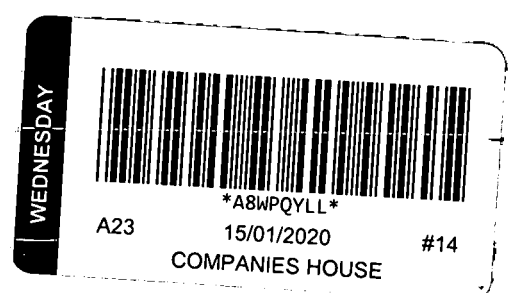


**Diageo Scotland Investment Limited**  
**Directors' report and financial statements**  
**30 June 2019**

Registered number: 00908005



**Diageo Scotland Investment Limited**

**Registered number: 00908005**

**Year ended 30 June 2019**

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**Diageo Scotland Investment Limited****Registered number: 00908005****Year ended 30 June 2019****DIRECTORS' REPORT**

The directors are pleased to submit their directors' report, together with the audited financial statements for the year ended 30 June 2019.

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 for the Diageo group ("the group").

On 25 October 2018, Diageo International Spirits Company Limited, a new wholly owned subsidiary, was incorporated in Hong Kong with an issue of 18 million class A shares of RMB 1 each (£2,020,000). This was subsequently paid on 2 July 2019.

On 13 May 2019, the sole shareholder of the company, Diageo Scotland Limited, subscribed for 11,500 additional shares of £200 each in the company, which was subsequently paid on 2 July 2019. As a result, the share capital of the company increased from £20,000 to £2,320,000.

The company is incorporated and domiciled as a private limited company in the United Kingdom. The registered address is Lakeside Drive, Park Royal, London, NW10 7HQ.

The directors foresee no changes in the company's activities.

**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 Directors' report on page 3. The company is expected to remain in positive net asset position for the foreseeable future. The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company 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 loss for the year ended 30 June 2019 is shown on page 8.

The loss for the year transferred from reserves is £50,000 (2018 - £nil).

The company did not pay any dividend during the year ended 30 June 2019 and 30 June 2018.

**Directors**

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

J M C Edmunds

G Kovacs (appointed 1 August 2018)

K E Major (appointed 1 August 2018)

D F Harlock (resigned 1 August 2018)

A Mahler (resigned 1 August 2018)

**Diageo Scotland Investment Limited**

**Registered number: 00908005**

**Year ended 30 June 2019**

## **DIRECTORS' REPORT (continued)**

### **Directors' remuneration**

None of the directors received any remuneration during the year in respect of their services as directors of the company (2018 - £nil).

### **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.

### **Post balance sheet events**

On 2 July 2019, the company fully paid its previously committed shares to Diageo International Spirits Company Limited in the amount of RMB 18 million (£2,083,695).

On 12 November 2019, the company entered into a joint venture agreement with a third party to jointly conduct business in Diageo International Spirits Company Limited. It was agreed that Diageo International Spirits Company Limited would issue an additional 18 million B shares to the third party, decreasing the company's effective ownership in Diageo International Spirits Company Limited to 50%.

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

The company operates under the financial reporting processes and controls of the group. Diageo plc's internal control and risk management systems including its financial reporting process of Diageo plc, which include those of the company, are discussed in the Group's Annual Report 2019 on page 75 at [www.diageo.com](http://www.diageo.com), which does not form part of this report.

### **Business review**

#### *Principal risks and uncertainties facing the company as at 30 June 2019*

There continues to be uncertainty with respect to the process surrounding the United Kingdom's proposed exit from the European Union, and in relation to the political environment more generally in the United Kingdom. We continue to believe that, in the event of either a negotiated exit or no-deal scenario, the direct financial impact to the company will not be material. The full implications of Brexit will not be understood until future tariffs, trade, regulatory, tax, and other free trade agreements to be entered into by the United Kingdom are established. Furthermore, the group could experience changes to laws and regulations post Brexit, in areas such as intellectual property rights, employment, environment, supply chain logistics, data protection, and health and safety.

A cross-functional working group is in place that meets on a regular basis to identify and assess the consequences of Brexit, with all major functions within the group's business represented. The group continues to monitor this risk area very closely, as well as the broader environment risks, including a continuing focus on identifying critical decision points to ensure potential disruption is minimised, and take prudent actions to mitigate these risks wherever practical. More specific details on the impact of Brexit are included in the consolidated financial statements of Diageo plc which are publicly available. One company-specific risk has been identified, which is the recoverability of the company's investment in subsidiaries and associates.

**Diageo Scotland Investment Limited**

**Registered number: 00908005**

**Year ended 30 June 2019**

**DIRECTORS' REPORT (continued)**

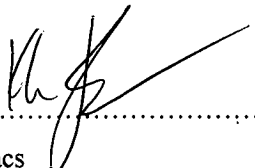
**Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors, PricewaterhouseCoopers LLP, have been reappointed and will continue in office as auditors of the company.

**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

  
.....  
G Kovacs  
Director

Lakeside Drive  
Park Royal  
London  
NW10 7HQ

12 December 2019

**Diageo Scotland Investment Limited**

**Registered number: 00908005**

**Year ended 30 June 2019**

**Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the director's report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

# ***Independent auditors' report to the members of Diageo Scotland Investment Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Diageo Scotland Investment Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 30 June 2019; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### **Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 30 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

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

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

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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## **Other required reporting**

### **Companies Act 2006 exception reporting**

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; 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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### **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.



Steve Reid (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
12 December 2019



**Diageo Scotland Investment Limited****Registered number: 00908005****Year ended 30 June 2019****STATEMENT OF COMPREHENSIVE INCOME**

		<b>Year ended 30 June 2019 £ 000</b>	<b>Year ended 30 June 2018 £ 000</b>
	<b>Notes</b>		
Operating costs	2	(45)	—
<b>Operating loss</b>		<b>(45)</b>	<b>—</b>
Net finance charges	3	(5)	—
<b>Loss before taxation on ordinary activities</b>		<b>(50)</b>	<b>—</b>
Taxation on loss on ordinary activities	4	—	—
<b>Loss for the financial year and total comprehensive expense for the year</b>		<b>(50)</b>	<b>—</b>

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.

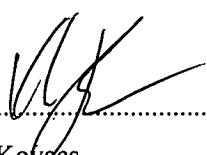
**Diageo Scotland Investment Limited**  
**Registered number: 00908005**  
**Year ended 30 June 2019**

**BALANCE SHEET**

		<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>Notes</b>	<b>£ 000</b>	<b>£ 000</b>
<b>Non-current assets</b>			
Investments in subsidiaries	5	2,020	—
Investments in associates	5	500	500
Trade and other receivables	6	1,337	1,286
		<b>3,857</b>	<b>1,786</b>
<b>Current assets</b>			
Trade and other receivables	6	2,314	14
Cash and cash equivalents		53	48
		<b>2,367</b>	<b>62</b>
<b>Total assets</b>		<b>6,224</b>	<b>1,848</b>
<b>Current liabilities</b>			
Trade and other payables	7	(3,893)	(1,767)
<b>Net assets</b>		<b>2,331</b>	<b>81</b>
<b>Equity</b>			
Called up share capital	8	2,320	20
Capital contribution reserve		200	200
Accumulated deficit		(189)	(139)
<b>Total equity</b>		<b>2,331</b>	<b>81</b>

The accounting policies and other notes on pages 11 to 19 form part of the financial statements.

These financial statements on pages 8 to 19 were approved by the Board on 12 December 2019 and were signed on its behalf by:

  
 .....  
 G Kovacs  
 Director

**Diageo Scotland Investment Limited**

**Registered number: 00908005**

**Year ended 30 June 2019**

**STATEMENT OF CHANGES IN EQUITY**

**ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY**

	<b>Called up share capital £ 000</b>	<b>Capital contribution reserve £ 000</b>	<b>Accumulated deficit £ 000</b>	<b>Total £ 000</b>
Balance at 30 June 2017	20	200	(139)	81
Result for the year	—	—	—	—
<b>Balance at 30 June 2018</b>	<b>20</b>	<b>200</b>	<b>(139)</b>	<b>81</b>
Loss for the year	—	—	(50)	(50)
Shares issued	2,300	—	—	2,300
<b>Balance at 30 June 2019</b>	<b>2,320</b>	<b>200</b>	<b>(189)</b>	<b>2,331</b>

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

**Diageo Scotland Investment Limited**

**Registered number: 00908005**

**Year ended 30 June 2019**

## **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.

These financial statements are prepared on a going concern basis under the historical cost convention, except that certain financial instruments are measured 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 exemption by virtue of section 400 under Companies Act 2006, 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.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 79(a)(iv) (comparative information requirements);
  - 111 (cash flow statement information);
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'
- The following paragraphs of IAS 8, 'Accounting policies, changes in accounting estimates and errors':
  - 30 (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
  - 31 (disclosures relating to the new IFRS).
- The following paragraphs of IAS 24 'Related party disclosures':
  - 17 (key management compensation);
  - 18A (key management services provided by a separate management entity).
- IFRS 7 Financial Instruments: Disclosures, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

The company has taken advantage of the exemption by virtue of section 400 under Companies Act 2006, 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.

**Diageo Scotland Investment Limited**  
**Registered number: 00908005**  
**Year ended 30 June 2019**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **1. ACCOUNTING POLICIES (continued)**

#### **New accounting standards and interpretations**

The following amendments to the accounting standards, issued by the IASB which have been endorsed by the EU, have been adopted by the group and therefore by the company from 1 July 2018 with no impact on the company's results, financial position or disclosures:

- Amendments to IAS 40 - Transfers of Investment Property;
- Amendments to IFRS 2 - Classification and Measurement of Share-based payment transactions;
- Amendments to IFRS 4 - Applying IFRS 9 with IFRS 4 Insurance contracts;
- Improvements to IFRS 1 - First-time Adoption of International Financial Reporting Standards: Deletion of short-term exemptions for first-time adopters;
- Improvements to IAS 28 - Investments in Associates and Joint Ventures: Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice;
- IFRIC 23 Uncertainty over Income Tax Treatments.

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

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

All financial information presented in (£) has been rounded to the nearest thousand unless otherwise stated.

#### **Finance income/costs**

Finance income/costs are recognised in the statement of comprehensive income in the year in which they are earned/incurred.

#### **Foreign currencies**

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

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

#### **Investments in subsidiaries and associates**

Investments in subsidiaries and associates are stated at historical cost less impairment provisions for any permanent decrease in value. The carrying amounts of the company's investments are reviewed at each reporting date to determine whether there is an indication of impairment. If such an indication exists, then the asset's recoverable amount is estimated. Losses are recognised in the statement of comprehensive income to reflect an impairment against the carrying value. Where an event results in the asset's recoverable amount being higher than the previously impaired carrying value, the original impairment may be reversed through the statement of comprehensive income in subsequent periods.

**Diageo Scotland Investment Limited**

**Registered number: 00908005**

**Year ended 30 June 2019**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **1. ACCOUNTING POLICIES (continued)**

#### **Financial assets and liabilities**

Financial assets and liabilities are initially recorded at fair value including, where permitted by IFRS 9, any directly attributable transaction costs. For those financial assets that are not subsequently held at fair value, the company assesses whether there is evidence of impairment at each balance sheet date. The company classifies its financial assets and liabilities into the following categories: financial assets and liabilities at amortised cost, financial assets and liabilities at fair value through profit and loss and financial assets at fair value through other comprehensive income. Where financial assets or liabilities are eligible to be carried at either amortised cost or fair value, the company does not apply the fair value option.

**Trade and other receivables** Amounts owed by fellow group undertakings and related parties are initially measured at fair value and are subsequently reported at amortised cost. Non-interest-bearing trade receivables are stated at their nominal value as they are due on demand. Allowances for expected credit losses are made based on the risk of non-payment taking into account ageing, previous experience, economic conditions and forward-looking data. Such allowances are measured as either 12-months expected credit losses or lifetime expected credit losses depending on changes in the credit quality of the counterparty.

**Cash and cash equivalents** Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

**Trade and other payables** Trade payables are non-interest bearing and are stated at their nominal value as they are due on demand. Amounts owed to other group companies are initially measured at fair value and are subsequently reported at amortised cost.

#### **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. Penalties and interest on tax liabilities are included in profit before taxation.

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The critical accounting policy, which the directors consider is of greater complexity and particularly subject to the exercise of judgements and estimates, is set out in detail in the accounting policy for investments in subsidiaries and associates. A critical accounting judgement, specific to the company, is the assessment that recoverable amount of the company's investment in subsidiaries and associates is greater than the carrying amount.

**Diageo Scotland Investment Limited**  
**Registered number: 00908005**  
**Year ended 30 June 2019**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. OPERATING COSTS**

	Year ended 30 June 2019 £ 000	Year ended 30 June 2018 £ 000
<b>Operating costs</b>		
Foreign exchange losses	(45)	—
	<u>(45)</u>	<u>—</u>

The auditors' remuneration of £2,500 (2018 - £2,500) 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 (2018 - £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 (2018 - £nil).

**3. FINANCE INCOME AND CHARGES**

	Year ended 30 June 2019 £ 000	Year ended 30 June 2018 £ 000
<b>Net interest</b>		
Interest income from associate Ballindalloch Distillery LLP	56	53
<b>Total interest income</b>	<u>56</u>	<u>53</u>
Interest charge to fellow group undertakings Diageo Scotland Limited	(61)	(53)
<b>Total interest charges</b>	<u>(61)</u>	<u>(53)</u>
<b>Net finance charges</b>	<u>(5)</u>	<u>—</u>

**Diageo Scotland Investment Limited**  
**Registered number: 00908005**  
**Year ended 30 June 2019**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**4. TAXATION**

	Year ended 30 June 2019 £ 000	Year ended 30 June 2018 £ 000
<b>(a) Analysis of taxation credit for the year</b>		
<b>Current tax</b>	—	—
<b>Deferred tax</b>	—	—
<b>Taxation on loss on ordinary activities</b>	—	—
<b>(b) Factors affecting total tax for the year</b>		
Loss on ordinary activities before taxation	(50)	—
Taxation on loss on ordinary activities at UK corporation tax rate of 19% (2018 - 19%)	10	—
Group relief surrendered for nil consideration	(28)	(11)
Other tax effects for reconciliation between accounting profit and tax income	18	11
<b>Total tax for the year</b>	—	—

The UK tax rate is 19% effective from 1 April 2017 which is applied for year ended 30 June 2019. A further reduction to 17% (effective from 1 April 2020) was enacted in September 2016.



**Diageo Scotland Investment Limited**  
**Registered number: 00908005**  
**Year ended 30 June 2019**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**5. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES**

*Shares in group undertakings*

	<b>Subsidiaries</b>	<b>Associates</b>	<b>Total</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
<b>Cost and carrying amount</b>			
At 30 June 2018	—	500	500
Additions	2,020	—	2,020
At 30 June 2019	<b>2,020</b>	<b>500</b>	<b>2,520</b>

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.

<b>Name of investment</b>	<b>Notes</b>	<b>Registered office address</b>	<b>Proportion of ownership interest %*</b>	<b>Proportion of effective interest %**</b>
<b>Direct holdings</b>				
<i>Investments in subsidiaries</i>				
Diageo International Spirits Company Limited	(i)	31/F Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong	100%	100%
<i>Associate undertakings</i>				
Ballindalloch Distillery LLP		Ballindalloch Castle, Ballindalloch, Banffshire AB37 9AX, United Kingdom	33.33%	33.33%
<b>Indirect holdings</b>				
<i>Subsidiary undertakings</i>				
Jiangsu Diageo Spirits Limited	(ii)	Room 1101, Building 3, No. 68, Aoti Street, Jianye District, Nanjing City, China	100%	100%

(i) Ownership held in class of A shares.

(ii) Diageo International Spirits Company Limited is the sole shareholder of Jiangsu Diageo Spirits Limited.

*Diageo International Spirits Company Limited*

On 25 October 2018, Diageo International Spirits Company Limited, a new wholly owned subsidiary, was incorporated in Hong Kong with an issue of 18 million class A shares of RMB 1 each (£2,020,000). This was subsequently paid on 2 July 2019.

\* The percentage of shares held owned by the immediate shareholder(s) of the subsidiaries and associates

\*\* Effective percentage of shares held owned by the company

**Diageo Scotland Investment Limited**

**Registered number: 00908005**

**Year ended 30 June 2019**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**5. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (continued)**

On 12 November 2019, the company entered into a joint venture agreement with a third party to jointly conduct business in Diageo International Spirits Company Limited. It was agreed that Diageo International Spirits Company Limited would issue an additional 18 million B shares to the third party, decreasing the company's effective ownership in Diageo International Spirits Company Limited to 50%.

The investments in subsidiaries and associates 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 subsidiaries and associates are worth at least the amount at which they are stated in the financial statements.

**6. TRADE AND OTHER RECEIVABLES**

	<b>30 June 2019</b>		<b>30 June 2018</b>	
	<b>Due within one year £ 000</b>	<b>Due after one year £ 000</b>	<b>Due within one year £ 000</b>	<b>Due after one year £ 000</b>
<i>Amounts owed by fellow group undertakings</i>				
Diageo Scotland Limited	2,300	—	—	—
<i>Amounts owed by related party</i>				
Ballindalloch Distillery LLP	14	1,337	14	1,286
	<b>2,314</b>	<b>1,337</b>	<b>14</b>	<b>1,286</b>

The amount owed by Diageo Scotland Limited was in respect of the subscription of 11,500 shares of £200 each in the company and was subsequently settled on 2 July 2019.

The amount owed by Ballindalloch Distillery LLP includes a loan of £1,336,999 (2018 - £1,286,004), which bears interest at a floating rate, is unsecured and repayable on 23 October 2028, and accrued interest for the period 1 April 2019 to 30 June 2019 in the amount of £14,141 (2018 - £13,593) that was settled on 17 October 2019.

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

**7. TRADE AND OTHER PAYABLES**

	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>£ 000</b>	<b>£ 000</b>
<i>Amounts owed to fellow group undertakings</i>		
Diageo Scotland Limited	1,828	1,767
Diageo International Spirits Company Limited	2,065	—
	<u><b>3,893</b></u>	<u><b>1,767</b></u>

At 30 June 2019 the amounts owed to fellow group undertakings includes a loan of £1,828,003 (2018 - £1,681,971), which bears interest at a floating rate, is unsecured and repayable on demand. A loan of £85,059 as at 30 June 2018, which was unsecured, interest free and repayable on demand, was settled during the year.

The amounts owed to Diageo International Spirits Company Limited in the amount of £2,065,262 (2018 - £nil) are in relation to the authorised share capital of the subsidiary undertaking, that was issued in the amount of RMB 18 million. This was settled on 2 July 2019.

**8. SHARE CAPITAL**

*Allotted, called up and fully paid:*

	<b>30 June 2019</b>
	<b>£ 000</b>
11,600 (2018 - 100) ordinary shares of £200 each	<u><b>2,320</b></u>

On 13 May 2019, the sole shareholder of the company, Diageo Scotland Limited, subscribed for 11,500 additional shares of £200 each in the company, which was subsequently paid on 2 July 2019. As a result, the share capital of the company increased from £20,000 to £2,320,000.

**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 2019, amounts owed by fellow group undertaking includes £14,141 (2018 - £13,593) in respect of amounts owed by group undertakings not wholly owned by the Diageo group.

At 30 June 2019, amounts owed by a fellow group undertaking comprises of £1,336,999 (2018 - £1,286,004) in respect of a loan provided to a fellow group undertaking not wholly owned by the Diageo group.

**Diageo Scotland Investment Limited**

**Registered number: 00908005**

**Year ended 30 June 2019**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**10. POST BALANCE SHEET EVENTS**

On 2 July 2019, the company fully paid its previously committed shares to Diageo International Spirits Company Limited in the amount of RMB 18 million (£2,083,695).

On 12 November 2019, the company entered into a joint venture agreement with a third party to jointly conduct business in Diageo International Spirits Company Limited. It was agreed that Diageo International Spirits Company Limited would issue an additional 18 million B shares to the third party, decreasing the company's effective ownership in Diageo International Spirits Company Limited to 50%.

**11. 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 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.