

**Diageo Great Britain Limited**  
**Annual Report and Financial Statements**  
**30 June 2016**

Registered number: 507652



**Diageo Great Britain Limited**  
**Registered number: 507652**  
**Year ended 30 June 2016**

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**Diageo Great Britain Limited**  
**Registered number: 507652**  
**Year ended 30 June 2016**

## **Strategic report**

The directors present their strategic report for the year ended 30 June 2016.

### **Activities**

The principal activities of the company are the packaging of beer and the importation, distribution, and marketing of beer and spirits.

The company is also the brand owner of Guinness in the United Kingdom and was granted exclusive rights to manufacture, bottle, package, distribute and market Smirnoff and Jeremiah Weed in the United Kingdom.

From 1 July 2012 the company entered into a new service agreement with fellow group companies which benefited from global procurement services provided by the company.

The directors foresee no material change to the activities of the company.

### **Business review**

*Development and performance of the business of the company during the financial year and position of the company as at 30 June 2016*

Diageo Great Britain delivered 4% net sales growth in the financial year from continuing operations, which is an increase on previous years and ahead of the spirit category growth. The main drivers were premium core spirits, with Baileys and Gordon's, and the reserve brand portfolio growing strongly. Guinness delivered its second consecutive year of trademark growth through a stable Guinness Draught which benefited from the Rugby World Cup and further growth in innovation through 'The Brewer's Project' range, in particular Hop House 13.

Innovation in Malts and Ciroc helped the Reserve business continue to drive growth which also delivered growth through Tanqueray Ten, Bulleit and Johnnie Walker super deluxe. Other innovation products enjoyed successful launches including Smirnoff Cider, which contributed £1 million of additional net sales.

On 1 January 2016, the company sold the majority of its wine interests – including the Percy Fox business – to Treasury Wine Estates. For the two years ended 30 June 2016 the income statement and statement of comprehensive income, attributable to the wine business that was disposed, are disclosed as discontinued operations. The company retained the distribution rights to the Yellow Tail brand in the United Kingdom until 1 July 2016.

### *Financial and other key performance indicators*

The principal key performance indicators used by the company's management to analyse development, performance and position of the company's business are generally the same as those disclosed in the consolidated financial statements of the Diageo group. The directors consider company specific key performance indicators to measure the performance of the company as net sales and operating profit. Other financial performance indicators (including contribution to the free cash flow initiatives of the group) and non-financial performance indicators used to measure the company's performance are the same as those disclosed in Diageo plc's 2016 Annual Report on pages 8 and 9.

Principal key performance indicators are analysed below for continuing operations for the year ended 30 June 2016.

Net sales from continuing operations increased by £25 million, representing a 4% increase, from £690 million in the year ended 30 June 2015 to £715 million in the year ended 30 June 2016, mainly driven by the strong performance of the Reserve portfolio and Baileys and Guinness and Tanqueray.

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## **Strategic report (continued)**

### **Business review (continued)**

#### *Financial and other key performance indicators (continued)*

Cost of sales from continuing operations increased in line with the sales. Marketing expenses increased by £12 million primarily driven by the strong marketing campaigns in respect of the Reserve and innovation portfolios.

On 7 October 2015, the ultimate holding company, Diageo plc, sold its controlling interest in Desnoes & Geddes Limited, and as a result the distribution contract for Red Stripe, that the company held, ceased. Income received from the disposal of the distribution right of £5 million has been disclosed as compensation received on sale of business (note 6).

Dividends received increased by £281 million, from £27 million in the year ended 30 June 2015 to £308 million in the year ended 30 June 2016, largely arising from a distribution received from Diageo Scotland Limited.

#### *Principal risks and uncertainties facing the company as at 30 June 2016*

The company believes the following to be the principal risks and uncertainties it has to face. If any of these risks occur, the company's business, financial condition and results of operations could suffer.

In the ongoing uncertain economic environment, certain risks may gain more prominence either individually or when taken together.

#### The company's business may be adversely impacted by unfavourable economic conditions, including the UK referendum on the EU

The company's business is dependent on general economic conditions in United Kingdom. A significant deterioration in the conditions, including a reduction in consumer spending levels, customer destocking or a failure of a customer, could have a material adverse effect on the company's business and results of operations. UK referendum on EU membership has resulted in a vote to leave the EU and is likely to result in a sustained period of economic and political uncertainty and complexity.

#### The company faces competition that may reduce its market share and margins

The company faces substantial competition from several international companies as well as local and regional companies in the United Kingdom. The company competes with drinks companies across a wide range of consumer drinking occasions. Within a number of categories, consolidation or realignment is still possible. Increased competition and unanticipated actions by competitors or customers could lead to downward pressure on prices and/or a decline in the company's market share in any of these categories, which would adversely affect the company's results and hinder its growth potential.

#### Demand for the company's products may be adversely affected by changes in consumer preferences and tastes and adverse impacts of a declining economy

The brands which the company distributes include some of the world's leading beverage alcohol brands. Maintaining the company's competitive position depends on its continued ability to offer products that have a strong appeal to consumers. Consumer preferences may shift due to a variety of factors including changes in demographic and social trends, public health regulations, vacation or leisure activity patterns, weather effects and a downturn in economic conditions, which may reduce consumers' willingness to purchase premium branded products.

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## **Strategic report (continued)**

### **Business review (continued)**

#### *Principal risks and uncertainties facing the company as at 30 June 2016 (continued)*

In addition, potential concerns about health effects due to negative publicity regarding alcohol consumption, negative dietary effects, regulatory action or any litigation or customer complaints against companies in the industry may have an adverse effect on the company's profitability. Any significant changes in consumer preferences and failure to anticipate and react to such changes could result in reduced demand for the company's products and erosion of its competitive and financial position. Continued economic pressures could lead to consumer selection of products at lower price points, whether the company's or those of competitors, which may have an adverse effect on the company's profitability.

#### The company's operations and financial results may be adversely affected by movements in the value of the pension funds

Many of the current and former employees of the company are members of the Diageo UK pension funds. These funds may be affected by, among other things, the performance of assets owned by these plans, the underlying actuarial assumptions used to calculate the surplus or deficit in the plans, in particular the discount rate and long term inflation rates used to calculate the liabilities of the pension funds and any changes in applicable laws and regulations. If there are significant declines in financial markets and/or a deterioration in the value of fund assets or changes in discount rates or inflation rates, the company may need to make additional contributions to the pension funds in the future.

As these pension plans are treated as defined contribution schemes, these contributions are accounted for as a cost to the income statement account and may adversely affect the company's financial results.

#### Regulatory decisions and changes in the legal and regulatory environment could increase the company's costs and liabilities or limit its business activities

The company's operations are subject to extensive regulatory requirements, which include those in respect of production, product liability, distribution, marketing, promotion, labelling, advertising, labour, pensions, excise tax and environmental issues. Changes in laws, regulations or governmental policy could cause the company to incur material additional costs or liabilities that could adversely affect its business.

Changes in tax law (including tax rates), accounting policies and accounting standards could materially reduce the company's reported after tax income.

Breach of data privacy laws or regulations could harm the trust and/or reputation of the company, its brands or people and could significantly restrict the company's ability to deliver its digital productivity and growth plans.

#### The company's operations, financial results and reputation may be adversely affected by the theft, loss and misappropriation of the company's most important digital assets

Cyber attacks or incidents could result in financial loss, operational disruption and reputational damage. The company could also adversely affected by non-compliance with statutory data protection legislation.

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## **Strategic report (continued)**

### **Business review (continued)**

#### *Financial risk management (continued)*

The company's funding, liquidity and exposure to foreign exchange rate risk are similar to those facing the Diageo group as a whole and are managed by the group's treasury department. The treasury department uses a range of financial instruments to manage these underlying risks.

#### Currency risk

The company publishes its financial statements in sterling and conducts some of its business in foreign currencies. Details of currency risk management are disclosed in Note 17 to the financial statements.

#### Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operation and future developments, the company has access to group funding.

#### Credit risk

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The company sets credit limits for, and monitors its credit exposure to its counterparties via their credit ratings (where applicable).

By order of the board



G P Crickmore  
*Director*  
Lakeside Drive  
Park Royal  
London  
NW10 7HQ

22 December 2016

**Diageo Great Britain Limited**  
**Registered number: 507652**  
**Year ended 30 June 2016**

## **Directors' report**

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2016.

### **Going concern**

The company's business activities, together with the factors likely to affect its future development and position, are set out in the business review section of the strategic report on pages 2 to 5. The company is expected to continue to generate profit for its own account and to remain in a positive net asset position for the foreseeable future. The company participates in the group's centralised treasury arrangements and the parent and fellow group undertakings are expected to provide financial support for the foreseeable future, therefore the company is not reliant on external third party financing. The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Diageo group to continue as a going concern. On the basis of their assessment, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **Financial**

The results for the year ended 30 June 2016 are shown on page 11.

The profit for the year transferred to reserves was £426 million (2015 - £424 million) and other comprehensive income for the year was £nil (2015 - £2 million).

Dividends paid during the year ended 30 June 2016 and 30 June 2015 were £450 million and £nil respectively and no final dividend is proposed to be distributed to the shareholder in regards to the financial year (2015 - £nil).

The company has applied FRS 101 for the first time for the year ended 30 June 2016 with comparative information for the year ended 30 June 2015 also prepared under FRS 101. This involved preparation of an opening FRS 101 balance sheet as at 1 July 2014, which is the company's date of transition to FRS 101 reporting. The transition to FRS 101 increased the total comprehensive income by £1 million from £425 million to £426 million for the year ended 30 June 2015. A reconciliation and explanation of the adoption of FRS 101 is provided in Note 26 to the financial statements.

### **Directors**

The directors who held office during the year were as follows:

S J Bolton	
G P Crickmore	
D F Harlock	(appointed 26 May 2016)
D Heginbottom	
J J Nicholls	
E M Peachey	
P D Tunnacliffe	(resigned 30 June 2016)
G Zeisler	(appointed 5 November 2015)

**Diageo Great Britain Limited**  
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## **Directors' report (continued)**

### **Directors' remuneration**

Details of the directors' remuneration are shown in note 4 of these financial statements.

### **Employee involvement**

The company's goal is to offer an energising work environment, personal growth and recognition and attractive rewards for the performance contribution its people make to the company. Its employee policies are designed to support these goals and to do so in a manner that is fair and equitable to all employees. These policies take account of external legislation, internal codes of conduct, as well as the company's values as an organisation.

Employee engagement is a key element of the company's people strategy. Diageo's values are embedded in the business and guide how all employees operate and behave. A values survey, which includes a measure of employee engagement, is conducted with employees every year. This survey provides an annual insight into what employees are thinking and feeling about the business. The employee values survey allows the company to assess how the business is tracking against the long term goals of engaging employees and consistently bringing Diageo's values to life.

The company is a multi-cultural community operating in an increasingly diverse business world and is committed to active equality and diversity practices. The company offers people with disability the same opportunities for employment, training and career progression as other employees. Employees who become disabled and unable to continue in their existing jobs are given the opportunity to be retrained for suitable alternative employment. It is also committed to attracting and retaining talented people. The company invests in the growth and development of its people, which contributes directly to the performance and results of the business. Where practical, the company encourages flexible ways of working to enable employees to take some control over the balance between work and home life. The company's reward systems recognise the contribution employees make to the success and reflect the value of the role they are performing.

The company is committed to the safety and wellbeing of employees at work. It promotes responsible drinking behaviours among all its people. The company is committed to open and continuous dialogue with its employees as a way to inform and engage them in the company's strategy and business goals as well as harnessing the ideas employees will have on improving broad areas of business performance.

Each senior manager is responsible for supporting the Diageo Executive and senior leadership community in delivering against these communication and employee engagement goals. Diageo has an intranet web site from which employees with access to a computer can obtain timely and accurate news and information.

### **Secretary**

On 5 November 2015, V Cooper was appointed as joint Company Secretary.

### **Internal control and risk management over financial reporting**

The company operates under the financial reporting processes and controls of the Diageo group. The internal control and risk management systems over the financial reporting process of Diageo plc, which include those of the company, are discussed in the Group's Annual Report 2016 on pages 60 to 61 at [www.diageo.com](http://www.diageo.com), which does not form part of this report.



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## **Directors' report (continued)**

### **Directors' indemnity**

As permitted by the Articles of Association, each of the directors has the benefit of an indemnity, which is a qualifying third-party indemnity as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the tenure of each director during the last financial year, and is currently in force.

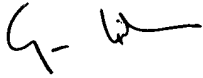
### **Auditors**

Following an audit tender conducted during last year, PricewaterhouseCoopers LLP were selected as auditors for the Diageo group. Accordingly, PricewaterhouseCoopers LLP were appointed to replace KPMG LLP as auditors for the year ended 30 June 2016.

### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



G P Crickmore  
*Director*  
Lakeside Drive  
Park Royal  
London  
NW10 7HQ

22 December 2016

**Diageo Great Britain Limited**  
**Registered number: 507652**  
**Year ended 30 June 2016**

## **Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements**

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 - Reduced Disclosure Framework (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholder in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# ***Independent auditors' report to the members of Diageo Great Britain Limited***

## **Report on the financial statements**

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### **Our opinion**

In our opinion, Diageo Great Britain Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its profit for the year then ended;
  - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
  - have been prepared in accordance with the requirements of the Companies Act 2006.
- 

### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance sheet as at 30 June 2016;
- the Income Statement and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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## **Opinion on other matter prescribed by the Companies Act 2006**

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In our opinion, the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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## **Other matters on which we are required to report by exception**

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### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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## **Responsibilities for the financial statements and the audit**

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### **Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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### **What an audit of financial statements involves**

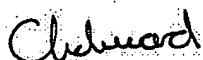
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Christopher Richmond (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
22 December 2016

**Diageo Great Britain Limited**  
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**Income Statement**

		Year ended 30 June 2016	Year ended 30 June 2016	Year ended 30 June 2016	Year ended 30 June 2015 (restated)	Year ended 30 June 2015 (restated)	Year ended 30 June 2015 (restated)
		£million	£million	£million	£million	£million	£million
	Notes	Continuing	Discontinued	Total	Continuing	Discontinued	Total
<b>Turnover</b>	2	<b>1,548</b>	<b>53</b>	<b>1,601</b>	<b>1,516</b>	<b>124</b>	<b>1,640</b>
Excise duties	3	(833)	(14)	(847)	(826)	(31)	(857)
<b>Net sales</b>		<b>715</b>	<b>39</b>	<b>754</b>	<b>690</b>	<b>93</b>	<b>783</b>
Cost of sales	3	(439)	(37)	(476)	(430)	(79)	(509)
<b>Gross profit</b>		<b>276</b>	<b>2</b>	<b>278</b>	<b>260</b>	<b>14</b>	<b>274</b>
Marketing expenses	3	(76)	(1)	(77)	(64)	(3)	(67)
Other operating expenses	3-5	(82)	(4)	(86)	(68)	(10)	(78)
<b>Operating profit/(loss)</b>		<b>118</b>	<b>(3)</b>	<b>115</b>	<b>128</b>	<b>1</b>	<b>129</b>
Profit/(loss) on sale of businesses/investments	6	(4)	(3)	(7)	268	-	268
Compensation received on sale of business	6	5	-	5	-	-	-
Income from shares in subsidiaries and joint ventures	7	308	-	308	27	-	27
Net finance income/(charges)	8	3	-	3	(1)	-	(1)
<b>Profit/(loss) before taxation on ordinary activities</b>		<b>430</b>	<b>(6)</b>	<b>424</b>	<b>422</b>	<b>1</b>	<b>423</b>
Taxation on profit on ordinary activities	9	2	-	2	1	-	1
<b>Profit/(loss) for the financial year</b>		<b>432</b>	<b>(6)</b>	<b>426</b>	<b>423</b>	<b>1</b>	<b>424</b>

The accompanying notes are an integral part of these financial statements.

Figures for the year ended 30 June 2015 have been restated following the adoption of FRS 101. See note 1 and note 26 to the financial statements.

**Diageo Great Britain Limited**  
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**Year ended 30 June 2016**

## **Statement of comprehensive income**

		Year ended 30 June 2016	Year ended 30 June 2016	Year ended 30 June 2016	Year ended 30 June 2015 (restated)	Year ended 30 June 2015 (restated)	Year ended 30 June 2015 (restated)
	Note	£million	£million	£million	£million	£million	£million
		Continuing	Discontinued	Total	Continuing	Discontinued	Total
<b>Other comprehensive income</b>							
<b>Items that may be recycled subsequently to the income statement</b>							
Effective portion of changes in fair value of cash flow hedges	20						
- gains taken to other comprehensive income		1	-	1	3	-	3
- recycled to income statement		(1)	-	(1)	(1)	-	(1)
<b>Other comprehensive income for the year, net of tax</b>		-	-	-	2	-	2
Profit/(loss) for the year		432	(6)	426	425	(1)	424
<b>Total comprehensive income/(expense) for the year</b>		432	(6)	426	427	(1)	426

Figures for the year ended 30 June 2015 have been restated following the adoption of FRS 101. See note 1 and note 26 to the financial statements.

The accompanying notes are an integral part of these financial statements.

The company had no other comprehensive income or expense during the current year.

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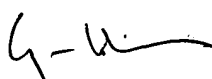
## **Balance sheet**

		30 June 2016	30 June 2015 (restated)
	Notes	£million	£million
<b>Fixed assets</b>			
Intangible assets	10	109	128
Property, plant and equipment	11	87	87
Investments	12	2,587	2,583
		<u>2,783</u>	<u>2,798</u>
<b>Current assets: due after one year</b>			
Deferred tax assets	13	78	73
<b>Current assets: due within one year</b>			
Inventories	14	37	43
Trade and other receivables	15	422	1,084
Other financial assets	16,17	1	-
Cash and cash equivalents		-	3
		<u>538</u>	<u>1,203</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	18	(505)	(1,156)
Provisions	19	(3)	(6)
Other financial liabilities	16	(2)	(2)
		<u>(510)</u>	<u>(1,164)</u>
<b>Net current assets</b>		<u>28</u>	<u>39</u>
<b>Total assets less current liabilities</b>		<u>2,811</u>	<u>2,837</u>
<b>Creditors: amounts falling due after more than one year</b>			
Provisions	19	(1)	-
Other financial liabilities	16	(1)	(4)
Deferred tax liabilities	13	-	(2)
		<u>(2)</u>	<u>(6)</u>
<b>Net assets</b>		<u>2,809</u>	<u>2,831</u>
<b>Equity</b>			
Called up share capital	20	278	278
Share premium		73	73
Retained earnings		2,458	2,480
<b>Total equity</b>		<u>2,809</u>	<u>2,831</u>

Figures as at 30 June 2015 have been restated following the adoption of FRS 101 and the reclassifications referred to in note 1 and note 26 to the financial statements.

The accounting policies and other notes on pages 16 to 48 form part of the financial statements.

These financial statements on pages 12 to 48 were approved by the board of directors on 22 December 2016 and were signed on its behalf by:

  
 G P Crickmore  
 Director

**Diageo Great Britain Limited**  
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## **Statement of changes in equity**

Attributable to shareholders of the company

	<b>Called up share capital £million</b>	<b>Share premium £million</b>	<b>Hedging reserve £million</b>	<b>Retained earnings £million</b>	<b>Total equity £million</b>
Balance at 30 June 2014 as previously reported	278	73	-	2,056	2,407
Adoption of FRS 101 (note 26)	-	-	(2)	-	(2)
Balance at 30 June 2014 (as restated)	<u>278</u>	<u>73</u>	<u>(2)</u>	<u>2,056</u>	<u>2,405</u>
Profit for the year (restated)	-	-	-	424	424
Other comprehensive income	-	-	2	-	2
Balance at 30 June 2015 (as restated)	<u>278</u>	<u>73</u>	<u>-</u>	<u>2,480</u>	<u>2,831</u>
Profit for the year	-	-	-	426	426
Other comprehensive income	-	-	-	-	-
Tax on share-based incentive plans	-	-	-	2	2
Dividends	-	-	-	(450)	(450)
<b>Balance at 30 June 2016</b>	<u><u>278</u></u>	<u><u>73</u></u>	<u><u>-</u></u>	<u><u>2,458</u></u>	<u><u>2,809</u></u>

Figures for the years ended 30 June 2015 and 30 June 2014 have been restated following the adoption of FRS 101. See note 1 and note 26 to the financial statements.

The accompanying notes are an integral part of these financial statements.



**Diageo Great Britain Limited**  
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**Year ended 30 June 2016**

## **Notes to the financial statements**

### **1. Accounting policies**

#### **Basis of preparation**

These financial statements are prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (IFRS), but makes amendments where necessary in order to comply with Companies Act 2006 and sets out below where the FRS 101 disclosure exemptions have been taken.

#### **Transition to FRS 101**

The company has applied FRS 101 for the first time for the year ended 30 June 2016 with comparative information for the year ended 30 June 2015 also prepared under FRS 101. The accounting policies applicable to the company from 1 July 2014 are set out below. This involved preparation of an opening FRS 101 balance sheet as at 1 July 2014, which is the company's date of transition to FRS 101 reporting.

The FRS 101 figures have been prepared in accordance with IFRS standards and interpretations as in force at 30 June 2016. In preparing the comparative information and the opening FRS 101 balance sheet, the company has adjusted amounts reported previously in financial statements prepared in accordance with its former basis of accounting under UK GAAP.

An explanation of how the transition to FRS 101 has affected the company's financial position and financial performance is set out in note 26 to the financial statements. These financial statements are prepared on a going concern basis under the historical cost convention, except that certain financial instruments are stated at their fair value.

The company is a wholly owned subsidiary of Diageo plc and is included in the consolidated financial statements of Diageo plc which are publicly available.

The company has taken advantage of the following exemptions from the requirements of IFRS in the preparation of these financial statements, in accordance with FRS 101:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital, property, plant and equipment and intangible assets;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Diageo plc include equivalent disclosures, the company has also utilised exemptions available under FRS 101 in respect of the following disclosures:

- IFRS 2 Share-based Payments in respect of group settled share based payments;
- The disclosures required by IFRS 7 Financial Instruments Disclosures;
- The disclosures required by IFRS 13 Fair Value Measurement;
- Certain disclosures required by IAS 36 Impairment of Assets in respect of the impairment of goodwill and indefinite life intangible assets.

**Diageo Great Britain Limited**  
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## **Notes to the financial statements (continued)**

### **1. Accounting policies (continued)**

#### **Transition to FRS 101 (continued)**

The company has taken advantage of the exemption under IAS 27, 'Consolidated and separate financial statements', from the requirement to prepare consolidated financial statements as it and its subsidiaries are included in the consolidated financial statements of its ultimate parent, Diageo plc.

These financial statements are separate financial statements.

#### **Functional and presentational currency**

These financial statements are presented in sterling (£), which is the company's functional currency.

All financial information presented in sterling has been rounded to the nearest million unless otherwise stated.

#### **Turnover**

Turnover comprises income from the sale of goods and royalties receivable. Income from the sale of goods includes excise and other duties which the company pays as principal but excludes amounts collected on behalf of third parties, such as value added tax. Turnover is recognised depending upon individual customer terms at the time of dispatch, delivery or some other specific point when the risk of loss transfers. Provision is made for returns where appropriate. Turnover is stated net of price discounts, allowances for customer loyalty and certain promotional activities and similar items. Royalties are accrued as earned.

#### **Advertising**

Advertising expenditure, points of sale materials and sponsorship payments, are charged to the income statement within marketing expenses when the company has the right of access to the goods or services acquired.

#### **Share based payments**

The ultimate parent, Diageo plc, operates a number of share-based incentive schemes (awards of shares and options) and grants rights to its equity instruments to the company's employees. The company accounts for these share-based payments as cash-settled instruments. Amounts recharged by the parent in respect of the cost of providing the benefit are measured at the fair value of the share or share option at the date of grant, and is recognised on a straight-line basis over the vesting period of the award. The fair value is measured on the binomial or Monte Carlo models, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

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## **Notes to the financial statements (continued)**

### **1. Accounting policies (continued)**

#### **Pensions and other post employment benefits**

The employees of the company are members of the Diageo UK pension plans, which are defined benefit schemes.

It is not possible to allocate the assets and liabilities of the pension plans on a consistent and reasonable basis between individual companies and therefore the company accounts for the plans as defined contribution schemes. Contributions payable in respect of the pension plans in respect of current and former employees are charged to operating profit as incurred. The assets and liabilities of the pension plans are reported by the sponsoring employer, Diageo plc.

#### **Exceptional items**

Exceptional items are those that in management's judgement need to be disclosed by virtue of their size or nature. Such items are included within the income statement caption to which they relate, and are separately disclosed either in the notes to the financial statements or on the face of the income statement.

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction.

If hedged forward, the impact of hedging is recognised, where permitted, under hedge accounting (refer to accounting policy for derivative financial instruments).

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the financial year end exchange rates and these foreign exchange differences are recognised in the income statement.

#### **Intangible assets**

Intangible assets that are regarded as having limited useful economic lives are amortised on a straight-line basis over those lives and reviewed for impairment whenever events or circumstances indicate that carrying amount may not be recoverable. These assets are reviewed for impairment at least annually or when there is an indication that the assets may be impaired.

To ensure that assets are not carried at above their recoverable amounts, the impairment reviews compare the net carrying value with the recoverable amount, where the recoverable amount is the higher of value in use or fair value less cost to sell. Amortisation and any impairment write downs are charged to other operating expenses in the income statement.

Computer software is amortised on a straight-line basis to estimated residual value over its expected useful life. Residual values and useful lives are reviewed each year. Subject to these reviews, the estimated useful lives are up to 15 years.

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## **Notes to the financial statements (continued)**

### **1. Accounting policies (continued)**

#### **Property, plant and equipment**

Buildings are stated at cost less depreciation.

Leaseholds are depreciated over the unexpired period of the lease. Other property, plant and equipment are depreciated on a straight-line basis to estimated residual values over their expected useful lives within the following ranges:

Buildings	10 to 50 years
Plant and machinery	5 to 25 years
Casks and containers	5 to 23 years
Hardware	2 to 9 years

Reviews are carried out if there is some indication that impairment may have occurred, to ensure that property, plant and equipment are not carried at above their recoverable amounts.

#### **Leases**

Where the company has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Other leases are treated as operating leases, with payments and receipts taken to the income statement on a straight-line basis over the life of the lease.

#### **Investments in subsidiaries**

Investments in subsidiaries are recorded at cost including transaction costs less, where appropriate, provision for impairment in value where such impairment is expected by the directors to be permanent.

#### **Investments in associates, joint ventures and joint operations**

Investments in associates, joint ventures and joint operations are recorded at cost including transaction costs. Investments in associates and joint ventures are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost includes raw materials, direct labour and expenses, and an appropriate proportion of production and other overheads, but not borrowing costs. Cost is calculated at the weighted average cost incurred in acquiring inventories.

#### **Discontinued operations**

A discontinued operation is a component of the company's business that represent a major line of business or geographical area of operations or business activities that the company no longer participates in or did not form part of the company's operations. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

**Diageo Great Britain Limited**  
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## **Notes to the financial statements (continued)**

### **1. Accounting policies (continued)**

#### **Discontinued operations (continued)**

When the operation is classified as a discontinued operation, the comparative income statement and statement of comprehensive income are restated as if the operation had always been a discontinued operation from the start of the comparative period.

#### **Financial assets**

**Trade receivables** Trade receivables are non-interest bearing and are stated at their nominal amount that is usually the original invoiced amount less provisions made for bad and doubtful receivables. Estimated irrecoverable amounts are based on the ageing of the receivable balances and historical experience. Individual trade receivables are provided against when management deems them not to be collectable.

Amounts owed by other group companies are initially measured at fair value and are subsequently reported at amortised cost.

The company sells certain of its trade debtors through factoring transactions without recourse to the seller. The risks and rewards are substantially transferred to the factoring company; consequently, receivables sold through factoring transactions are derecognised.

**Cash and cash equivalents** Cash and cash equivalents comprise cash in hand and deposits which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less at acquisition, including money market deposits, commercial paper and investments.

#### **Financial liabilities**

**Trade payables** Trade payables are non-interest bearing and are stated at their nominal value.

Amounts owed to other group companies are initially measured at fair value and are subsequently reported at amortised cost.

#### **Financial guarantee contract liabilities**

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at amortised cost.

#### **Derivative financial instruments**

Derivative financial instruments are carried at fair value using a discounted cash flow technique based on market data applied consistently for similar type of instruments. Gains and losses on derivative that do not qualify for hedge accounting treatment are taken to the income statement as they arise.

The company designates and documents certain derivatives as hedging instruments against highly probable forecast transactions (cash flow hedges). The effectiveness of such hedges is assessed at inception and at least on a quarterly basis, using prospective and retrospective testing. Methods used for testing effectiveness include dollar offset, critical terms, regression analysis and hypothetical derivative method.

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## **Notes to the financial statements (continued)**

### **1. Accounting policies (continued)**

#### **Derivative financial instruments (continued)**

*Cash flow hedges* are used to hedge the foreign currency risk of highly probable future foreign currency cash flows, as well as the cash flow risk from changes in exchange. The effective portion of the gain or loss on the hedges is recognised in the other comprehensive income, while any ineffective part is recognised in the income statement. Amounts recorded in the other comprehensive income are recycled to the income statement in the same period in which the underlying foreign currency affects the income statement.

Derivative financial instruments are presented in the financial statements as 'Intra-group derivative assets/(liabilities)' as these transactions are entered into by Diageo Finance plc, a fellow group undertaking, and subsequently passed to the company.

#### **Provisions**

Provisions are liabilities of uncertain timing or amount. A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are calculated on a discounted basis, where the effect is material to the original undiscounted provision.

The carrying amounts of provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

#### **Taxation**

Current tax is based on taxable profit for the year. Taxable profit is different from accounting profit due to temporary differences between accounting and tax treatments, and due to items that are never taxable or tax deductible. Tax benefits are not recognised unless it is probable that the tax positions are sustainable. Once considered to be probable, tax benefits are reviewed each year to assess whether a provision should be taken against full recognition of the benefit on the basis of potential settlement through negotiation and/or litigation. Tax provisions are included in current liabilities. Interests and penalties on tax liabilities are provided in the tax charge.

Full provision for deferred tax is made for temporary differences between the carrying value of assets and liabilities for financial reporting purposes and their value for tax purposes. The amount of deferred tax reflects the expected recoverable amount and is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the basis of taxation enacted or substantively enacted by the balance sheet date. Deferred tax assets are not recognised where it is more likely than not that the asset will not be realised in the future.

Tax benefits are not recognised unless it is probable that the tax positions are sustainable. Once considered to be probable, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of potential settlement through negotiation and/or litigation.

**Diageo Great Britain Limited**  
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## **Notes to the financial statements (continued)**

### **1. Accounting policies (continued)**

#### **Dividends paid and received**

The interim dividend is included in the financial statements in the year in which it is approved by the directors, and the final dividend in the year in which it is approved by shareholders. Dividends received are included in the financial statements in the year in which they are receivable.

#### **Judgements in applying accounting policies and key sources of estimation uncertainty**

The directors make estimates and assumptions concerning the future of the company. The resulting accounting estimates will, by definition, seldom equate to actual results. The company's directors are of the opinion that there are no estimates and assumptions that have a significant risk of casting material adjustment to the carrying value of the assets and liabilities for the company within the next financial year due to the nature of the business.

The critical accounting policies, which the directors consider are of greater complexity and/or particularly subject to the exercise of judgements, are set out in detail in the relevant accounting policies:

- Exceptional items are those that, in management's judgements need to be disclosed by virtue of their size and or nature. The amount in respect of profit on sale of business/investment is an unusual and non-recurring item that is not in respect of production, marketing and distribution of premium drinks. It is therefore disclosed separately (note 6).
- Investment in subsidiaries, associates and joint ventures: The carrying value of the investments was assessed to ensure that the investments are worth at least the amount at which they are stated in the financial statements. The impairment review involves management judgement and estimates.
- Financial guarantee contract liabilities: As part of the assessment to determine whether there is any legal obligation in respect of the financial guarantee requires assumptions concerning the future of the company. Based on their assessment, the directors do not expect the company to be liable and so the value of the liabilities has been recognised at nil fair value.
- Taxation: The evaluation of deferred tax assets recoverability requires judgements to be made regarding the availability of future taxable income. The directors believe that the company will generate sufficient future taxable income.

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## **Notes to the financial statements (continued)**

### **2. Turnover**

The turnover and profit on ordinary activities before taxation are attributable to the packaging of beer, distribution, marketing, importing and selling of spirits, beer and wines, as well as their onward sale to third parties and fellow group undertakings.

#### **Geographical analysis of turnover**

	<b>Year ended 30 June 2016 £ million</b>	<b>Year ended 30 June 2015 £ million</b>
United Kingdom	1,543	1,587
Rest of Europe	55	50
North America	1	-
Africa	2	3
	<u>1,601</u>	<u>1,640</u>

#### **Analysis of turnover by class of business**

	<b>Year ended 30 June 2016 £ million</b>	<b>Year ended 30 June 2015 £ million</b>
Marketing and selling of spirits	1,148	1,125
Marketing and selling of beer	310	306
Marketing and selling of wine	84	157
Packaging of beer	56	48
Royalties	3	4
	<u>1,601</u>	<u>1,640</u>

Segmental information is provided in the consolidated accounts of the ultimate parent company, Diageo plc.

Sales to fellow group undertakings included in turnover amounted to £71 million (2015 - £67 million).

On 1 January 2016, the company sold the majority of its wine interests – including the Percy Fox business – to Treasury Wine Estates. For the two years ended 30 June 2016 the income statement and statement of comprehensive income, attributable to the wine business that was disposed, are disclosed as discontinued operations. The company retained the distribution rights to the Yellow Tail brand in the United Kingdom until 1<sup>st</sup> July 2016.



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## **Notes to the financial statements (continued)**

### **3. Operating costs**

	<b>Year ended 30 June 2016</b>	<b>Year ended 30 June 2015 (restated)</b>
	<b>£ million</b>	<b>£ million</b>
Excise duties	847	857
Cost of sales	476	509
Marketing expenses	77	67
Other operating expenses	86	78
	<b>1,486</b>	<b>1,511</b>
<b>Comprising:</b>		
Excise duties	847	857
Decrease/(increase) in inventories of finished goods and work in progress	5	(7)
Raw materials and consumables	445	492
Marketing expenses	77	67
Other external charges (a)	87	85
Staff costs (see note 4)	63	62
Depreciation, amortisation and impairment	52	56
Net foreign exchange loss/(gain)	3	(8)
Other operating income (b)	(93)	(93)
	<b>1,486</b>	<b>1,511</b>

(a) Other external charges includes operating lease rentals for plant and equipment of £3 million (2015 - £3 million), operating lease rentals for land and buildings of £7 million (2015 - £7 million), and intercompany royalty charges of £32 million (2015 - £34 million).

(b) Other operating income includes intercompany management income of £93 million (2015 - £93 million), of which £51 million (2015 - £45 million) is in respect of the recharge of procurement costs to other group companies.

Fees in respect of services provided by the auditors were: audit fees of £95,000 in respect of current year audit services (2015 - £128,816 paid to the previous auditors); other non-audit fees of £782,000 in respect of the current year auditor, which includes fees in respect of services provided to other fellow group undertakings paid for by the company.

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## **Notes to the financial statements (continued)**

### **4. Employees**

The average number of employees on a full time basis, including directors, during the year was:

	<b>Year ended 30 June 2016</b>	<b>Year ended 30 June 2015</b>
Production	143	142
Selling and distribution	604	620
Corporate and administration	597	591
	<u>1,344</u>	<u>1,353</u>

The average number of employees of the company, including part time employees, for the year was 1,349 (2015 - 1,363).

	<b>Year ended 30 June 2016 £ million</b>	<b>Year ended 30 June 2015 £ million</b>
<b>Aggregate remuneration</b>		
Wages and salaries	39	37
Employer's social security costs	5	5
Employer's pension costs	18	20
Other employment costs	1	-
	<u>63</u>	<u>62</u>

### **Retirement benefits**

The employees of the company are members of the Diageo UK pension plans, which are defined benefit schemes.

It is not possible to allocate the assets and liabilities of the pension plans on a consistent and reasonable basis between individual companies and therefore the company accounts for the plans as defined contribution schemes. Contributions payable in respect of defined contribution plans in respect of current and former employees are charged to operating profit as incurred. The company made cash contributions of £18 million to the schemes in respect of its employees in the year ended 30 June 2016 (2015 - £20 million). As there is no contractual agreement for allocating the surplus or deficit of pension funds to participating entities, it is recognised fully by the sponsoring employer, Diageo plc.

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## **Notes to the financial statements (continued)**

### **4. Employees (continued)**

#### **Directors' remuneration**

	<b>Year ended 30 June 2016 £'000</b>	<b>Year ended 30 June 2015 £'000</b>
Directors' remuneration (excluding pension contributions)	223	191
Amounts receivable under long term incentive schemes	21	6
	<u>244</u>	<u>197</u>

The aggregate remuneration of the highest paid director was £243,568 (2015 - £197,192). The highest paid director is a member of a defined benefit scheme, under which his accrued annual pension at the year end was £48,694 (2015 - £43,870). Other directors were paid by fellow group undertakings.

	<b>Year ended 30 June 2016</b>	<b>Year ended 30 June 2015</b>
The number of directors who exercised share options was	1	1
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	1	1
The number of directors in respect of whose retirement benefits were accrued for under defined benefit schemes	1	1

### **5. Employee share compensation**

A number of the employees of the company participate in a number of equity settled and cash settled share plans, all of which are operated by the group, to grant options and share awards to its directors and employees.

Executive share awards are made under the Diageo 2014 Long Term Incentive plan (DLTIP) from September 2014 onwards. Prior to that, awards were made under the Diageo plc 2009 Executive Long Term Incentive Plan (DELTIP), the 2008 Performance Share Plan (PSP), the 2008 Senior Executive Share Option Plan (SESOP) or the 2009 Discretionary Incentive Plan (DIP).

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## **Notes to the financial statements (continued)**

### **5. Employee share compensation (continued)**

Share awards normally vest and are released on the third anniversary of the grant date. Participants do not make a payment to receive the award at grant. Executive Directors are required to hold any vested shares awarded from 2014 for a further two-year period. Share options may normally be exercised between three and ten years after the grant date.

Performance shares under the DLTIP (previous PSP) are subject to the achievement of three equally weighted performance tests over the three-year performance period for the 2013 and 2014 grants these were; 1) a comparison of Diageo's three-year TSR with a peer group; 2) compound annual growth in organic net sales over three years; 3) total organic operating margin improvement over three years. For awards made in September 2015 or later, the third measure was replaced by one based on cumulative free cash flow over a three-year period, measured at constant exchange rates. Performance share options under the DLTIP (previously SESOP) are subject to the achievement of an earnings per share growth condition over a three-year period. Performance measures and targets are set annually by the Remuneration Committee. The vesting range is 20% or 25% (for Executive Directors and for other participants respectively) for achieving minimum performance targets, up to 100% for achieving the maximum target level. Retesting of the performance condition is not permitted. For performance shares under the DLTIP (previous PSP) dividends are accrued on awards and are given to participants to the extent that the awards actually vest at the end of the performance period. Dividends can be paid in the form of cash or shares. For the two years ended 30 June 2016, the calculation of the fair value of each share award used the Monte Carlo pricing model.

Further details of the valuation and accounting for share options schemes and policies are contained in Diageo plc's Annual Report for the year ended 30 June 2016 (see note 17 of Diageo plc's 2016 Annual Report).

The company recognised share based payment expense for the year ended 30 June 2016 of £322,000 (2015 - £339,000).

### **6. (Loss)/ profit on sale of businesses/investments and compensation received on sale of business**

	<b>Year ended 30 June 2016 £ million</b>	<b>Year ended 30 June 2015 £ million</b>
(Loss)/profit/ on sale of businesses/investments	(7)	268
Compensation received on sale of business	5	-
	<u>(2)</u>	<u>268</u>

On 27 February 2015, the company sold 100% of its shareholding in The Old Bushmills Distillery Company Limited to the Cuervo group resulting in a gain of £268 million.

In the year ended 30 June 2016, the company made a final settlement payment to the Cuervo Group in respect of this disposal, resulting in a charge of £4 million.

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## **Notes to the financial statements (continued)**

### **6. (Loss)/profit on sale of businesses/investments and compensation received on sale of business (continued)**

On 1 January 2016, the company sold the majority of its wine interests, including the Percy Fox business to Treasury Wine Estates. The transaction resulted in a loss of £3 million.

On 7 October 2015, the ultimate holding company, Diageo plc, sold its controlling interest in Desnoes & Geddes Limited, and as a result the distribution contract for Red Stripe, that the company held, ceased. Income of £5 million was received on the disposal of the distribution right.

### **7. Income from shares in subsidiaries and joint ventures**

	Year ended 30 June 2016 £ million	Year ended 30 June 2015 £ million
<b>Dividend income from shares in group undertakings:</b>		
Diageo Scotland Limited	300	-
The Old Bushmills Distillery Company Limited	-	14
Justerini & Brooks Limited	-	5
UDV Kenya Limited	5	5
	<u>305</u>	<u>24</u>
<b>Dividend income from joint venture undertakings:</b>		
Lothian Distillers Limited	3	3
	<u>308</u>	<u>27</u>

### **8. Net finance income and charges**

	Year ended 30 June 2016 £ million	Year ended 30 June 2015 £ million
<b>Net interest</b>		
Interest charge to fellow group undertakings	7	3
<b>Total interest income</b>	<u>7</u>	<u>3</u>
Interest charge from fellow group undertakings	(2)	(2)
Interest charge on all other borrowings	(2)	(2)
<b>Total interest charges</b>	<u>(4)</u>	<u>(4)</u>
<b>Net finance income/(charges)</b>	<u>3</u>	<u>(1)</u>

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## Notes to the financial statements (continued)

### 9. Taxation

	Year ended 30 June 2016 £ million	Year ended 30 June 2015 (restated) £ million
<b>(a) Analysis of taxation credit for the year</b>		
<b>Current tax</b>		
UK corporation tax	(1)	(1)
Overseas corporation tax	(3)	(3)
<b>Total current tax</b>	<u>(4)</u>	<u>(4)</u>
<b>Deferred tax</b>		
Origination and reversal of prior years	7	5
Change in tax rates	(1)	-
<b>Total deferred tax</b>	<u>6</u>	<u>5</u>
<b>Taxation on profit on ordinary activities</b>	<u>2</u>	<u>1</u>
<b>(b) Tax credit included in equity</b>		
Current tax credit	1	1
Deferred tax	1	(1)
<b>Total tax credit included in equity</b>	<u>2</u>	<u>-</u>
<b>(c) Factors affecting total tax credit for the year</b>		
Profit on ordinary activities before taxation	424	423
Taxation on profit on ordinary activities at UK corporation tax rate of 20% (2015 - 20.75%)	(85)	(88)
Expenses not deductible for tax purposes	(2)	(2)
Dividend income not taxed	61	61
Group relief received for nil consideration	28	34
Overseas corporation tax	(3)	(3)
Share options	1	(1)
Other	3	-
Changes in tax rates	(1)	-
<b>Total tax credit for the year</b>	<u>2</u>	<u>1</u>

**Diageo Great Britain Limited**  
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## **Notes to the financial statements (continued)**

### **9. Taxation (continued)**

The UK tax rate reduced from 21% to 20% on 1 April 2015. In November 2015 a reduction to 19% was substantively enacted (effective from 1 April 2017), whilst a further reduction to 17% (effective from 1 April 2020) was substantively enacted in September 2016. The net deferred tax liabilities (note 13) will reduce as a consequence of these rate changes.

### **10. Intangible assets**

	<b>Distribution rights £ million</b>	<b>Computer software £ million</b>	<b>Under construction £ million</b>	<b>Total £ million</b>
<b>Cost</b>				
At 30 June 2015 as previously reported	12	-	-	12
Adoption of FRS 101 (note 26)	-	250	17	267
At 30 June 2015 as restated	12	250	17	279
Additions	-	1	23	24
Disposals	-	(3)	(1)	(4)
Write-off	-	(22)	-	(22)
Transfers	-	17	(17)	-
<b>At 30 June 2016</b>	<b>12</b>	<b>243</b>	<b>22</b>	<b>277</b>
<b>Amortisation</b>				
At 30 June 2015 as previously reported	(12)	-	-	(12)
Adoption of FRS 101 (note 26)	-	(138)	-	(138)
At 30 June 2015 as restated	(12)	(138)	-	(150)
Amortisation	-	(35)	-	(35)
Write-off	-	17	-	17
<b>At 30 June 2016</b>	<b>(12)</b>	<b>(156)</b>	<b>-</b>	<b>(168)</b>
<b>Carrying amount</b>				
<b>At 30 June 2016</b>	<b>-</b>	<b>87</b>	<b>22</b>	<b>109</b>
At 30 June 2015 as restated	-	112	17	129

Amortisation of computer software is recognised in other operating expenses in the income statement.

Additions to assets under construction are in respect of a number of ongoing information system projects.

Included in the total net book value of computer software is £2 million (2015 - £4 million) in respect of assets held under finance leases. Amortisation for the year on computer software held under finance lease is £1 million (2015 - £nil).

## 11. Property, plant and equipment

Included in the total net book value of hardware is £2 million (2015 - £4 million) in respect of assets held under finance leases. Depreciation for the year on hardware held under finance lease is £2 million (2015 - £1 million).



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## **Notes to financial statements (continued)**

### **12. Investments**

	<b>30 June 2016</b>	<b>30 June 2015</b>
	<b>£ million</b>	<b>£ million</b>
Shares in subsidiaries, associates and joint ventures (i)	<b>2,524</b>	2,520
Loan to fellow group undertaking (ii)	<b>63</b>	63
	<b><u>2,587</u></b>	<b><u>2,583</u></b>

#### **(i) Shares in subsidiaries, associates and joint ventures**

	<b>Subsidiaries</b>	<b>Associates</b>	<b>Joint ventures and joint operations</b>	<b>Total</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
<b>Cost</b>				
At 30 June 2014	4,198	-	26	4,224
Disposals	(194)	-	-	(194)
At 30 June 2015	<u>4,004</u>	<u>-</u>	<u>26</u>	<u>4,030</u>
Additions	-	4	-	4
<b>At 30 June 2016</b>	<b><u>4,004</u></b>	<b><u>4</u></b>	<b><u>26</u></b>	<b><u>4,034</u></b>
<b>Provisions</b>				
At 30 June 2014, 30 June 2015 and 30 June 2016	<u>(1,510)</u>	<u>-</u>	<u>-</u>	<u>(1,510)</u>
<b>Carrying amount</b>				
<b>At 30 June 2016</b>	<b><u>2,494</u></b>	<b><u>4</u></b>	<b><u>26</u></b>	<b><u>2,524</u></b>
At 30 June 2015	<u>2,494</u>	<u>-</u>	<u>26</u>	<u>2,520</u>
At 30 June 2014	<u>2,688</u>	<u>-</u>	<u>26</u>	<u>2,714</u>

On 27 February 2015, the company sold 100% of its shares owned in The Old Bushmills Distillery Company Limited to a third party resulting in a gain of £268 million.

On 29 March 2016, the company acquired 30% of the equity shareholding in Copper Dog Whisky Limited for a consideration of £4 million.

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## **Notes to the financial statements (continued)**

### **12. Investments (continued)**

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows. Unless otherwise stated the percentage of shares held are in respect of ordinary share capital.

	Notes	Country of incorporation (or residence)	Proportion of ownership interest %
<b>Direct holdings</b>			
<i>Subsidiaries</i>			
Cellarers (Wines) Limited		England	100%
Diageo Balkans Limited		England	100%
Diageo Scotland Limited		Scotland	100%
Diageo South Africa (Pty) Limited		South Africa	51%
Diageo United Kingdom Limited	(i)	England	100%
Horizon Developments Limited	(i)	Cyprus	100%
Justerini & Brooks, Limited		England	100%
Lochside MWS Limited Partnership		Scotland	
Otford Estates Limited		England	100%
S & B Production Limited		Northern Ireland	100%
The Pierre Smirnoff Company Limited	(i) (ii)	USA	100%
UDV Kenya Limited		Kenya	53.68%
W. & A. Gilbey Limited	(i)	England	100%
<i>Joint ventures and joint operations</i>			
Lothian Distillers Limited		Scotland	50%
Diageo Angola Limitada		Angola	50%
<i>Associate</i>			
Copper Dog Whisky Limited		England	30%
<b>Indirect holdings</b>			
<i>Subsidiaries</i>			
Arthur Bell & Sons limited	(i)	Scotland	100%
D.C.L (Holdings) Australia Proprietary Limited	(i) (ii)	Australia	100%
Diageo Distilling Limited	(i)	Scotland	100%
Diageo (IH) Limited	(i)	England	100%
Diageo New Zealand Limited	(ii)	New Zealand	100%
Diageo Scotland Investment Limited		England	100%
Gilbeys East Africa Limited (in liquidation)	(i)	Kenya	53.63%
Harp Distributors Limited (in liquidation)	(i)	Kenya	53.63%

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## **Notes to the financial statements (continued)**

### **12. Investments (continued)**

	Notes	Country of incorporation (or residence)	Proportion of ownership interest %
<b>Indirect holdings (continued):</b>			
<i>Subsidiaries (continued)</i>			
International Distillers Kenya Limited (in liquidation)	(i)	Kenya	53.63%
James Buchanan & Company Limited	(i)	England	100%
John Haig & Company Limited		Scotland	100%
John Walker and Sons Limited	(i)	England	100%
Kenya Distillers Limited (in liquidation)	(i)	Kenya	53.14%
Kenya Liquor Distributors Limited (in liquidation)	(i)	Kenya	53.68%
Lakeside MWS Limited Liability Partnership		England	
Myers Rum Company (Jamaica) Limited	(i)	Jamaica	100%
The Distillers Company (Biochemicals) Limited	(i)	England	100%
Trelawny Estates Limited		Jamaica	100%
United Distillers & Vintners Philippines Inc		Philippines	100%
United Distillers France Limited	(i)	England	100%
United Distillers France SAS		France	100%
United Distillers Investments Limited	(i)	England	100%
United Distillers UK plc	(i)	Scotland	100%
William Sanderson and Son Limited	(i)	Scotland	100%
Winchester House Property Company Limited	(i)	England	100%
Zepf Technologies UK Limited		Scotland	100%
<i>Associates</i>			
Diageo Suisse SA		Switzerland	45.13%
The Scotch Whisky Heritage Centre Limited	(iii)	Scotland	22.38%
Ballindalloch Distillery LLP		Scotland	33.33%
Clarendon Distillers Limited		Jamaica	27%
Grand Metropolitan Capital Company Limited		England	16.64%
Grand Metropolitan (Cayman Islands) Limited	(i)	Cayman Islands	16.64%
<i>Joint ventures and joint operations</i>			
Brandhouse Beverages (Pty) Limited		South Africa	25.5%
North British Distillery Company Limited		Scotland	50%
Diageo Southern Africa Markets (Pty) Ltd		South Africa	50%

(i) Dormant company.

(ii) Ownership held in class of A shares.

(iii) Ownership held in preference shares.

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## **Notes to the financial statements (continued)**

### **12. Investments (continued)**

The investments in subsidiaries, associates and jointly controlled entities are held at cost less, where appropriate, provision for impairment in value.

In the opinion of the directors, the investment in and amounts due from the company's subsidiary undertakings are worth at least the amount at which they are stated in the financial statements.

#### **(ii) Loan to fellow group undertaking**

	<b>30 June 2016</b>	<b>30 June 2015</b>
	<b>£ million</b>	<b>£ million</b>
Amount owed by fellow group undertaking	<b>63</b>	<b>63</b>

In June 2010, the company, as a sole general partner, established Lochside MWS Limited Partnership ('Lochside') together with the UK Diageo Pension Scheme ('UK Scheme') and another fellow group undertaking (limited partners). The company made a capital contribution to Lochside of £63 million and is entitled to a profit distribution from Lochside each year allocated in line with the Partnership Agreement of Lochside. As the distributions represent a contractual right for the company to receive cash from Lochside, the capital contribution is shown as a loan to fellow group undertaking and the profit distribution received is presented as a finance income (note 22).

Under this structure, the company entered into an agreement with the fellow partners of the arrangement to grant the UK Scheme a put option to require the company to acquire all of the UK Scheme's interest in Lochside. The UK Scheme granted the company a call option to require the UK Scheme to transfer all of the interests in Lochside to the company. The company together with the other fellow group undertaking granted the UK scheme a call option to require the company and the other fellow group undertaking to transfer all of their respective interests to the UK Scheme.

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## **Notes to the financial statements (continued)**

### **13. Deferred tax assets and liabilities**

The amounts of deferred tax accounted for in the balance sheet comprises the following net deferred tax liabilities:

	<b>Property, plant and equipment £ million</b>	<b>Other temporary differences £ million</b>	<b>Total £ million</b>
Balance at 30 June 2014 as previously reported	54	12	66
Adoption of FRS 101 (note 26)	(2)	3	1
	<hr/>	<hr/>	<hr/>
At 30 June 2014 as restated	52	15	67
Recognised in income statement	11	(6)	5
Recognised in equity	-	(1)	(1)
	<hr/>	<hr/>	<hr/>
At 30 June 2015 as restated	63	8	71
Recognised in income statement	9	(3)	6
Recognised in equity	-	1	1
	<hr/>	<hr/>	<hr/>
<b>At 30 June 2016</b>	<b>72</b>	<b>6</b>	<b>78</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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## **Notes to the financial statements (continued)**

### **14. Inventories**

	<b>30 June 2016</b>	<b>30 June 2015</b>
	<b>£ million</b>	<b>£ million</b>
Raw materials and consumables	2	3
Finished goods and goods for resale	35	40
	<u>37</u>	<u>43</u>

Inventories are disclosed net of provisions of £2 million (2015 - £2 million) for obsolescence.

### **15. Trade and other receivables**

	<b>30 June 2016</b>	<b>30 June 2015</b>
	<b>£ million</b>	<b>£ million</b>
Amounts owed by fellow group undertakings	302	1,018
Trade receivables	71	39
Other receivables	29	2
Prepayments and accrued income	20	25
	<u>422</u>	<u>1,084</u>

All amounts fall due within one year.

Amounts owed by Diageo Finance plc of £144 million (2015 - £834 million) are interest bearing, unsecured and repayable on demand. Other amounts owed by fellow group undertakings are interest free, unsecured and repayable on demand.

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## Notes to the financial statements (continued)

### 16. Other financial assets and liabilities

	Current assets £ million	Current liabilities £ million	Non-current liabilities £ million
<b>2016</b>			
<b>Intra-group derivative assets</b>			
Not designated in a hedge relationship	1	-	-
	<u>1</u>	<u>-</u>	<u>-</u>
<b>Non-derivative liabilities</b>			
Finance lease liabilities	-	(2)	(1)
	<u>1</u>	<u>(2)</u>	<u>(1)</u>
	<u><u>1</u></u>	<u><u>(2)</u></u>	<u><u>(1)</u></u>
<b>2015</b>			
<b>Non-derivative liabilities</b>			
Finance lease liabilities	-	(2)	(4)
	<u>-</u>	<u>(2)</u>	<u>(4)</u>
	<u><u>-</u></u>	<u><u>(2)</u></u>	<u><u>(4)</u></u>

Finance lease liabilities are payable as follows:

	30 June 2016			30 June 2015		
	Future minimum lease payments £ million	Future finance charges £ million	Present value of minimum lease payments £ million	Future minimum lease payments £ million	Future finance charges £ million	Present value of minimum lease payments £ million
Less than one year	2	-	2	2	-	2
Between one and five years	1	-	1	4	-	4
	<u>3</u>	<u>-</u>	<u>3</u>	<u>6</u>	<u>-</u>	<u>6</u>
	<u><u>3</u></u>	<u><u>-</u></u>	<u><u>3</u></u>	<u><u>6</u></u>	<u><u>-</u></u>	<u><u>6</u></u>

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## Notes to the financial statements (continued)

### 17. Financial instruments and risk management

#### (a) Currency risk

The company presents its financial statements in sterling and conducts business in many currencies. As a result, it is subject to foreign currency risk due to exchange rate movements, which will affect the company's transactions. To manage the currency risk the company uses certain financial instruments. Where hedge accounting is applied, hedges are documented and tested for effectiveness on an ongoing basis. The company expects hedges entered into to continue to be effective and therefore does not expect the impact of ineffectiveness on the income statement to be material.

#### *Transaction exposure hedging*

The company in accordance with the group's policy, hedge up to 24 months forecast transactional foreign currency risk on the net US dollar exposure of the group targeting 75% coverage for the current financial year and up to 18 months for other currency pairs.

#### (b) Fair value measurements

Fair value measurements of financial instruments are presented through the use of a three-level fair value hierarchy that prioritises the valuation techniques used in fair value calculations.

The group maintains policies and procedures to value instruments using the most relevant data available. If multiple inputs that fall into different levels of the hierarchy are used in the valuation of an instrument, the instrument is categorised on the basis of the most subjective input.

Foreign currency forwards are valued using discounted cash flow techniques. These techniques incorporate inputs at levels 1 and 2, such as foreign exchange rates and interest rates. These market inputs are used in the discounted cash flow calculation incorporating the instrument's term, notional amount and discount rate, and taking credit risk into account. As significant inputs to the valuation are observable in active markets, these instruments are categorised as level 2 in the hierarchy.

The company's financial assets and liabilities measured at fair value are categorised as follows:

	30 June 2016 £ million	30 June 2015 £ million
Derivative assets	1	-
Derivative liabilities	-	-
<b>Valuation techniques based on observable market input (Level 2)</b>	<b>1</b>	<b>-</b>

There were no transfers between levels during the two years ended 30 June 2016 and 30 June 2015.

#### (c) Results of hedging instruments

In respect of cash flow hedging instruments, a gain of £1 million (2015 - £3 million gain) has been recognised in other comprehensive income due to changes in fair value. A gain of £1 million has been transferred out of other comprehensive income to other operating expenses (2015 - a gain of £1 million).

For cash flow hedges of forecast transactions at 30 June 2016, based on year end interest and foreign exchange rates, there is expected to be no gain or loss to the income statement in 2017 and 2018.



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## Notes to the financial statements (continued)

### 18. Trade and other payables

	30 June 2016 £ million	30 June 2015 £ million
Trade payables	93	85
Amounts owed to fellow group undertakings	82	771
Amounts owed to associate undertakings	6	6
Tax and social security excluding income tax	165	144
Accruals and deferred income	142	146
Other payables	17	4
	<u>505</u>	<u>1,156</u>

Amounts owed to fellow group undertakings are interest free, unsecured and repayable on demand.

### 19. Provisions

	Restructuring £ million	Other £ million	Total £ million
At 30 June 2015	6	-	6
Charged during the year	3	2	5
Utilised during the year	(7)	-	(7)
<b>At 30 June 2016</b>	<u><b>2</b></u>	<u><b>2</b></u>	<u><b>4</b></u>
Current liabilities	2	1	3
Non-current liabilities	-	1	1
	<u><b>2</b></u>	<u><b>2</b></u>	<u><b>4</b></u>

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## **Notes to the financial statements (continued)**

### **19. Provisions (continued)**

Restructuring provisions include the reorganisation of teams and global functions and are expected to be utilised by 30 June 2017. Other provisions comprise a liability for the settlement of outstanding liabilities of the Percy Fox and Red Stripe businesses which were disposed during the year ended 30 June 2016.

### **20. Share capital and reserves**

#### **(a) Share capital**

**30 June 2016**  
**£ million**

#### *Allotted, called up and fully paid:*

1,113,082,750 (2015 - 1,113,082,750) ordinary shares of 25p each	<b>278</b>
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#### **(b) Hedging reserves**

**£ million**

At 30 June 2014 as previously reported	-
Adoption of FRS 101 (note 26)	<u>2</u>
At 30 June 2014 as restated	2
Effective portion of changes in fair value of cash flow hedges	
- taken to other comprehensive income	(3)
- transferred to income statement	<u>1</u>
At 30 June 2015 as restated	-
Effective portion of changes in fair value of cash flow hedges	
- taken to other comprehensive income	1
- transferred to income statement	<u>(1)</u>
<b>At 30 June 2016</b>	<b><u>-</u></b>

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## **Notes to the financial statements (continued)**

### **21. Commitments**

Capital expenditure commitments not provided for in these financial statements are estimated at £1 million (2015 - £8 million).

The minimum lease rentals to be paid under non-cancellable leases are as follows:

	<b>30 June 2016</b>			<b>30 June 2015</b>		
	<b>Land and buildings £ million</b>	<b>Plant and machinery £ million</b>	<b>Total £ million</b>	<b>Land and buildings £ million</b>	<b>Plant and machinery £ million</b>	<b>Total £ million</b>
Payments falling due:						
Within one year	7	3	10	7	3	10
Between one and two years	7	3	10	7	2	9
Between two and three years	8	2	10	7	2	9
Between three and four years	8	1	9	7	1	8
Between four and five years	8	1	9	7	1	8
After five years	17	1	18	24	1	25
	<b>55</b>	<b>11</b>	<b>66</b>	<b>59</b>	<b>10</b>	<b>69</b>

At 30 June 2016, the company had other purchase commitments of £129 million (2015 - £152 million).

### **22. Related party transactions**

Transactions between the company and its related parties are made on terms equivalent to those that prevail in arm's length transactions.

The company provides services to and act as an agent for a number of not wholly owned fellow group undertakings. The costs and income (excluding agents' fees) in respect of agency activity are not disclosed separately in the company's income statement.

The following transactions were carried out with related parties:

#### **(a) Sales of goods and services**

	<b>Year ended 30 June 2016 £ million</b>	<b>Year ended 30 June 2015 £ million</b>
Subsidiaries not wholly owned by the Diageo group	2	3

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## Notes to the financial statements (continued)

### 22. Related party transactions (continued)

#### (b) Purchases of goods and services

	Year ended 30 June 2016 £ million	Year ended 30 June 2015 £ million
Subsidiaries not wholly owned by the Diageo group	1	13

#### (c) Year-end balances arising from sales/purchases of goods and services

	As at 30 June 2016 £ million	As at 30 June 2015 £ million
Trade receivables due from related parties:		
Subsidiaries not wholly owned by the Diageo group	15	12
Trade payables due to related parties:		
Subsidiaries not wholly owned by the Diageo group	2	1
Associates	6	6
	8	7

#### (d) Loans to related parties

At 30 June 2016, amounts owed to fellow group companies includes £63 million (2015 - £63 million) in respect of a loan provided to a fellow group undertaking not wholly owned by the Diageo group. In the year ended 30 June 2016, the company was entitled to a profit distribution of £486,000 (2015 - £382,000).

#### (e) Profit on ordinary activities includes dividend income from a joint venture undertaking of £3 million (2015 - £3 million).

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## **Notes to the financial statements (continued)**

### **23. Financial guarantee contract**

On 31 October 2012, the company and Diageo Scotland Limited, a wholly owned subsidiary undertaking, jointly entered into a 10 year agreement with Ardagh Glass Limited and Ardagh Packaging Holdings Limited for the supply of glass in Europe, effective from January 2014. Diageo Scotland Limited and the company are jointly and severally liable to the supplier in respect of any liabilities of Diageo Scotland Limited in the agreement.

### **24. Contingent liability**

On 7 October 2015 SAP (UK) Limited (SAP) initiated proceedings against the company in the Technology and Construction Court. SAP alleges that Diageo has not purchased sufficient named user licences on the basis that the users of Diageo's "InTouch" software tool allegedly accesses the SAP ERP system. Diageo considers the claim to be unfounded and disputes that any damages are payable. The matter went to trial in late November 2016 and the Court's judgment is awaited.

### **25. Immediate and ultimate parent undertaking**

The immediate parent undertaking of the company is Grand Metropolitan Limited, a company incorporated and registered in England.

The ultimate parent undertaking of the company is Diageo plc which is the ultimate controlling party of the Diageo group. Diageo plc is incorporated and registered in England. The consolidated financial statements of Diageo plc can be obtained from the registered office at Diageo, Lakeside Drive, Park Royal, London, NW10 7HQ.

### **26. Explanation of transition to FRS 101 from old UK GAAP**

As stated in note 1, these are the company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 June 2016, the comparative information presented in these financial statements for the year ended 30 June 2015 and in the preparation of an opening FRS 101 balance sheet at 1 July 2014 (the company's date of transition).

In preparing its FRS 101 balance sheet, the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting. An explanation of how the transition from previous UK GAAP to FRS 101 has affected the company's financial position and financial performance is set out in the following tables.

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## **Notes to the financial statements (continued)**

### **26. Explanation of transition to FRS 101 from old UK GAAP (continued)**

#### ***(a) Derivative financial instruments – cash flow hedges***

Derivative financial instruments are now carried at fair value at the end of the year. The effective portion of the gain or loss on cash flow hedges is recognised in other comprehensive income, while any ineffective part is recognised in the income statement. Amounts recorded in other comprehensive income are recycled to the income statement in the same period in which the underlying hedged transaction affects the income statement.

Under previous UK GAAP, no amounts were recognised in the company's accounts during the life of the derivative contract. Profits and losses arising on the derivative contracts were recognised in the income statement in the same period in which the underlying hedged transaction occurred.

#### ***(b) Shared-based payments***

A deferred tax asset is recognised and current tax was calculated on changes in the share price on share options issued to employees, which were not required under old UK GAAP.

#### ***(c) Deferred tax in relation to industrial buildings allowances***

A deferred tax liability is now recognised on the temporary difference arising between the net book value and tax written down value of industrial buildings. Under previous UK GAAP there was a specific exemption from recording deferred tax in respect of industrial buildings and that exemption is no longer available under FRS 101. The deferred tax liability will unwind in future periods in line with the reduction in the net book value of industrial buildings.

#### ***(d) Reclassification of intangible assets***

Computer software was classified as tangible assets under old UK GAAP, and are now classified as intangible assets.

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## Notes to the financial statements (continued)

### 26. Explanation of transition to FRS 101 from old UK GAAP (continued)

#### Reconciliation of balance sheet as at 1 July 2014

	Under UK GAAP £ million	Hedge accounting (a) £ million	Share based payments (b) £ million	Industrial buildings (c) £ million	Reclass between tangible and intangible assets (d) £ million	Total impact of transition to FRS 101 £ million	Under FRS 101 £ million
<b>Fixed assets</b>							
Intangible assets	-	-	-	-	158	-	158
Property, plant and equipment	228	-	-	-	(158)	-	70
Investments in subsidiaries	2,777	-	-	-	-	-	2,777
	<u>3,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,005</u>
<b>Current assets: due after one year</b>							
Deferred tax asset	66	-	3	-	-	3	69
<b>Current assets: due within one year</b>							
Inventories	35	-	-	-	-	-	35
Trade and other receivables	445	-	-	-	-	-	445
Cash and cash equivalents	9	-	-	-	-	-	9
	<u>555</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>558</u>
<b>Creditors: amounts falling due within one year</b>							
Trade and other payables	(1,134)	-	-	-	-	-	(1,134)
Other financial liabilities	(4)	(3)	-	-	-	(3)	(7)
Provisions	(13)	-	-	-	-	-	(13)
	<u>(1,151)</u>	<u>(3)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>(1,154)</u>
<b>Net current assets</b>	<u>(596)</u>	<u>(3)</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(596)</u>
<b>Total assets less current liabilities</b>	<u>2,409</u>	<u>(3)</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,409</u>
<b>Creditors: amounts falling due after more than one year</b>							
Other financial liabilities	(2)	-	-	-	-	-	(2)
Deferred tax liabilities	-	-	-	(2)	-	(2)	(2)
	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>(2)</u>	<u>(4)</u>
<b>Net assets</b>	<u>2,407</u>	<u>(3)</u>	<u>3</u>	<u>(2)</u>	<u>-</u>	<u>(2)</u>	<u>2,405</u>
<b>Equity</b>							
Called up share capital	278	-	-	-	-	-	278
Share premium	73	-	-	-	-	-	73
Retained earnings	2,056	(1)	3	(2)	-	-	2,056
Hedging reserve	-	(2)	-	-	-	(2)	(2)
<b>Total equity</b>	<u>2,407</u>	<u>(3)</u>	<u>3</u>	<u>(2)</u>	<u>-</u>	<u>(2)</u>	<u>2,405</u>

**Diageo Great Britain Limited**  
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## Notes to the financial statements (continued)

### 26. Explanation of transition to FRS 101 from old UK GAAP (continued)

#### Reconciliation of balance sheet as at 30 June 2015

	Under UK GAAP (restated) £ million	Hedge accounting (a) £ million	Share based payments (b) £ million	Industrial buildings (c) £ million	Reclass between tangible and intangible assets (d) £ million	Total impact of transition to FRS 101 £ million	Under FRS 101 £ million
<b>Fixed assets</b>							
Intangible assets	-	-	-	-	129	-	129
Property, plant and equipment	215	-	-	-	(129)	-	86
Investments in subsidiaries	2,583	-	-	-	-	-	2,583
	<u>2,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,798</u>
<b>Current assets: due after one year</b>							
Deferred tax asset	72	-	1	-	-	1	73
<b>Current assets: due within one year</b>							
Inventories	43	-	-	-	-	-	43
Trade and other receivables	1,084	-	-	-	-	-	1,084
Cash and cash equivalents	3	-	-	-	-	-	3
	<u>1,202</u>	<u>-</u>	<u>1</u>	<u>--</u>	<u>--</u>	<u>1</u>	<u>1,203</u>
<b>Creditors: amounts falling due within one year</b>							
Trade and other payables	(1,156)	-	-	-	-	-	(1,156)
Provisions	(6)	-	-	-	-	-	(6)
Other financial liabilities	(2)	-	-	-	-	-	(2)
	<u>(1,164)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,164)</u>
<b>Net current assets</b>	<u>38</u>	<u>-</u>	<u>1</u>	<u>--</u>	<u>--</u>	<u>1</u>	<u>39</u>
<b>Total assets less current liabilities</b>	<u>2,836</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>2,837</u>
<b>Creditors: amounts falling due after more than one year</b>							
Other financial liabilities	(4)	-	-	-	-	-	(4)
Deferred tax liabilities	-	-	-	(2)	-	(2)	(2)
	<u>(4)</u>	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>(2)</u>	<u>(6)</u>
<b>Net assets</b>	<u>2,832</u>	<u>-</u>	<u>1</u>	<u>(2)</u>	<u>-</u>	<u>(1)</u>	<u>2,831</u>
<b>Equity</b>							
Called up share capital	278	-	-	-	-	-	278
Other reserves	73	-	-	-	-	-	73
Retained earnings	2,481	1	-	(2)	-	(1)	2,480
Hedging reserve	-	-	-	-	-	-	-
	<u>2,832</u>	<u>1</u>	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>(1)</u>	<u>2,831</u>



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## **Notes to the financial statements (continued)**

### **26. Explanation of transition to FRS 101 from old UK GAAP (continued)**

#### **Reconciliation of comprehensive income for year ended 30 June 2015**

	<b>Under UK GAAP £ million</b>	<b>Hedge accounting (a) £ million</b>	<b>Share based payments (b) £ million</b>	<b>Total impact of transition to FRS 101 £ million</b>	<b>Under FRS 101 £ million</b>
<b>Turnover</b>	1,640	-	-	-	1,640
Excise duties	(857)	-	-	-	(857)
<b>Net sales</b>	783	-	-	-	783
Cost of sales	(509)	-	-	-	(509)
<b>Gross profit</b>	274	-	-	-	274
Marketing expenses	(67)	-	-	-	(67)
Other operating expenses	(79)	1	-	1	(78)
<b>Operating profit</b>	128	1	-	1	129
Profit on sale of businesses/investment	268	-	-	-	268
Income from shares in subsidiaries and joint ventures	27	-	-	-	27
Net finance charges	(1)	-	-	-	(1)
<b>Profit before taxation on ordinary activities</b>	422	1	-	1	423
Taxation	3	-	(2)	-	1
<b>Profit for the financial year</b>	425	1	(2)	(1)	424
<b>Other comprehensive income</b>					
- gains taken to other comprehensive income	-	3	-	3	3
- recycled to income statement	-	(1)	-	(1)	(1)
<b>Other comprehensive income for the year, net of tax</b>	-	2	-	2	2
<b>Total comprehensive income/(expense) for the year</b>	425	3	(2)	1	426