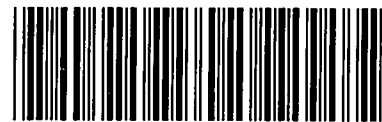


Diageo Global Supply IBC Limited
Annual report and financial statements
30 June 2017

Registered number: NI 003038

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Diageo Global Supply IBC Limited
Registered number: NI 003038
Year ended 30 June 2017

CONTENTS	PAGE
Directors and other information	1
Strategic report	2
Directors' report	4
Statement of directors' responsibilities in respect of the financial statements	6
Independent auditors' report to the members of Diageo Global Supply IBC Limited	7
Statement of comprehensive income	9
Balance Sheet	10
Statement of changes in equity	11
Notes to the company financial statements	12

Directors and other information

Directors

Ms. L. Geremia
Mr. D. Varian

Company secretary

Mrs. A. Kenealy

Registered office

Third Floor Capital House
3 Upper Queen Street
Belfast
Northern Ireland

Independent auditors

PricewaterhouseCoopers
Chartered accountants
One Spencer Dock
North Wall Quay
Dublin 1

Company registration number

NI 003038

Strategic report

The directors have pleasure to present their strategic report for the year ended 30 June 2017.

Principal activities

The company is engaged in the bottling and canning of alcoholic beverages. The directors consider both the results for the year and trading prospects are satisfactory.

Business review

Development and performance of the business of the company during the financial year and position of the company as at 30 June 2017

The development and performance of the business of the company was, for the year ended 30 June 2017, entirely dependent on the respective demands of the Diageo subsidiaries with whom it trades.

The company's main customer is Diageo Ireland, so it is indirectly heavily impacted by the consumer environment in Ireland.

The company's activities are remunerated on a cost-plus basis resulting in turnover dependent on the operating costs incurred during the financial year.

Financial and other key performance indicators

Turnover decreased compared to the previous year by 2% in line with the operating costs.

Principal risks and uncertainties facing the company as at 30 June 2017

The majority of the company's transactions are with fellow members of the Diageo group, therefore the risk of non-performance by counterparties to transactions of the company is considered remote. The company's present activities are remunerated on a cost-plus basis and are therefore not considered to expose the company to significant risks and uncertainties.

Financial risk management

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

Strategic report (continued)

Liquidity risk

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

Credit risk

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

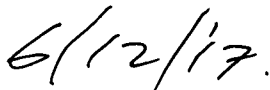
On behalf of the board

Handwritten signature of D. Varian in black ink, with the date 6/12/17 written below it.

D. Varian
Director

Third Floor Capital House
3 Upper Queen Street
Belfast
Northern Ireland

Date:

Handwritten date 6/12/17 in black ink.

Directors' report

The directors have pleasure in submitting their annual report, together with the audited financial statements for the financial year ended 30 June 2017.

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in strategic report on page 2. The company is expected to continue to generate profit on its own account and to remain in a positive net asset position for the foreseeable future. The company participates in the group's centralised treasury arrangements. 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.

Results and dividends

The results for the year ended 30 June 2017 are shown on page 9.

The profit for the year transferred to reserves is £3,385,000 (2016 - £2,933,000).

No dividend was paid during the year (2016 - £19,000,000).

Directors

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

Ms. L. Geremia

Mr. D. Varian

Mr. J. White (resigned 31 December 2016)

Secretary

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

Mrs. A. Kenealy

Directors' remuneration

None of the directors received any remuneration during the year in respect of their services as directors of the company (2016 - £nil).

Directors' indemnity

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

Directors' report (continued)

Research and development

The company has not undertaken any research and development activities during the financial year.

Political contributions

The company has not made any donations to a registered political party, other political organisations within the EU or any independent election candidate during the financial year.

Post balance sheet events

There have been no significant post balance sheet events affecting the company.

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 2017 on pages 62 to 63 at www.diageo.com, which does not form part of this report.

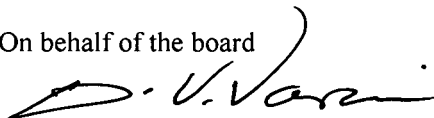
Independent auditors

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

Disclosure of information to auditors

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

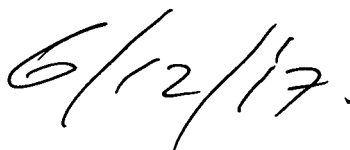
On behalf of the board


6/12/17.

D. Varian
Director

Third Floor Capital House
3 Upper Queen Street
Belfast
Northern Ireland

Date:



Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual 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 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 these 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 Global Supply IBC Limited

Report on the audit of the financial statements

Opinion

In our opinion, Diageo Global Supply IBC Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its profit 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 Annual Report, which comprise: the balance sheet as at 30 June 2017; the statement of comprehensive income, the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

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 Strategic Report and 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.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2017 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 Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement 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. 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.



Paul O'Connor
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Dublin
6 December 2017

STATEMENT OF COMPREHENSIVE INCOME

		Year ended 30 June 2017	Year ended 30 June 2016
	<i>Notes</i>	£'000	£'000
Turnover	2	72,857	74,522
Cost of sales	3	(69,274)	(71,021)
Gross profit		3,583	3,501
Other operating (expenses)/income	3	(124)	49
Operating profit		3,459	3,550
Net finance income/(charge)	6	21	(464)
Profit before taxation on ordinary activities		3,480	3,086
Taxation on profit on ordinary activities	7	(95)	(153)
Profit for the financial year and total comprehensive income for the year		3,385	2,933

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

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

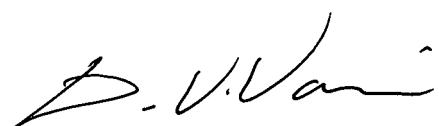
BALANCE SHEET

	Notes	30 June 2017 £'000	30 June 2016 £'000
Non-current assets			
Property, plant and equipment	8	15,751	15,286
Deferred tax assets	9	163	258
		<u>15,914</u>	<u>15,544</u>
Current assets			
Inventories	10	3,241	3,149
Trade and other receivables	11	16,394	8,296
		<u>19,635</u>	<u>11,445</u>
Total assets		35,549	26,989
Current liabilities			
Trade and other creditors	12	(15,767)	(10,556)
Provisions	13	(20)	(21)
		<u>(15,787)</u>	<u>(10,577)</u>
Non-current liabilities			
Deferred income	12	(50)	(85)
		<u>(50)</u>	<u>(85)</u>
Total liabilities		(15,837)	(10,662)
Net assets		19,712	16,327
Equity			
Called up share capital	14	126	126
Retained earnings		19,586	16,201
Total equity		19,712	16,327

The accounting policies and other notes on pages 12 to 27 form part of the financial statements.

These financial statements on pages 9 to 27 were approved by the board of directors on 6 December 2017 and were signed on its behalf by:

D. Varian
Director


6/12/17.

STATEMENT OF CHANGES IN EQUITY
ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 30 June 2015	126	32,268	32,394
Profit for the financial year and total comprehensive income	-	2,933	2,933
Dividends to shareholders	-	(19,000)	(19,000)
Balance at 30 June 2016	126	16,201	16,327
Profit for the financial year and total comprehensive income	-	3,385	3,385
Balance at 30 June 2017	126	19,586	19,712

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently, in dealing with items which are considered material in relation to the company's financial statements.

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;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Comparative period reconciliations for share capital and property, plant and equipment;
- Disclosures in respect of capital management;
- Disclosures in respect of the compensation of key management personnel.

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.

NOTES TO FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Turnover

Turnover comprises income from the sale of goods and services. Revenue from the sale of goods includes excise and other duties which the company pays as principal but excludes amounts collected on behalf of third parties, such as value added tax. Turnover is recognised depending upon individual customer terms at the time of dispatch, delivery or some other specific point when the risk of loss transfers. Provision is made for returns where appropriate. Sales are stated net of price discounts.

Pensions and other post employment benefits

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

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

Government grants

Government grants are not recognised until there is reasonable assurance that the company will comply with the conditions pursuant to which they have been granted and that the grants will be received. Government grants in respect of property, plant and equipment are treated as deferred income, and are credited to the income statement on the same basis as the related tangible fixed assets are depreciated.

Financial assets and liabilities

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

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

Amounts owed to and from other group companies are reported at initial cost, subject to impairment, as they are repayable on demand.

NOTES TO FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation.

Land and buildings are stated at cost less depreciation.

Freehold land is not depreciated. Leaseholds are depreciated over the unexpired period of the lease. Other property, plant and equipment are depreciated on a straight-line basis to estimated residual values over their expected useful lives, and these values and lives are reviewed each year. Subject to these reviews, the estimated useful lives fall within the following ranges:

Buildings	5 to 50 years
Plant and equipment	4 to 30 years
Returnable bottles and crates	3 to 10 years

Reviews are carried out if there is an indication that assets may be impaired, to ensure that property, plant and equipment are not carried at above their recoverable amounts.

Profit or loss on the sale of a property is the difference between the disposal proceeds and the net book value.

Leases

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

Inventories

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

Provisions

Provisions are liabilities of uncertain timing or amount. A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are calculated on a discounted basis, where the effect is material to the original undiscounted provision. The carrying amounts of provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

NOTES TO FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Taxation

Current tax is based on taxable profit for the financial 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 manner of recovery 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.

Dividends paid

Interim dividends are included in the financial statements in the year in which they are approved by the directors, and the final dividend in the year in which it is approved by shareholders.

Critical accounting estimates and assumptions

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. TURNOVER

Geographical analysis of turnover

The turnover and profit on ordinary activities before taxation are attributable to the packaging of beer, and their onward sale to third parties and fellow group undertakings.

Turnover originated from the United Kingdom and the geographical analysis of turnover by destination is given below:

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
United Kingdom	10,360	11,291
Republic of Ireland	62,497	63,231
	<hr/> 72,857 <hr/>	<hr/> 74,522 <hr/>

Analysis of turnover by class of business

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Packaging of beer	<hr/> 72,857 <hr/>	<hr/> 74,522 <hr/>

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

Sales to fellow group undertakings included in turnover amounted to £72,629,000 (2016 - £74,263,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. OPERATING COSTS

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Cost of sales	69,274	71,021
Other operating expense/(income)	124	(49)
	<u>69,398</u>	<u>70,972</u>

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Comprising:		
Decrease/(Increase) in inventories of finished goods and work in progress	42	(404)
Raw materials and consumables	54,141	58,011
Staff costs (note 4)	7,645	6,611
Other external charges (a)	5,118	4,817
Depreciation, amortisation and impairment	2,481	2,096
Net foreign exchange losses	90	-
Losses on disposal of property	73	7
Other operating income (b)	(142)	(102)
Government grant amortisation	(50)	(64)
	<u>69,398</u>	<u>70,972</u>

(a) **Other external charges** include: intercompany procurement charges of £304,000 (2016 - £573,000), operating lease rentals for plant and machinery of £228,000 (2016 - £215,000); other lease rentals of £73,000 (2016 - £72,000); maintenance costs of £1,201,000 (2016 - £995,000); contracted staff cost of £732,000 (2016 - £422,000); facility costs of £569,000 (2016 - £503,000).

(b) **Other operating income includes:** intercompany management income of £142,000 (2016 - £102,000).

Auditors fees in respect of services provided by the auditors were: statutory audit £19,000 (2016 - £17,500). There were no fees payable to the auditor in respect of non-audit services (2016 - £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. EMPLOYEES

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

	Year ended 30 June 2017	Year ended 30 June 2016
Production	103	98
Corporate and administration	38	35
Selling and distribution	4	4
	<hr/>	<hr/>
	145	137
	<hr/>	<hr/>

The average number of employees of the company, including part time employees, for the year was 145 (2016 - 136).

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Wages and salaries	5,398	4,674
Employer's pension costs	1,681	1,449
Employer's social security costs	488	411
Other employment costs	78	77
	<hr/>	<hr/>
	7,645	6,611
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. EMPLOYEES (continued)

Retirement benefits

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

It is not possible to allocate the assets and liabilities of the pension plans on a consistent and reasonable basis between individual companies and therefore the company accounts for the plans as defined contribution schemes. Contributions payable in respect of defined contribution plans in respect of current and former employees are charged to operating profit as incurred. The company made cash contributions of £1,681,000 to the schemes in respect of its employees in the year ended 30 June 2017 (2016 - £1,449,000). As there is no contractual agreement for allocating the surplus or deficit to participating entities, it is recognised fully by the sponsoring employer, Diageo plc.

5. DIRECTORS' REMUNERATION

None of the directors received any remuneration during the financial year in respect of their services as directors of the company (2016 - £nil).

All the directors were paid by fellow group undertakings.

6. FINANCE INCOME / (CHARGE)

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Interest income from fellow group undertakings	21	63
Interest charge to fellow group undertakings	-	(527)
Net finance income / (charge)	21	(464)

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
(a) Analysis of taxation (charge)/credit for the year		
Total current tax	-	-
Deferred tax		
Origination and reversal of differences	(69)	(150)
Changes in tax rates	(26)	(3)
Total deferred tax	(95)	(153)
Taxation on profit on ordinary activities	(95)	(153)
(b) Factors affecting total tax for the year		
	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Profit on ordinary activities before taxation	3,480	3,086
Taxation on profit on ordinary activities at UK corporation tax rate of 19.75% (2016 - 20.00%)	(687)	(617)
Income not taxable and expenses not deductible for tax purposes	(70)	(72)
Group relief received for nil consideration	582	462
Changes in tax rates	(26)	(3)
Share options	65	35
Revaluation	14	14
Non qualifying asset	27	28
Total tax charge for the year	(95)	(153)

Factors which may affect future tax charges

The UK tax rate reduced from 20% to 19% on 1 April 2017. A further reduction to 17% (effective from 1 April 2020) was substantively enacted in September 2016. The net deferred tax asset/liability (see note 9) will reduce as a consequence of the rate change.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £'000	Plant and machinery £'000	Returnable packaging £'000	Assets under construction £'000	Total £'000
Cost					
At 30 June 2016	8,216	23,802	698	3,598	36,314
Additions	61	2,011	-	947	3,019
Disposals	(346)	(1,782)	(144)	-	(2,272)
Transfers	1,185	2,349	65	(3,599)	-
At 30 June 2017	9,116	26,380	619	946	37,061
Accumulated Depreciation					
At 30 June 2016	4,470	16,184	374	-	21,028
Depreciation charge	342	1,930	209	-	2,481
Disposals	(331)	(1,729)	(139)	-	(2,199)
Transfers	270	(270)	-	-	-
At 30 June 2017	4,751	16,115	444	-	21,310
Net book value					
At 30 June 2017	4,365	10,265	175	946	15,751
At 30 June 2016	3,746	7,618	324	3,598	15,286

Included within the net book value of freehold properties is £627,373 (2016 - £627,373) in respect of land on which no depreciation is charged.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. DEFERRED TAX ASSETS

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

	Property, plant and equipment £'000	Other temporary differences £'000	Total £'000
At 30 June 2015	411	-	411
Recognised in income statement	(153)	-	(153)
Recognised in other comprehensive income	-	-	-
	<hr/>	<hr/>	<hr/>
At 30 June 2016	258	-	258
Recognised in income statement	(95)	-	(95)
Recognised in other comprehensive income	-	-	-
	<hr/>	<hr/>	<hr/>
At 30 June 2017	163	-	163
	<hr/>	<hr/>	<hr/>

10. INVENTORIES

	30 June 2017 £'000	30 June 2016 £'000
Raw materials and consumables	1,972	1,838
Work in progress	1,269	1,311
	<hr/>	<hr/>
	3,241	3,149
	<hr/>	<hr/>

Inventories are disclosed net of provision of £235,000 (2016 - £214,000) for obsolescence.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. TRADE AND OTHER RECEIVABLES

	30 June 2017 Due within one year £'000	30 June 2016 Due within one year £'000
Amounts owed by fellow group undertakings	16,183	8,139
Trade receivables	1	1
Other receivables	55	54
Prepayments and accrued income	155	102
	<hr/>	<hr/>
	16,394	8,296
	<hr/>	<hr/>

Amounts owed by fellow group undertakings are unsecured and repayable on demand.

The aged analysis of trade receivables is as follows:

	30 June 2017 £'000	30 June 2016 £'000
Not overdue	<hr/> 1	<hr/> 1

Trade and other receivables are disclosed net of provision of £nil (2016 - £nil) for bad and doubtful debts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. TRADE AND OTHER CREDITORS

	30 June 2017		30 June 2016	
	£'000	£'000	£'000	£'000
	Due within one year	Due after one year	Due within one year	Due after one year
Trade creditors	13,759	-	8,662	-
Amounts owed to fellow group undertakings	54	-	136	-
Accruals and deferred income	1,904	-	1,694	-
Government grants	50	50	64	85
	<u>15,767</u>	<u>50</u>	<u>10,556</u>	<u>85</u>

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

13. PROVISIONS

	Other £'000	Total £'000
At 30 June 2016	21	21
Charged during the year	12	12
Utilised	(13)	(13)
Released	-	-
At 30 June 2017	<u>20</u>	<u>20</u>
Current liabilities	20	20
Non-current liabilities	-	-
	<u>20</u>	<u>20</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. SHARE CAPITAL AND RESERVES

	30 June 2017 £'000
<i>Authorised, allotted, called up and fully paid</i>	
6,000 ordinary shares of £1 each	6
120,000 deferred ordinary shares of £1 each	120
	<hr/>
	126
	<hr/>

The deferred ordinary shares entitle the holders to a fixed non-cumulative dividend at a rate of 5% per annum for any financial period of the company in respect of which the net profits of the company available for dividend exceed £10,000,000 but they are not entitled to receive notice of or attend any Annual General Meeting. On a winding-up the holders of the deferred shares shall be entitled out of the surplus assets of the company to a return of the capital paid upon the deferred shares after a capital sum of £10,000 has been distributed in such winding-up in respect of each of the ordinary shares.

The retained earnings account represents accumulated comprehensive income for the financial year and prior financial years.

15. RELATED-PARTY TRANSACTIONS

The following transactions were carried out with related parties:

(a) Sales of goods and services

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Subsidiaries:		
East Africa Breweries Limited	3	-
Guinness Ghana Breweries Limited	-	5
Uganda Breweries Limited	-	1
	<hr/>	<hr/>
	3	6
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. RELATED-PARTY TRANSACTIONS (continued)

(b) Year-end balances arising from sales of goods and services

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Trade receivables due from related parties:		
Guinness Ghana Breweries Limited	-	5
Uganda Breweries Limited	-	1
	<u>-</u>	<u>6</u>

16. COMMITMENTS

Capital commitments

Commitments for expenditure on property, plant and equipment not provided for in these financial statements are estimated at £509,000 (2016 - £1,522,000).

Operating lease commitments

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

	30 June 2017			30 June 2016		
	Plant & Machinery £'000	Other vehicles £'000	Total £'000	Plant & Machinery £'000	Other vehicles £'000	Total £'000
Payments falling due:						
Within one year	123	10	133	132	6	138
Between one and two years	47	10	57	123	4	127
Between two and three years	47	8	55	47	4	51
Between three and four years	47	3	50	-	3	3
Between four and five years	47	-	47	-	-	-
After five years	47	-	47	-	-	-
	<u>358</u>	<u>31</u>	<u>389</u>	<u>302</u>	<u>17</u>	<u>319</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. COMMITMENTS (continued)

Other purchase commitments

At 30 June 2017 the company had purchase commitments originating from purchase orders totalling £13,338,000 (2016 - £11,550,000).

17. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

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

The ultimate parent undertaking of the company is Diageo plc which is the ultimate controlling party of 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.