

Diageo Scotland Investment Limited
Directors' report and financial statements
30 June 2020

Registered number: 00908005



Diageo Scotland Investment Limited

Registered number: 00908005

Year ended 30 June 2020

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Diageo Scotland Investment Limited

Registered number: 00908005

Year ended 30 June 2020

DIRECTORS' REPORT

The directors are pleased to submit their Directors' report, together with the audited financial statements for the year ended 30 June 2020.

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

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 issue an additional 18 million of B shares to third party, decreasing the company's effective ownership in Diageo International Spirits Company Limited to 50%. Consequently Diageo International Spirits Company Limited became a joint operation of the company.

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

Going concern

The company is expected to continue 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.

In arriving at this conclusion, the directors have also considered the potential impact that the Covid-19 outbreak may have on the company and believe that any impact would be minimal.

Financial

The profit for the year ended 30 June 2020 is shown on page 9.

The profit for the year transferred to reserves is £4,000 (2019 - loss of £50,000).

The company did not pay any dividend during the years ended 30 June 2020 and 30 June 2019.

Diageo Scotland Investment Limited

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Year ended 30 June 2020

DIRECTORS' REPORT (continued)

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

D Keresztesi (appointed 11 September 2020)

G Kovacs (resigned 1 September 2020)

K E Major

Directors' remuneration

None of the directors received any remuneration during the year in respect of their services as directors of the company (2019 - £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.

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 2020 on page 79 at www.diageo.com, which does not form part of this report.

Business review

Principal risks and uncertainties facing the company as at 30 June 2020

The company believes the following to be the principal risks and uncertainties it faces. If any of these risks occur, the company's business, financial condition and operational results could suffer. As the company forms part of the group's financial operations, the financial risk management measures used by management to analyse the development, performance and position of the company's business are mainly similar to those facing the group as a whole and are managed by the group's treasury department.

Covid-19 Pandemic

At the beginning of calendar year 2020 a new coronavirus, referred to as 'Covid-19', emerged and has been classified as a pandemic due to its spread across the world. Given the global nature of the Covid-19 pandemic, and the uncertainty as to the severity and duration of the impact across multiple markets, it is difficult to accurately assess the impact the virus will have on the future financial performance of the group and the company. The global economic outlook remains uncertain currently, as the pandemic has created volatility in the short term as a result of the social restrictions implemented across the world. The impact of the virus on economic conditions over the medium-term (one to three years) is highly uncertain, in sharp contrast to the stable and growing GDP performance across most markets experienced in recent years. As a result, significant volatility is likely to continue or increase as markets face challenging economic conditions and higher levels of unemployment leading to reduced consumer spending.

Diageo Scotland Investment Limited

Registered number: 00908005

Year ended 30 June 2020

DIRECTORS' REPORT (continued)

Principal risks and uncertainties facing the company as at 30 June 2020

To mitigate these challenges the group regularly gathers data and obtains insights which enable management to assess conditions in the markets where the group operates and to amend forecasts and investment decisions appropriately. The directors believe that the risk mitigation actions taken in relation to the pandemic have been agile and effective and that the group will maintain adequate liquidity and be strongly positioned for a recovery in consumer demand. Further information on the group's risk management measures in relation to Covid-19 are disclosed on pages 38-40 of Diageo plc's 2020 Annual Report.

Brexit

The negotiation process surrounding the United Kingdom's future financial and trading relationship with the European Union continues. We remain of the view that, the direct financial impact to the group or the company will not be material. The full implications of Brexit will not be understood until future trade, regulatory and tax arrangements to be entered into by the United Kingdom are established.

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 our business represented, including the function of raising external funding. 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. Further information on the group's risk management measures in relation to Brexit are disclosed on pages 38-40 of Diageo plc's 2020 Annual Report.

Independent auditors

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

Diageo Scotland Investment Limited

Registered number: 00908005

Year ended 30 June 2020

DIRECTORS' REPORT (continued)

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.

On behalf of the board

DocuSigned by:
Keresztesi Dora
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D Keresztesi
Director

Lakeside Drive
Park Royal
London
NW10 7HQ

26 November 2020

Diageo Scotland Investment Limited

Registered number: 00908005

Year ended 30 June 2020

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 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Report on the 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 2020 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 Directors' report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 30 June 2020; 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 where:

- 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 2020 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 6, 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

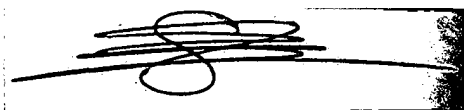
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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.



Steve Reid (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 November 2020

Diageo Scotland Investment Limited**Registered number: 00908005****Year ended 30 June 2020****STATEMENT OF COMPREHENSIVE INCOME**

	Notes	Year ended 30 June 2020 £ 000	Year ended 30 June 2019 £ 000
Operating costs	2	(18)	(45)
Operating loss		(18)	(45)
Net finance charges	3	(3)	(5)
Loss before taxation on ordinary activities		(21)	(50)
Taxation on loss on ordinary activities	4	25	—
Profit/(loss) for the financial year and total comprehensive income/(expense) for the year		4	(50)

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 2020****BALANCE SHEET**

	Notes	30 June 2020 £ 000	30 June 2019 £ 000
Non-current assets			
Investments in subsidiaries	5	—	2,020
Investments in joint operations	5	2,020	—
Investments in associates	5	500	500
Trade and other receivables	6	1,422	1,337
		3,942	3,857
Current assets			
Trade and other receivables	6	40	2,314
Cash and cash equivalents		242	53
		282	2,367
Total assets		4,224	6,224
Current liabilities			
Trade and other payables	7	(1,889)	(3,893)
Net assets		2,335	2,331
Equity			
Called up share capital	8	2,320	2,320
Capital contribution reserve		200	200
Accumulated deficit		(185)	(189)
Total equity		2,335	2,331

The accounting policies and other notes on pages 12 to 20 form part of the financial statements.

These financial statements on pages 9 to 20 were approved by the Board on 26 November 2020 and were signed on its behalf by:

DocuSigned by:
Keresztesi Dóra
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D Keresztesi

Director

Diageo Scotland Investment Limited
Registered number: 00908005
Year ended 30 June 2020

STATEMENT OF CHANGES IN EQUITY

ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

	Called up share capital £ 000	Capital contribution reserve £ 000	Accumulated deficit £ 000	Total £ 000
Balance at 30 June 2018	20	200	(139)	81
Share issued	2,300	—	—	2,300
Loss for the year and total comprehensive expense	—	—	(50)	(50)
Balance at 30 June 2019	2,320	200	(189)	2,331
Profit for the year and total comprehensive income	—	—	4	4
Balance at 30 June 2020	2,320	200	(185)	2,335

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

Diageo Scotland Investment Limited

Registered number: 00908005

Year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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).
- The requirement of 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.

Diageo Scotland Investment Limited

Registered number: 00908005

Year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Basis of preparation

- Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets' (disclosures when the recoverable amount is fair value less costs of disposal, assumptions involved in estimating recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives, and management's approach to determining these amounts).

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.

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 2019 with no impact on the company's results, financial position or disclosures:

- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures
- Amendments to IFRS 9 - Prepayment Features with Negative Compensation
- Improvements to IFRS 3 and IFRS 11 - Business combinations and Joint arrangements - Accounting for previously held interests
- Improvements to IAS 12 - Income taxes - Accounting for income tax consequences of payments on financial instruments that are classified as equity
- Improvements to IAS 23 - Borrowing costs on completed qualifying assets
- Amendments to IAS 9 - Plan Amendment, Curtailment or Settlement
- IFRS 16 - Leases

The following amendment and standard, issued by the IASB have not been adopted by the company:

- IFRS 17 - Insurance contracts
- Amendments to IFRS 9, IAS 39 and IFRS 17 - Interest rate benchmark reform (Phase 1)

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/charges

Finance income/charges 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.

Diageo Scotland Investment Limited

Registered number: 00908005

Year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Investments in subsidiaries, joint operations and associates

Investments in subsidiaries, joint operations 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.

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.

Diageo Scotland Investment Limited**Registered number: 00908005****Year ended 30 June 2020****NOTES TO THE FINANCIAL STATEMENTS (continued)****1. ACCOUNTING POLICIES (continued)****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, joint operations and associates. A critical accounting judgement, specific to the company, is the assessment that recoverable amount of the company's investment in subsidiaries, joint operations and associates is greater than the carrying amount.

2. OPERATING COSTS

	Year ended 30 June 2020	Year ended 30 June 2019
	£ 000	£ 000
Operating costs		
Foreign exchange losses	(18)	(45)
	<u>(18)</u>	<u>(45)</u>

The auditors' remuneration of £2,500 (2019 - £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 (2019 - £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 (2019 - £nil).

Diageo Scotland Investment Limited**Registered number: 00908005****Year ended 30 June 2020****NOTES TO THE FINANCIAL STATEMENTS (continued)****3. NET FINANCE CHARGES**

	Year ended 30 June 2020 £ 000	Year ended 30 June 2019 £ 000
Net interest		
Interest income from associate Ballindalloch Distillery LLP	59	56
Total interest income	<u>59</u>	<u>56</u>
Interest charge to fellow group undertakings Diageo Scotland Limited	(62)	(61)
Total interest charges	<u>(62)</u>	<u>(61)</u>
Net finance charges	<u>(3)</u>	<u>(5)</u>

Diageo Scotland Investment Limited**Registered number: 00908005****Year ended 30 June 2020****NOTES TO THE FINANCIAL STATEMENTS (continued)****4. TAXATION ON LOSS ON ORDINARY ACTIVITIES**

	Year ended 30 June 2020 £ 000	Year ended 30 June 2019 £ 000
(a) Analysis of taxation credit for the year		
Current tax	25	—
Deferred tax	—	—
Taxation on loss on ordinary activities	<u>25</u>	<u>—</u>
 (b) Factors affecting total tax credit for the year		
Loss on ordinary activities before taxation	<u>(21)</u>	<u>(50)</u>
Taxation on loss on ordinary activities at UK corporation tax rate of 19% (2019 - 19%)	4	10
Group relief surrendered for nil consideration	—	(28)
Other tax effects for reconciliation between accounting profit and tax income	<u>21</u>	<u>18</u>
Total tax credit for the year	<u>25</u>	<u>—</u>

The UK tax rate is 19% effective from 1 April 2017 which is applied for the year ended 30 June 2020. In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

5. INVESTMENTS IN SUBSIDIARIES, JOINT OPERATIONS AND ASSOCIATES***Shares in group undertakings***

	Subsidiaries £ 000	Joint operations £ 000	Associates £ 000
Cost and carrying amount			
At 30 June 2019	2,020	—	500
Transfers to joint operations	(2,020)	2,020	—
At 30 June 2020	<u>—</u>	<u>2,020</u>	<u>500</u>

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.

Diageo Scotland Investment Limited**Registered number: 00908005****Year ended 30 June 2020****NOTES TO THE FINANCIAL STATEMENTS (continued)****5. INVESTMENTS IN SUBSIDIARIES, JOINT OPERATIONS AND ASSOCIATES (continued)**

Name of investment	Notes	Registered office address	Proportion of ownership interest %*	Proportion of effective interest %**
Direct holdings				
<i>Joint operations</i>				
Diageo International Spirits Company Limited	(i)	Room 06, 13A/F South Tower, World Finance Centre, Harbour City, 17 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	50 %	50 %
	(ii)			
<i>Associate undertakings</i>				
Ballindalloch Distillery LLP		Ballindalloch Castle, Ballindalloch, Banffshire AB37 9AX, United Kingdom	33.33 %	33.33 %
Indirect holdings				
<i>Joint operations</i>				
Jiangsu Diageo Spirits Co., Ltd.	(ii)	Room 1101, Building 3, No.68, Aoti Street, Jianye District, Nanjing City, China	100 %	50 %

(i) Ownership held in class of A shares.

(ii) Diageo shares joint control over these entities under shareholder's agreements, and Diageo's rights to profit, assets and liabilities of the companies are dependent on the performance of the group's brands rather the effective equity ownership of the companies.

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 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%. Consequently Diageo International Spirits Company Limited became a joint operation of the company.

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.

* The percentage of shares held owned by the immediate shareholder(s) of the subsidiary

* Effective percentage of shares held owned by the company directly and indirectly

Diageo Scotland Investment Limited**Registered number: 00908005****Year ended 30 June 2020****6. TRADE AND OTHER RECEIVABLES**

	30 June 2020		30 June 2019	
	Due within one year £ 000	Due after one year £ 000	Due within one year £ 000	Due after one year £ 000
<i>Amounts owed by fellow group undertakings</i>				
Diageo Scotland Limited	—	—	2,300	—
<i>Amounts owed by related party</i>				
Ballindalloch Distillery LLP	15	1,422	14	1,337
<i>Group relief debtor balance</i>				
Diageo Scotland Limited	25	—	—	—
	40	1,422	2,314	1,337

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 settled on 2 July 2019.

The amount owed by Ballindalloch Distillery LLP includes a loan of £1,421,998 (2019 - £1,336,999), which bears interest at a floating rate, is unsecured and repayable on 23 October 2028, and accrued interest for the period 1 April 2020 to 30 June 2020 in the amount of £15,382 (2019 - £14,141) that will be settled in financial year 2021.

7. TRADE AND OTHER PAYABLES

	30 June 2020 £ 000	30 June 2019 £ 000
<i>Amounts owed to fellow group undertakings</i>		
Diageo Scotland Limited	1,889	1,828
Diageo International Spirits Company Limited	—	2,065
	1,889	3,893

Amounts owed to Diageo Scotland limited are unsecured, bears interest at a floating rate and repayable on demand.

The amounts owed to Diageo International Spirits Company Limited in the previous year amount of £2,065,262 were 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.

Diageo Scotland Investment Limited

Registered number: 00908005

Year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. CALLED UP SHARE CAPITAL

Allotted, called up and fully paid:

	30 June 2020
	£ 000
11,600 (2019 - 11,600) ordinary shares of £200 each	<u><u>2,320</u></u>

9. RELATED-PARTY TRANSACTIONS

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

The following transactions were carried out with related parties:

At 30 June 2020, amounts owed by fellow group undertaking includes £15,382 (2019 - £14,141) in respect of amounts owed by group undertakings not wholly owned by the Diageo group.

At 30 June 2020, amounts owed by a fellow group undertaking comprises of £1,421,998 (2019 - £1,336,999) in respect of a loan provided to a fellow group undertaking not wholly owned by the Diageo group.

10. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

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

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