

24 September 2007

Ms. Nancy M. Morris
Secretary
US Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Dear Ms. Morris

Re: Release No. 33-8818; File S7-13-07

Acceptance from Foreign Private Issuers of Financial Statements prepared in accordance with International Financial Reporting Standards without reconciliation to US GAAP

Diageo plc (“Diageo”) is pleased to submit this letter to comment on the proposal of the Securities and Exchange Commission (“SEC”) to accept financial statements from foreign issuers that are prepared on the basis of the English language version of International Financial Reporting Standards (“IFRS”), as published by the International Accounting Standards Board (“IASB”), without reconciliation to US generally accepted accounting principles (“US GAAP”) (referred to below as the “proposed amendments”).

Background

Diageo is the world’s leading premium drinks company operating in approximately 180 markets around the world. It is headquartered in London, United Kingdom. Diageo’s securities are listed on the London Stock Exchange and the New York Stock Exchange. Diageo currently prepare its financial statements in accordance with IFRS as endorsed and adopted for use in the European Union (“EU-IFRS”) as required for EU companies listed on a EU stock exchange. Under the SEC’s current requirements, a foreign private issuer such as Diageo that files financial statements prepared under home country GAAP must include reconciliations of its primary GAAP (EU-IFRS) to US GAAP in its SEC filed financial statements to satisfy its reporting obligations under the Exchange Act. Diageo currently files these reconciliations bi-annually. Diageo has a June year end.

Diageo fully supports the SEC’s proposal to recognise the quality and growing worldwide acceptance of IFRS by allowing foreign private issuers to file financial statements without reconciling to US GAAP.

Comments on the proposed amendments

We appreciate the opportunity to comment on the proposals and have provided responses below to those items that are relevant to us.

Compliance with IFRS as published by the IASB - Question 16

The proposed amendments describe how some countries have adopted IFRS by incorporating them into their national accounting standards. However, it is specifically stated that under the proposed amendments, a foreign private issuer would be allowed to file financial statements without reconciliation to US GAAP only if the issuer prepares its financial statements and states “unreservedly and explicitly”, in a prominent

footnote to its financial statements that its financial statements are in compliance with IFRS as published by the IASB (IASB-IFRS). Furthermore, foreign private issuer's independent auditor must opine on whether the financial statements comply with IASB IFRS.

While Diageo agrees with the proposal to allow a foreign private issuer to prepare financial statements under IFRS without reconciliation to US GAAP, we believe that a conflict could arise where EU-IFRS differs from IASB-IFRS. There have been a number of amendments to standards issued by the IASB, which have taken a considerable period to be endorsed by the European Union. Given that there could be no certainty that at any balance sheet date there would not be a difference, EU listed foreign registrants would have to be prepared to continue to reconcile their bi-annual financial statements to US GAAP. This would certainly negate much of the benefits of the proposed amendment for foreign registrants. Diageo strongly believes that the SEC should change its position on this issue either to accept EU-IFRS (without reconciliation to IASB-IFRS or US GAAP) or to require reconciliation between EU-IFRS and IASB-IFRS (without reconciliation to US GAAP).

Interpretation of IFRS financial statements by investors without the reconciliation by 2009 – Question 17

Although the US GAAP reconciliation is included in the filings with the SEC Diageo does not include this information in presentations to analysts and investors even when doing roadshows in the United States. The convergence project has reduced the number of differences between IFRS and US GAAP though for Diageo a number still exist which are generally in respect of legacy issues (primarily decisions that were made on the accounting treatment of prior year acquisitions which continue to affect the reconciliations) or technical issues. Additionally, Diageo's investor relations department rarely receives questions about the US GAAP information. Diageo believes that the acceptance of IFRS financial statements by investors reflects the quality of those financial statements and status of IFRS as a global accounting framework.

Accounting areas that should be addressed by the IASB – Question 24

Comments have been requested as to whether there are any specific accounting subject matter areas that should be addressed before the SEC should accept financial statements prepared in compliance with IASB IFRS without reconciliation to US GAAP. Diageo is aware that IFRS is a principles-based set of standards and would propose to continue to refer to IAS 8, which refers companies to the most recent pronouncements of other standard-setting bodies. Diageo does not anticipate any significant accounting transactions/issues for which the existing framework provided by IFRS would be inadequate and fully supports the SEC's view that this should not act as a barrier to the removal of the US GAAP reconciliation.

Burden and cost estimates – Question 47

It is expected that the proposed amendment would eliminate the burden and costs of preparing the US GAAP information for foreign private issuers whose primary financial statements are prepared under IFRS. The SEC estimates that the elimination of the reconciliation will result in a reduction of approximately 132 hours in the number of burden hours per registrant. Diageo believes this is a significant underestimate as in the year ended 30 June 2007 Diageo spent approximately 1,700 hours on preparing the IFRS/US GAAP reconciliations.

In addition, staff at Diageo has to educate operating companies throughout the world on US GAAP to ensure that the appropriate adjustments and disclosures are included in the bi-annual filings. As Diageo is based in the United Kingdom it can be difficult to recruit and retain individuals who have the US GAAP knowledge to prepare the appropriate US GAAP information. To supplement Diageo's internal accounting resource external consultants are employed at a significant cost to advise on US GAAP issues.

Other rules that should be specifically amended to permit the filing of financial statements prepared in accordance with IFRS – Question 40 and 18

If the reconciliation requirement were eliminated, Diageo would intend to file the same financial information as currently required by home country GAAP and therefore, would not propose to provide the additional

disclosures as currently required by Item 18 of Form 20-F. It would be helpful for the SEC to clarify whether the additional disclosures, compared to IFRS, set out in Item 17 are required. Diageo believes that the disclosures required by EU-IFRS are comprehensive and no additional disclosures under US GAAP and Regulation S-X would be required.

Other considerations

No specific timeline for the elimination of the US GAAP reconciliation has been discussed in this release. In the absence of any firm timeline discussed in this proposal, Diageo fully supports the elimination of the US GAAP reconciliation in our filings and urges the SEC to ensure the change is made effective prior to companies filing their Form 20-F for the year ending 30 June 2008.

It would also be helpful for clarification of what the changes will mean for companies in the year of transition. In particular, if the proposed amendments are finalised after 31 December 2007 whether this will mean for Diageo, with a June year end, that no interim reconciliation will be required (currently provided to support Diageo's US debt programme).

Thank you for the opportunity to comment on the proposed amendments. The SEC's initiative to facilitate a single set of globally accepted accounting standards, which will result in high quality and easily understood financials, thus increasing comparability across companies, is highly appreciated.

Please direct any questions or comments in respect of this letter to Gavin Crickmore Director of Technical Accounting on +44 (0) 207 9274339 or by e-mail at Gavin.Crickmore@diageo.com if you wish to discuss the above comments.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Nick Rose', with a stylized flourish at the end.

Nick Rose
Chief Financial Officer