

Diageo Scotland Investment Limited
Directors' report and financial statements
30 June 2016

Registered number: 908005



Diageo Scotland Investment Limited
Registered number: 908005
Year ended 30 June 2016

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Diageo Scotland Investment Limited
Registered number: 908005
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.

The directors are entitled to take advantage of the small companies' exemption in not preparing a strategic report. This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Activities

The principal activity of the company is to act as an investment holding company.

The directors foresee no changes in the company's activities. The company is incorporated and its operations are based in the United Kingdom.

Going concern

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 as a fellow group undertaking has agreed to provide financial support 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 7.

The loss for the year transferred from reserves is £5,000 (2015 - £18,000).

No dividend was paid during the year (2015 - £nil).

The transition to FRS 101 did not change the reported figures as at 30 June 2016 and 30 June 2015, nor for the year ended 30 June 2014.

Directors

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

D Harlock (appointed 26 May 2016)

I Hockney (resigned 5 November 2015)

A Mahler (appointed 5 November 2015)

J J Nicholls

P D Tunnacliffe (resigned 30 June 2016)

Directors' remuneration

None of the directors received any remuneration during the year in respect of their services as directors of the company (2015 - £nil).

Secretary

On 5 November 2015, V Cooper was appointed as joint company secretary.

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DIRECTORS' REPORT (continued)

Directors' indemnity

The Articles of Association permit qualifying third-party indemnities for the directors as defined by Section 234 of the Companies Act 2006. No such indemnity was in force during the last financial year, nor is any currently in force.

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, which does not form part of this report.

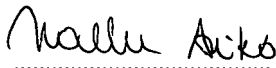
Auditors

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 the 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



A Mahler
Director

Lakeside Drive
Park Royal
London
NW10 7HQ

28 February 2017

Diageo Scotland Investment Limited
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Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing 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 accounting 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 Scotland Investment Limited

Report on the financial statements

Our opinion

In our opinion, Diageo Scotland Investment 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 loss 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 Directors' report and financial statements (the "Annual Report"), comprise:

- the Balance Sheet as at 30 June 2016;
- the 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

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.

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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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.

What an audit of financial statements involves

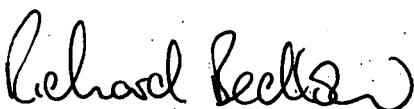
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.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



Richard Bedlow (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

28 February 2017

Diageo Scotland Investment Limited
Registered number: 908005
Year ended 30 June 2016

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 30 June 2016 £ 000	Year ended 30 June 2015 £ 000
Net finance charges	3	<u>(5)</u>	<u>(18)</u>
Loss before taxation on ordinary activities		(5)	(18)
Taxation on loss on ordinary activities	4	<u>-</u>	<u>-</u>
Loss for the financial year and total comprehensive expense for the year		<u>(5)</u>	<u>(18)</u>

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

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

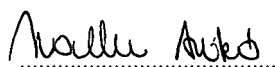
Diageo Scotland Investment Limited
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BALANCE SHEET

	Notes	30 June 2016 £ 000	30 June 2015 £ 000
Fixed assets			
Investments in associate	5	500	500
Current assets: due after one year			
Other receivables from related parties	6	1,218	1,060
Current assets: due within one year			
Trade receivables from related parties	6, 9	12	29
Cash and cash equivalents		<u>12</u>	<u>-</u>
		1,242	1,089
Creditors: amounts falling due within one year			
Trade and other creditors	7	<u>(1,659)</u>	<u>(1,501)</u>
Net current liabilities		<u>(417)</u>	<u>(412)</u>
Net assets		<u>83</u>	<u>88</u>
Equity			
Called up share capital	8	20	20
Capital contribution reserve		200	200
Retained deficit		<u>(137)</u>	<u>(132)</u>
Total equity		<u>83</u>	<u>88</u>

The accounting policies and other notes on pages 10 to 15 form part of the financial statements.

These financial statements on pages 7 to 15 were approved by the Board on 28 February 2017 and were signed on its behalf by:



A Mahler
 Director

Diageo Scotland Investment Limited
Registered number: 908005
Year ended 30 June 2016

STATEMENT OF CHANGES IN EQUITY

ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

	Called up share capital £ 000	Capital contribution reserve £ 000	Retained deficit £ 000	Total £ 000
Balance at 30 June 2014	20	200	(114)	(94)
Loss for the year	<u>-</u>	<u>-</u>	<u>(18)</u>	<u>(18)</u>
Balance at 30 June 2015	20	200	(132)	(112)
Loss for the year	<u>-</u>	<u>-</u>	<u>(5)</u>	<u>(5)</u>
Balance at 30 June 2016	<u><u>20</u></u>	<u><u>200</u></u>	<u><u>(137)</u></u>	<u><u>(117)</u></u>

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

Diageo Scotland Investment Limited
Registered number: 908005
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 transition to FRS 101 did not change the reported figures as at 30 June 2016 and 30 June 2015, nor for the year ended 30 June 2014, but required reclassifications within the balance sheet and the statement of comprehensive income to comply with the presentation requirements.

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;
- disclosures in respect of transactions with wholly owned subsidiaries;
- 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:

- the disclosures required by *IFRS 7 Financial Instruments Disclosures*.

Going concern

The financial statements have been prepared on a going concern basis as a fellow group undertaking has agreed to provide financial support for the foreseeable future. The only liabilities at the balance sheet date are in respect of balances due to fellow group undertakings

Diageo Scotland Investment Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

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 thousand unless otherwise stated.

Investments in associate

Investments in associate 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.

Financial assets

Trade and other receivables Amounts owed by related parties are initially measured at fair value and are subsequently reported at amortised cost.

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 creditors Amounts owed to other group companies are initially measured at fair value and are subsequently reported at amortised cost. Non-interest bearing trade creditors are stated at their nominal value.

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 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

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:

- Investment in associate.

2. OPERATING COSTS

The auditors' remuneration of £1,000 (2015 - £2,000) was paid on behalf of the company by a fellow group undertaking. There were no fees payable to the auditors in respect of non-audit services (2015 - £nil).

The company did not employ any staff during either the current or prior year.

None of the directors received any remuneration during the financial year in respect of their services as directors of the company (2015 - £nil).

3. FINANCE INCOME AND CHARGES

	Year ended 30 June 2016 £ 000	Year ended 30 June 2015 £ 000
Net interest		
Interest income from associate Ballindalloch Distillery LLP	41	29
Total interest income	41	29
Interest charge from fellow group undertakings Diageo Scotland Limited	(46)	(47)
Total interest charges	(46)	(47)
Net finance charges	(5)	(18)

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NOTES TO THE FINANCIAL STATEMENTS (continued)

4. TAXATION

	Year ended 30 June 2016 £ 000	Year ended 30 June 2015 £ 000
(a) Analysis of taxation credit for the year		
Current tax	-	-
Deferred tax	-	-
Taxation on profit on ordinary activities	-	-
	Year ended 30 June 2016 £ 000	Year ended 30 June 2015 £ 000
(b) Factors affecting total tax credit for the year		
Loss on ordinary activities before taxation	(5)	(18)
Taxation on loss on ordinary activities at UK corporation tax rate of 20% (2015 - 20.75%)	1	4
Group relief surrendered for nil consideration	(20)	(44)
Other tax effects for reconciliation between accounting profit and tax expense	19	40
Total tax credit for the year	-	-

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.

5. INVESTMENTS

Shares in group undertakings and other investments

	Associates £ 000	Total £ 000
Cost and carrying amount		
At 30 June 2014, at 30 June 2015 and at 30 June 2016	500	500

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NOTES TO THE FINANCIAL STATEMENTS (continued)

5. 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.

Name of subsidiary	Notes	Country of incorporation (or residence)	Proportion of ownership interest %	Notes
Direct Holdings				
<i>Associate</i>				
Ballindalloch Distillery LLP		Scotland	33.33%	

The investments in associate is 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.

6. TRADE AND OTHER RECEIVABLES

	30 June 2016		30 June 2015 (restated)	
	Due within one year £ 000	Due after one year £ 000	Due within one year £ 000	Due after one year £ 000
Amounts owed by related party				
Ballindalloch Distillery LLP	12	1,218	29	1,060
	<u>12</u>	<u>1,218</u>	<u>29</u>	<u>1,060</u>

The amount owed by Ballindalloch Distillery LLP is a loan, which bears interest at a floating rate, is unsecured and repayable on 23 October 2028.

7. TRADE AND OTHER CREDITORS

	30 June 2016 £ 000	30 June 2015 £ 000
Amounts owed to fellow group undertakings		
Diageo Scotland Limited	1,659	1,501
	<u>1,659</u>	<u>1,501</u>

The amount owed to fellow group undertaking include a loan of £1,574,000 (2015 - £1,416,000), which bears interest at a floating rate of interest, is unsecured and repayable on demand, and a loan of £85,000 (2015 - £85,000), which is unsecured, interest free and repayable on demand.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

8. SHARE CAPITAL

Allotted, called up and fully paid:

	30 June 2016 £ 000
100 (2015 - 100) ordinary shares of £200 each	<u>20</u>

9. 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 following transactions were carried out with related parties:

At 30 June 2016, amounts owed by fellow group undertakings include £12,000 (2015 - £29,000) in respect of amounts owed by group undertakings not wholly owned by the Diageo group.

At 30 June 2016, long term loan to a fellow group undertaking comprises of £1,218,000 (2015 - £1,060,000) in respect of a loan provided to a fellow group undertaking not wholly owned by the Diageo group.

10. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking of the company is Diageo Scotland Limited, a company incorporated and registered in Scotland.

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.