diageo brand range included 17 of the top 100 premium distilled spirits brands worldwide.

References to ready to drink products in this document include progressive adult beverages in the United States and certain markets supplied by the United States. References to Smirnoff ready to drink include Smirnoff Ice, Smirnoff Black Ice, Smirnoff Twisted V, Smirnoff Mule, Smirnoff Spin, Smirnoff Storm, Smirnoff Caipiroska, Smirnoff Signatures and Smirnoff Cocktails. References to Smirnoff Black Ice include Smirnoff Ice Triple Black in the United States and Smirnoff Ice Double Black in Australia. In the year ended 30 June 2009, Diageo sold 113.4 million equivalent units of spirits (including ready to drink), 24.7 million equivalent units of beer and 3.2 million equivalent units of wine. In the year ended 30 June 2009, ready to drink products contributed 6.2 million equivalent units of total volume, of which Smirnoff ready to drink variants accounted for 4.1 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.

Business description (continued)

The collection of premium drinks comprises brands owned by the company as a principal and brands held by the company under agency or distribution agreements. They include:

Global priority brands:
Smirnoff vodka and Smirnoff ready to drink products
Johnnie Walker scotch whiskies
Baileys Original Irish Cream liqueur
Captain Morgan rum
José Cuervo tequila (agency brand in North America and many other markets)
JeB scotch whisky
Tanqueray gin
Guinness stout

Other spirits brands include:
Crown Royal Canadian whisky
Buchanan's scotch whisky
Gordon's gin and vodka
Windsor Premier scotch whisky
Seagram's whiskey
Cacique rum
Old Parr scotch whisky
Bell's scotch whisky
Bundaberg rum
Bushmills Irish whiskey
Ketel One vodka (exclusive worldwide distribution rights)

Wine brands include:
Blossom Hill
Sterling Vineyards
Beaulieu Vineyard
Chalone Vineyard
Rosenblum Cellars
Barton & Guestier
Piat d'Or

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

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 José Cuervo in North America and many other markets (with distribution rights extending to 2013). There can be no assurances that Diageo will be able to prevent termination of distribution rights or rights to manufacture under licence, or renegotiate distribution rights or rights to manufacture under licence on favourable terms when they expire.

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.

Global priority brands Diageo has eight global priority brands that it markets worldwide. Diageo considers these brands to have the greatest current and future earnings potential. Each global priority brand is marketed consistently around the world, and therefore can achieve scale benefits. The group manages and invests in these brands on a global basis. Figures for global priority brands include related ready to drink products, unless otherwise indicated.

In the year ended 30 June 2009, global priority brands accounted for 58% of total volume (81.7 million equivalent units) and contributed net sales of £5,131 million.

Smirnoff achieved volume of 28.6 million equivalent units in the year ended 30 June 2009. 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 4.1 million equivalent units.

Johnnie Walker scotch whiskies comprise Johnnie Walker Red Label, Johnnie Walker Black Label and several other brand variants. During the year ended 30 June 2009, Johnnie Walker Red Label sold 9.2 million equivalent units, Johnnie Walker Black Label sold 4.6 million equivalent units and the remaining variants sold 0.7 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.

Baileys was ranked, by volume, as the number one liqueur in the world, having sold 6.7 million equivalent units in the year ended 30 June 2009.

Captain Morgan was ranked, by volume, as the number two premium rum brand in the world with volume of 8.6 million equivalent units in the year ended 30 June 2009.

Guinness is the group's only global priority beer brand, and for the year ended 30 June 2009 achieved volume of 11.1 million equivalent units.

Other global priority brands were also ranked, by volume, among the leading premium distilled spirits brands by Impact Databank. These include: José Cuervo, ranked the number one premium tequila in the world; JeB scotch whisky (comprising JeB Rare, JeB Reserve, JeB Exception and JeB Jet), ranked the number three premium scotch whisky in the world; and Tanqueray, ranked the number four premium gin brand in the world. During the year ended 30 June 2009, José Cuervo, JeB and Tanqueray sold 5.1 million, 5.2 million and 1.9 million equivalent units, respectively.

Other brands Diageo manages its other brands by category, analysing them between local priority brands and category brands.

Local priority brands represent the brands, apart from the global priority brands, that make the greatest contribution to operating profit in a business area (North America, Europe, International or Asia Pacific), rather than worldwide. Diageo manages and invests in these brands within its business areas and, unlike the global priority brands, may not have a consistent marketing strategy around the world for such brands. For the year ended 30 June 2009, local priority brands contributed volume of 27.3 million equivalent units, representing 19% of total volume, and net sales of £2,148 million. Examples of local priority brands include Crown Royal Canadian whisky in North America, Buchanan's scotch whisky in International, Windsor Premier scotch whisky in Asia Pacific, Gordon's gin in Europe, Bundaberg rum in Asia Pacific, Cacique rum in Europe, Malta Guinness non-alcoholic malt in International, Tusker lager in International, Seagram's 7 Crown whiskey and Seagram's VO whisky in North America, Bell's scotch whisky in Europe and Sterling Vineyards wines in North America.

The remaining brands are grouped under category brands. Category brands include spirits, beer and wine brands and for the year ended 30 June 2009, these category brands contributed volume of 32.3 million equivalent units, representing 23% of total volume, and net sales of £2,032 million. Of this, spirits achieved volume of 19.8 million equivalent units and contributed £1,326 million to Diageo's net sales in the year ended 30 June 2009. Examples of category spirits brands are Gordon's gin (all markets except Europe in which it is a local priority brand), Gordon's vodka, The Classic Malt whiskies and White Horse scotch whisky.

In the year ended 30 June 2009, Diageo sold 13.5 million equivalent units of beers other than Guinness, achieving net sales of £894 million. Other beer volume was mainly attributable to owned brands, such as Red Stripe, Pilsner, Tusker and Harp lager, with a minority being attributable to beers brewed and/or sold under licence, such as Tiger beer in Malaysia and Heineken lager in Jamaica.

Business description (continued)

In addition, Diageo produces and markets a wide selection of wines. These include well known labels such as Beaulieu Vineyard, Sterling Vineyards, Rosenblum Cellars and Chalone Vineyard in the United States, Blossom Hill in the United Kingdom, and Barton & Guestier and Piat d'Or in Europe. For the year ended 30 June 2009, other wine volume was 2.4 million equivalent units, contributing net sales of £291 million.

Production Diageo owns 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 80% of total production (including third party production) is undertaken in five Diageo production areas, namely the United Kingdom, Baileys, Guinness, Santa Vittoria and North America centres. The majority of these production centres have several production facilities. The locations, principal activities, products, packaging production capacity and packaging production volume in 2009 of these principal production centres are set out in the following table:

Production centre	Location	Principal products	Production capacity in millions of equivalent units*	Production volume in 2009 in millions of equivalent units
United Kingdom	United Kingdom	Scotch whisky, gin, vodka, rum, ready to drink	62	42
Baileys	Ireland	Irish cream liqueur, vodka	10	8
Guinness	Ireland	Beers	11	8
Santa Vittoria	Italy	Vodka, wine, rum, ready to drink	7	5
North America	United States, Canada	Vodka, gin, tequila, rum, Canadian whisky, American whiskey, progressive adult beverages, wine, ready to drink	48	40

* Capacity represents ongoing production capacity at any production centre.

Spirits are produced in distilleries located worldwide. The group owns 29 whisky distilleries in Scotland, an Irish whiskey distillery in Northern Ireland, two whisky distilleries in Canada, and 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.

On 1 July 2009, the group announced a restructuring of its operations in Scotland. The plans include the consolidation of distilling, packaging and warehousing activities into fewer sites and involve the closure of a packaging plant, a distillery and a cooperage over a two-year period. New investment is concentrated in the production sites in Leven in Fife and in Shieldhall near Glasgow.

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, expected to open in 2010, will have the capacity to distil up to 20 million proof gallons per year 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, Malaysia and Jamaica. Ireland is the main export centre for the Guinness brand. In other countries, Guinness is brewed by third parties under licence arrangements.

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, which uses an in-container system to replicate the taste of Guinness Draught, 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's principal wineries are in the United States, France 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 2009, Diageo's land and buildings were included in the group's consolidated balance sheet at a net book value of £818 million. Diageo's largest individual facility, in terms of net book value of property, is St James's Gate brewery in Dublin. Approximately 96% by value of the group's properties are owned and approximately 3% are held under leases running for 50 years or longer. 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% and 20% of the book value of Diageo's land and buildings comprise properties located in the United Kingdom and the United States, respectively.

Raw materials The group has a number of contracts for the forward purchasing of its raw material requirements in order to minimise the effect of raw material price fluctuations. Long term contracts are 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, France 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 José Cuervo line of tequilas and tequila drinks in the United States. The supply agreement extends to June 2013.