Diageo Scotland Investment Limited

Directors' report and financial statements

30 June 2018

Registered number: 908005

Diageo Scotland Investment Limited
Registered number: 908005
Year ended 30 June 2018

CONTENTS

CONTENTS	PAGES
DIRECTORS' REPORT	2 - 3
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS	4
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIAGEO SCOTLAND INVESTMENT LIMITED	5 - 6
STATEMENT OF COMPREHENSIVE INCOME	7
BALANCE SHEET	8
STATEMENT OF CHANGES IN EQUITY	9
NOTES TO THE FINANCIAL STATEMENTS	10 - 16

DIRECTORS' REPORT

The directors are pleased to submit their directors' report, together with the audited financial statements for the year ended 30 June 2018.

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").

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

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

Going concern
The company is expected 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. The company is not reliant on external third party financing. The only liabilities at the balance sheet date are in respect of balances due to fellow group undertakings. 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 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 result for the year ended 30 June 2018 is shown on page 7.
The company made neither a profit nor a loss for the year (2017 - £2,000).

The company did not pay any dividend during the years ended 30 June 2018 and 30 June 2017.

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

J M C Edmunds (appointed 8 March 2018)

J J Nicholls (resigned 9 March 2018)

The following directors were appointed after the year end:

G Kovacs (appointed 1 August 2018)

K E Major (appointed 1 August 2018)

The following directors resigned after the year end:

D F Harlock (resigned 1 August 2018)

A Mahler (resigned 1 August 2018)

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 (2017 - £nil).

Secretary
On 5 January 2018, C Matthews resigned as secretary of the company.
On 5 January 2018, J M Guttridge was appointed, and on 20 April 2018, resigned as secretary of the company.

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 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 2018 on pages 66 to 67 at www.diageo.com, which does not form part of this report.

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

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G Kovacs
Director

Lakeside Drive
Park Royal
London
NW10 7HQ

21 November 2018

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the directors' 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 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.

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.

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

Report on the audit of the financial statements

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 2018 and of its result 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 2018; 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.

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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.

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.

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 2018 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.

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 4, 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. 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.

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.

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.

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Christopher Richmond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 November 2018

Diageo Scotland Investment Limited
Registered number: 908005
Year ended 30 June 2018

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 30 June 2018 £ 000	Year ended 30 June 2017 £ 000
Net finance charges	3	-	(2)
Result/loss before taxation on ordinary activities		-	(2)
Taxation on loss on ordinary activities	4	-	-
Result/loss for the financial year and total comprehensive expense for the year		-	(2)

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: 908005
Year ended 30 June 2018

BALANCE SHEET

	Notes	30 June 2018 £ 000	30 June 2017 £ 000
Non-current assets			
Investments in associates	5	500	500
Trade and other receivables	6, 9	1,286	1,218
		1,786	1,718
Current assets			
Trade and other receivables	6, 9	14	14
Cash and cash equivalents		48	64
Total assets		1,848	1,796
Current liabilities			
Trade and other payables	7	(1,767)	(1,715)
Net assets		81	81
Equity			
Called up share capital	8	20	20
Capital contribution reserve		200	200
Retained deficit		(139)	(139)
Total equity		81	81

The accounting policies and other notes on pages 10 to 16 form part of the financial statements.

These financial statements on pages 7 to 16 were approved by the Board on 21 November 2018 and were signed on its behalf by:

....

G Kovacs
Director

Diageo Scotland Investment Limited
Registered number: 908005
Year ended 30 June 2018

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 2016	20	200	(137)	83
Loss for the year	-	-	(2)	(2)
Balance at 30 June 2017	20	200	(139)	81
Balance at 30 June 2018	20	200	(139)	81

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

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 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

New accounting policies

The following standard, issued by the IASB and endorsed by the EU, has been early adopted by the company from 1 July 2017:

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

New accounting policies (continued)

- ***IFRS 9 - Financial instruments replaces IAS 39*** (Financial instruments - Recognition and measurement) and addresses the classification and measurement of financial instruments, introduces new principles for hedge accounting and a new forward-looking impairment model for financial assets. All classes of financial assets and financial liabilities had as at 1 July 2017 the same carrying values under IFRS 9 as they had under IAS 39. The new impairment model under IFRS 9 requires the recognition of allowances for doubtful debt based on expected credit losses (ECL), rather than incurred credit losses as under IAS 39. The adoption of the ECL approach did not result in any additional impairment loss for trade and other receivables as at 1 July 2017.

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 associates

Investments in 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 and reflected in an allowance against the carrying value. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

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 other group companies 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. Allowance 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 allowance 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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

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

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 for the year ended 30 June 2018 are included in profit before taxation. In prior years penalties and interest on tax liabilities were provided for 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.

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

2. OPERATING COSTS

The auditors' remuneration of £2,500 was paid on behalf of the company by a fellow group undertaking (2017 -£2,500). There were no fees payable to the auditors in respect of non-audit services (2017 - £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 (2017 - £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. NET FINANCE CHARGES

	Year ended 30 June 2018 £ 000	Year ended 30 June 2017 £ 000
Net interest		
Interest income from associate		
Ballindalloch Distillery LLP	53	53
Total interest income	53	53
Interest charge from fellow group undertakings		
Diageo Scotland Limited	(53)	(55)
Total interest charges	(53)	(55)
Net finance charges	-	(2)

4. TAXATION

	Year ended 30 June 2018 £ 000	Year ended 30 June 2017 £ 000
(a) Analysis of taxation for the year		
Current tax	-	-
Deferred tax	-	-
Taxation on loss on ordinary activities	-	-

	Year ended 30 June 2018 £ 000	Year ended 30 June 2017 £ 000
(b) Factors affecting total tax for the year included in equity		
Result/(loss) on ordinary activities before taxation	-	(2)
Taxation on loss on ordinary activities at UK corporation tax rate of 19% (2017 - 19.75%)	-	-
Group relief surrendered for nil consideration	(11)	(17)
Other tax effects for reconciliation between accounting profit and tax expense	11	17
Total tax for the year	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. TAXATION (continued)

The UK tax rate is 19% effective from 1 April 2017 which is applied for year ended 30 June 2018. A further reduction to 17% (effective from 1 April 2020) was enacted in September 2016. Deferred taxes at 30 June 2018 have been measured using these enacted tax rates (17%) and reflected in these financial statements.

5. INVESTMENTS IN ASSOCIATES

Shares in group undertakings

	Associates £ 000
Cost and carrying amount	
At 30 June 2018 and at 30 June 2017	500

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 investment	Country of incorporation (or residence)	Proportion of ownership interest %
Direct Holdings		
Associate undertaking		
Ballindalloch Distillery LLP	Ballindalloch Castle, Ballindalloch, Banffshire AB37 9AX, United Kingdom	33.33%

The investment 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 associate undertaking is worth at least the amount at which it is stated in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. TRADE AND OTHER RECEIVABLES

	30 June 2018		30 June 2017	
	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	14	1,286	14	1,218
	14	1,286	14	1,218

The amount owed by Ballindalloch Distillery LLP includes a loan of £1,286,004 (2017 - £1,218,000), which bears interest at a floating rate, it is unsecured and repayable on 23 October 2028, and the interest charge for the period of 1 April-30 June in the amount of £14,000 (2017 - £14,000) that is due on 30 September 2018.

7. TRADE AND OTHER PAYABLES

	30 June 2018 £ 000	30 June 2017 £ 000
Amounts owed to fellow group undertakings		
Diageo Scotland Limited	1,767	1,715
	1,767	1,715

The amount owed to fellow group undertaking includes a loan of £1,682,000 (2017 - £1,630,000), which bears interest at a floating rate, it is unsecured and repayable on demand, and a loan of £85,000 (2017 - £85,000), which is unsecured, interest free and repayable on demand.

8. SHARE CAPITAL

Allotted, called up and fully paid:

	30 June 2018 £ 000
100 (2017 - 100) ordinary shares of £200 each	20

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 2018, amounts owed by fellow group undertakings include £14,000 (2017 - £14,000) in respect of amounts owed by group undertakings not wholly owned by the Diageo group.

At 30 June 2018, amounts due to a fellow group undertaking comprises of £1,286,004 (2017 - £1,218,000) in respect of a loan provided to a fellow group undertaking not wholly owned by the Diageo group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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.