Grand Metropolitan Limited

Annual report and Financial Statements
30 June 2016

Registered number: 291848

THURSDAY
A61CB4ZU
A18 02/03/2017 #258
COMPANIES HOUSE

CONTENTS

CONTENTS	PAGES
STRATEGIC REPORT	2
DIRECTOR'S REPORT	3-4
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS	5
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAND METROPOLITAN LIMITED	6-7
INCOME STATEMENT	8
STATEMENT OF COMPREHENSIVE INCOME	9
BALANCE SHEET	10
STATEMENT OF CHANGES IN EQUITY	11
NOTES TO THE FINANCIAL STATEMENTS	12-31

STRATEGIC REPORT

The directors present their strategic report for the year ended 30 June 2016.

Activities

The principal activity of the company is that of an investment holding company owning subsidiaries which holds assets in the global alcoholic drink sector.

Business review

Development and performance of the business of the company during the financial year and position of the company as at 30 June 2016

Income from shares in group undertakings increased by £6,513,000,000 to £6,666,000,000 in the year ended 30 June 2016 from £153,000,000 in the year ended 30 June 2015.

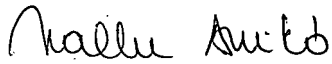
Financial and other key performance indicators

As the company is an intermediary holding company within the group, the principal key performance indicator used by management to analyse the development, performance and position of the company's business is adherence to the group dividend policy.

Financial risk management

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 Diageo group as a whole and are managed by the group's treasury department.
An identified company specific risk is the recoverability of the company's investments in subsidiaries and associates.

By order of the board



A Mahler
Director
61 St. James's Street
London
SW1A 1LZ

15 December 2016

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2016.

Activities

The principal activity of the company is that of an investment holding company, owning subsidiaries which hold assets in the global alcoholic drink sector.

There were no significant changes to the nature of the business during the financial year ended 30 June 2016. During the year the company received interest on some of its intercompany receivables, and received dividends from its investments.

In June 2010, the Diageo Group established a Pension Funding Partnership in which the UK Diageo Pension Scheme ('UK Scheme') acquired a limited interest, and as a partner, is entitled to a distribution of the profits of the Pension Funding Partnership each year, for 14 years. Under this structure the company, as a designated member, together with Lochside MWS Limited Partnership agreed to form Lakeside MWS Limited Liability Partnership ('Lakeside') registered in the United Kingdom on 23 June 2010. The company, as a member, is entitled to a proportion of the distributed profits of Lakeside each year. During the year the company made a capital contribution of £99 million to Lakeside (2015 - £108 million) and, in line with the Partnership Agreement, excess cash of Lakeside was paid back to the company in the amount of £165 million (2015 - £75 million) by withdrawing excess capital.

The directors foresee no changes to the nature of the company's activities.

Going concern

The company is expected to remain in a positive net asset position for the foreseeable future. The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Diageo group to continue as a going concern. On the basis of their assessment, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they have adopted the going concern basis of accounting in preparing the annual financial statements.

Financial

The results for the year ended 30 June 2016 are shown on page 9.

The profit for the year transferred to reserves is £6,705 million (2015 - £176 million) and the other comprehensive income for the year is £1 million (2015 - £nil).

Dividends paid during the year ended 30 June 2016 and 30 June 2015 were £500 million and £3,620 million respectively.

The transition to FRS 101 did not change the reported profit as at 30 June 2016 and 30 June 2015, nor for the year ended 30 June 2014, but required reclassifications within the balance sheet to comply with the presentation requirements.

DIRECTORS' REPORT (continued)

Directors

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

D F Harlock	(appointed 26 May 2016)
I A Hockney	(resigned 5 November 2015)
A Mahler	(appointed 5 November 2015)
J J Nicholls	
P D Tunnacliffe	(resigned 30 June 2016)

Directors' remuneration

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

Secretary

On 5 November 2015, V Cooper was appointed as joint Company Secretary.

Internal control and risk management over financial reporting

The company operates under the financial reporting processes and controls of the Diageo group. The internal control and risk management systems over the financial reporting process of Diageo plc, which include those of the company, are discussed in the Group's Annual Report 2016 on pages 60 to 61 at www.diageo.com, which does not form part of this report.

Auditors

Following an audit tender conducted during the year, PricewaterhouseCoopers LLP were selected as auditor for the Diageo group. Accordingly, it is intended that PricewaterhouseCoopers LLP will be appointed to replace KPMG LLP as auditor for the year ending 30 June 2016.

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.

By order of the board

A Mahler
Director
Lakeside Drive
Park Royal
London
NW10 7HQ

15 December 2016

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 - Reduced Disclosure Framework (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholder in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of Grand Metropolitan Limited

Report on the financial statements

Our opinion

In our opinion, Grand Metropolitan Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 30 June 2016;
- the Income Statement and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of director's responsibilities in respect of the director's report and the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

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

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Richard Bedlow (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 December 2016

INCOME STATEMENT

	Notes	Year ended 30 June 2016 £million	Year ended 30 June 2015 £million
Income from shares in group undertakings	*4*	6,666	153
Operating profit		6,666	153
Net finance income	*5*	67	37
Profit before taxation on ordinary activities		6,733	190
Taxation on profit on ordinary activities	*6*	(28)	(14)
Profit for the financial year		6,705	176

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

STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year ended 30 June 2016 £million**	**Year ended 30 June 2015 £million**
Other comprehensive income			
Items that will not be recycled subsequently to the income statement			
Net actuarial gain on post employment plans	*3*	1	-
Other comprehensive income for the year, net of tax		1	-
Profit for the year		6,705	176
Total comprehensive income for the year		6,706	176

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.

BALANCE SHEET

	Notes	£million	30 June 2016 £million	£million	30 June 2015 (restated) £million
Fixed assets					
Investments	*7*		37,205		37,271
Current assets: due after one year					
Deferred tax assets	*9*	66		93	
Current assets: due within one year					
Trade and other receivables	*8*	8,341		2,044	
Creditors: amounts falling due within one year					
Trade and other creditors	*10*	(2,641)		(2,642)	
Net current assets/(liabilities)		5,766		(505)	
Total assets less current liabilities			42,971		36,766
Creditors: amounts falling due after more than one year					
Post employment benefit liabilities	*3*		-		(1)
Net assets			42,971		36,765
Equity					
Called up share capital	*11*		690		690
Share premium		9,070		9,070	
Other reserves		530		530	
Retained earnings		32,681		26,475	
			42,281		36,075
Total equity			42,971		36,765

Figures for the year ended 30 June 2015 have been restated following the adoption of FRS 101. See Note 1 to the financial statements.

The accounting policies and other notes on pages 12 to 31 form part of the financial statements.

These financial statements on pages 8 to 31 were approved by the Board on 15 December 2016 and were signed on its behalf by:

A Mahler
Director

STATEMENT OF CHANGES IN EQUITY
ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

	Share capital £million	Share premium £million	Other reserves £million	Retained earnings £million	Total £million
Balance at 30 June 2014	690	9,070	530	29,919	40,209
Profit for the financial year and total comprehensvie income	-	-	-	176	176
Net actuarial gain on post employment plans	-	-	-	-	-
Dividends to shareholders	-	-	-	(3,620)	(3,620)
Balance at 30 June 2015	690	9,070	530	26,475	36,765
Profit for the financial year and total comprehensvie income	-	-	-	6,705	6,705
Net actuarial gain on post employment plans	-	-	-	1	1
Dividends to shareholders	-	-	-	(500)	(500)
Balance at 30 June 2016	690	9,070	530	32,681	42,971

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.

Transition to FRS 101

The company has applied FRS 101 for the first time for the year ended 30 June 2016 with comparative information for the year ended 30 June 2015 also prepared under FRS 101. The accounting policies applicable to the company from 1 July 2014 are set out below. This involved preparation of an opening FRS 101 balance sheet as at 1 July 2014, which is the company's date of transition to FRS 101 reporting.

The transition to FRS 101 did not change the reported profit as at 30 June 2016 and 30 June 2015, nor for the year ended 30 June 2014, but required reclassifications within the balance sheet to comply with the presentation requirements. In preparing the company's FRS 101 balance sheet, the company has adjusted the classification of its deferred tax asset from "Trade and other receivables" to "Deferred tax asset" in the amount of £93 million.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Transition to FRS 101 (continued)

The company has taken advantage of the exemption under IAS 27, 'Consolidated and separate financial statements', from the requirement to prepare consolidated financial statements as it and its subsidiaries are included in the consolidated financial statements of its parents, Diageo plc.

These financial statements are separate financial statements.

Investments in subsidiaries

Investments in subsidiaries are initially recorded at cost including transaction costs less, where appropriate, provision for impairment in value where such impairment is expected by the directors to be permanent.

Taxation

Current tax is based on taxable profit for the year. Taxable profit is different from accounting profit due to temporary differences between accounting and tax treatments, and due to items that are never taxable or tax deductible. Tax benefits are not recognised unless it is probable that the tax positions are sustainable. Once considered to be probable, tax benefits are reviewed each year to assess whether a provision should be taken against full recognition of the benefit on the basis of potential settlement through negotiation and/or litigation. Tax provisions are included in current liabilities. Interests and penalties on tax liabilities are provided in the tax charge.
Full provision for deferred tax is made for temporary differences between the carrying value of assets and liabilities for financial reporting purposes and their value for tax purposes. The amount of deferred tax reflects the expected recoverable amount and is based on the expected manner of realisation or settlement of the carrying amount and is based on the expected manner of recovery 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.
Tax benefits are not recognised unless it is probable that the tax positions are sustainable. Once considered to be probable, management reviews each material tax benefit 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.

Dividends paid and received

The interim dividend is included in the financial statements in the year in which it is approved by the directors, and the final dividend in the year in which it is approved by shareholders. Dividends received are included in the financial statements in the year in which they are receivable.

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 million unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. OPERATING COSTS

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

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

3. DIRECTORS AND EMPLOYEES

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

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

Post employment benefits

The company operates the GrandMet Brewing medical plan which provides former employees with post employment benefits in respect of medical costs. The plan is unfunded. The measurement dates used to calculate the amounts recorded in the financial statements are the respective balance sheet dates.

(a) The following assumptions were used to determine the company's deficit in the post retirement medical plan at 30 June in the relevant year:

	Year ended 30 June 2016 %	Year ended 30 June 2015 %
Discount rate for plan liabilities	**3.5**	4.0

(b) The present values of the GrandMet Brewing medical plan were as follows:

	30 June 2016 £million	30 June 2015 £million
Present value of plan liabilities	-	(1)
Deficit in the GrandMet Brewing medical plan	-	(1)
Related deferred tax asset	-	-
Net post retirement medical benefit plan liabilities	-	(1)

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. DIRECTORS AND EMPLOYEES (continued)

	Plan liabilities £million
At 30 June 2014	(1)
Actuarial gain/(loss)	-
At 30 June 2015	(1)
Actuarial gain/(loss)	1
At 30 June 2016	-

4. INCOME FROM SHARES IN GROUP UNDERTAKINGS

Dividend income from shares in group undertakings	Year ended 30 June 2016 £million	Year ended 30 June 2015 £million
Grand Metropolitan International Holdings Limited	6,190	120
Diageo Great Britain Limited	450	-
Grand Metropolitan Estates Limited	14	16
Diageo Group Insurance Company Limited	10	15
Grand Metropolitan Capital Company Limited	2	2
	6,666	153

Dividends of £5,937 million (2015 - £153 million) have been settled by receiving an amount due from fellow group undertakings, and dividends of £729 million (2015 - £nil) have been settled by cash payments.

5. FINANCE INCOME AND CHARGES

Net interest income	Year ended 30 June 2016 £million	Year ended 30 June 2015 £million
Interest receivable from fellow group undertakings	67	37

Included within interest receivable from fellow group undertakings is an interest receivable from Lakeside of £44 million (Note 7).

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. TAXATION

(i) Analysis of taxation charge for the year	Year ended 30 June 2016 £million	Year ended 30 June 2015 £million
Current tax		
UK corporation tax	(1)	-
Total current tax	(1)	-
Deferred tax		
Current year	(22)	-
Adjustment in respect of prior years	(4)	-
Effect of changes in tax rates	(1)	-
Origination and reversal of timing differences	-	(14)
Total deferred tax charge	(27)	(14)
Taxation on profit on ordinary activities	(28)	(14)

(ii) Factors affecting tax charge for the year	Year ended 30 June 2016 £million	Year ended 30 June 2015 £million
Profit on ordinary activities before taxation	6,733	190
Taxation on profit on ordinary activities at UK corporation tax rate of 20.00 % (2015 - 20.75%)	(1,347)	(40)
Income not taxable	1,334	32
Taxable income not in the income statement	(5)	(5)
Adjustments in respect of prior years	(4)	-
Other tax effects for reconciliation between accounting profit and tax income	(4)	-
Change in tax rate	(1)	-
Foreign income subject to UK tax	(1)	(1)
Tax charge for the period	(28)	(14)

The UK tax rate reduced from 21% to 20% on 1 April 2015. In November 2015 a reduction to 19% was substantively enacted (effective from 1 April 2017), whilst a further reduction to 17% (effective from 1 April 2020) was substantively enacted in September 2016. The net deferred tax asset (note 9) will reduce as a consequence of these rate changes.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS

	30 June 2016 £ million	30 June 2015 £ million
Shares in group undertakings (i)	**37,052**	37,052
Loan to fellow group undertaking (ii)	**153**	219
	37,205	37,271

(i) Shares in group undertakings

	Subsidiary undertakings £million
Cost	
At 30 June 2014, 30 June 2015 and 30 June 2016	37,055
Provisions	
At 30 June 2014, 30 June 2015 and 30 June 2016	(3)
Net book value	
At 30 June 2014, 30 June 2015 and 30 June 2016	37,052

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.

Direct holdings:

Name of subsidiary	Notes	Country of incorporation (or residence)	Proportion of ownership interest
Diageo Group Insurance Company Limited		Guernsey	100%
Grand Metropolitan Estates Limited		England	100%
Grand Metropolitan Holdings Limited	(i)	England	100%

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS (continued)

Direct holdings (continued):

Name of subsidiary	Notes	Country of incorporation (or residence)	Proportion of ownership interest
Grand Metropolitan International Holdings Limited		England	100%
Grandmet Foods (UK) Limited	(i)	England	100%
Jus-Rol Limited	(i)	England	100%
Diageo DV Limited		England	100%
Diageo Great Britain Limited		England	100%
Diageo Healthcare Limited	(i)	England	100%

Associate undertakings	Notes	Country of incorporation (or residence)	Proportion of ownership interest
Lakeside MWS Limited Liability Partnership	(xii)	England	

Indirect holdings:

Name of subsidiary	Notes	Country of incorporation (or residence)	Proportion of ownership interest
1759 Property Limited		Republic of Ireland	100%
Agropecuarias Las Marias I, CA		Venezuela	100%
AGS Employee Shares Nominees (Ireland) Designated Activity Company (formerly limited)	(x)	Republic of Ireland	100%
Alexander & James B.V.		Netherlands	100%
Allegro GmbH & Co. KG		Germany	100%
Allegro Verwaltungs GmbH		Germany	100%
Allsopp (East Africa) Limited	(i)	Kenya	48.52%
ANEJOS DE ALTURA, SOCIEDAD ANONIMA		Guatemala	50%
Anyslam Investments		England	100%
Arran Tradings, C.A.		Venezuela	100%
Arthur Bell & Sons Limited	(i)	Scotland	100%
Arthur Guinness Son & Company (Dublin)	(i)	Republic of Ireland	100%
Atalantaf Limited		Bermuda	100%
Ballroom Acquisition, Inc.		USA	100%
Beijing Johnnie Walker House Ltd		China	100%
Bundaberg Distilling Company Pty. Limited	(iv)	Australia	100%
Bundaberg Distilling Investments Pty Ltd	(ii)	Australia	100%
California Simulcast Inc	(i)	USA	80%
Carillon U.K. Limited	(i)	Scotland	100%
Cellarers (Wines) Limited		England	100%

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS (continued)

Indirect holdings (continued):

Name of subsidiary	Notes	Country of incorporation (or residence)	Proportion of ownership interest
Chengdu Jianghai Trade Development Co. Limited		China	39.71%
Chengdu Rongshangfang Marketing Co. Limited		China	39.71%
Chengdu Ruijin Trade Co. Limited		China	39.71%
Chengdu Shuijingfang Jiuye Co. Limited		China	39.71%
Chengdu Shuijingfang Marketing Co. Limited		China	39.71%
Cupar Trading, C.A.	(iv)	Venezuela	100%
D.C.L (Holdings) Australia Proprietary Limited	(i), (ii)	Australia	100%
DC Brands B.V.	(ii)		
D/CE Holdings LLC		USA	50%
Deasy & Co. Limited		Republic of Ireland	100%
DEF Investments Limited		England	100%
DIAGEO - Guinness USA Inc.	(ix)	USA	100%
Diageo (IH) Limited	(i)	England	100%
Diageo (Shanghai) Limited		China	100%
Diageo Africa B.V.		Netherlands	100%
Diageo Americas Supply Quebec Distribution Inc.		Canada	100%
Diageo Americas Supply, Inc.		USA	100%
Diageo Americas, Inc.		USA	100%
Diageo Angola Limitada		Angola	100%
Diageo Asia Pacific Shared Services Centre Limited, Inc.		Philippines	100%
Diageo Atlantic B.V.		Netherlands	100%
Diageo Australia Limited	(ii)	Australia	100%
Diageo Austria GmbH		Austria	100%
Diageo Balkans Limited		England	100%
Diageo Belgium N.V.		Belgium	100%
Diageo Brands B.V.		Netherlands	100%
Diageo Brands Holdings B.V.		Netherlands	100%
Diageo Brands Nigeria Ltd		Nigeria	100%
Diageo Brasil Ltda		Brazil	100%
Diageo Bulgaria Ltd		Bulgaria	100%
Diageo Business Services India Private Limited		India	100%
DIAGEO Business Services Limited		Hungary	100%
Diageo Canada Holdings Inc.		Canada	100%

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS (continued)

Indirect holdings (continued):

Name of subsidiary	Notes	Country of incorporation (or residence)	Proportion of ownership interest
Diageo Canada Inc.		Canada	100%
Diageo Chile Limitada		Chile	100%
Diageo China Limited		China	100%
Diageo Colombia S.A.		Colombia	100%
Diageo Costa Rica S.A.		Costa Rica	100%
Diageo Czech Marketing Services LLC		Czech Republic	100%
Diageo Dagitim Satis Ve Pazarlama A.S.	(i)	Turkey	100%
Diageo Europe Holdings Limited		Republic of Ireland	100%
Diageo Export SR Inc.	(i)	Philippines	99.8%
Diageo Finance B.V.		Netherlands	100%
Diageo Finance US Limited		England	100%
Diageo Financing Turkey Limited		England	100%
Diageo France Holdings SAS		France	100%
Diageo France Investments SAS.		France	100%
Diageo France S.A.S.		France	100%
Diageo Germany GmbH		Germany	100%
Diageo Ghanian Holdings B.V.		Netherlands	100%
Diageo Global Supply IBC Limited		Northern Ireland	100%
Diageo Greater China Limited	(i)	Hong Kong	100%
Diageo GTME Pte Ltd		Singapore	100%
Diageo Hellas S.A.		Greece	100%
Diageo Highlands B.V.		Netherlands	100%
Diageo Highlands Holding B.V.		Netherlands	100%
Diageo Holdings Netherlands B.V.		Netherlands	100%
DIAGEO HUNGARY FINANCE Limited Liability Company		Hungary	100%
DIAGEO Hungary Marketing Services Limited Liability Company		Hungary	100%
Diageo Inc.		USA	100%
Diageo India Private Limited		India	100%
Diageo Investment Corporation		USA	100%
Diageo Investment Holdings B.V.		Netherlands	100%
Diageo Investment Holdings Limited		England	100%
Diageo Ireland		Republic of Ireland	100%
Diageo Ireland Finance 1		Republic of Ireland	100%

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS (continued)

Indirect holdings (continued):

Name of subsidiary	Notes	Country of incorporation (or residence)	Proportion of ownership interest
Diageo Ireland Finance 2		Republic of Ireland	100%
Diageo Ireland Finance 3		Republic of Ireland	100%
Diageo Ireland Finance Unlimited Company		Republic of Ireland	100%
Diageo Ireland Holdings		Republic of Ireland	100%
Diageo Japan K.K		Japan	100%
Diageo Kazakhstan LLP.		Kazakhstan	100%
Diageo Kenya Limited		Kenya	100%
Diageo Korea Company Limited		South Korea	100%
Diageo Latin America & Caribbean LLC		USA	100%
Diageo Lebanon Holding SAL		Lebanon	99.98%
Diageo Lebanon SAL		Lebanon	84.99%
Diageo Mexico Comercializadora SA de CV		Mexico	100%
Diageo Mexico II, S.A. de C.V.		Mexico	100%
Diageo Mexico S.A. de C.V.		Mexico	100%
Diageo Mozambique Lda.		Mozambique	100%
Diageo Nederland B.V.		Netherlands	100%
Diageo New Zealand Limited	(ii)	New Zealand	100%
Diageo North America Foundation, Inc.		USA	100%
Diageo North America, Inc.	(iv)	USA	100%
Diageo Norway AS		Norway	100%
Diageo Nueva Esparta, C.A.		Venezuela	100%
Diageo Operations Italy S.p.A.		Italy	100%
Diageo Overseas B.V.		Netherlands	100%
Diageo Overseas Holdings Limited	(v)	England	100%
Diageo Panama S.A.		Panama	100%
Diageo Paraguay S.R.L.		Paraguay	100%
Diageo Peru S.A.		Peru	100%
Diageo Philippines Free Port Inc	(i)	Philippines	100%
Diageo Philippines, Inc		Philippines	100%
Diageo Polska LLC		Poland	100%
Diageo Portugal - Distribuidora de Bebidas, Unipessoal, Lda		Portugal	100%
Diageo Premier Holdings B.V.		Netherlands	100%
Diageo Puerto Rico, Inc		Puerto Rico	100%
Diageo Reunion 2 SAS	(i)	La Reunion	100%
Diageo Reunion SA		La Reunion	100%
Diageo RTD Hong Kong Limited		Hong Kong	100%

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS (continued)

Indirect holdings (continued):

Name of subsidiary	Notes	Country of incorporation (or residence)	Proportion of ownership interest
Diageo Scotland Investment Limited		England	100%
Diageo Scotland Limited		Scotland	100%
Diageo Singapore Pte Ltd.		Singapore	100%
Diageo Suisse S.A.		Switzerland	100%
Diageo Supply Marracuene Lda.		Mozambique	100%
Diageo Sweden AB		Sweden	100%
Diageo Taiwan Inc.		Panama	100%
Diageo Treasury Australia LLP		England	100%
Diageo Turkey Holdings Limited		Republic of Ireland	100%
Diageo UK Turkey Finance Limited		England	100%
Diageo UK Turkey Holdings Limited		England	100%
Diageo UK Turkey Limited		England	100%
Diageo Ukraine LLC		Ukraine	100%
Diageo United Kingdom Limited	(i)	England	100%
Diageo Uruguay SA		Uruguay	100%
Diageo US Holdings		England	100%
Diageo US Investments		England	100%
Diageo US Turkey LLC		USA	100%
Diageo USVI, Inc.		USA	100%
Diageo Venezuela C.A		Venezuela	100%
Diageo Vietnam		Vietnam	100%
Don Julio Agavera S.A. de C.V.		Mexico	100%
Don Julio Agricultura Servicios S.A. de C.V.		Mexico	100%
DV Paraguana, C.A.		Venezuela	100%
DV Release, C.A.		Venezuela	100%
DV Trading, C.A.	(iv)	Venezuela	100%
E. Smithwick & Sons Limited	(i)	Republic of Ireland	100%
EABL (Tanzania) Limited	(i)	Tanzania	50.03%
EABL International Limited		Kenya	50.03%
East African Beverages (Southern Sudan) Limited		Republic of South Sudan	74.52%
East African Breweries Limited		Kenya	50.03%
East African Maltings (Uganda) Limited		Uganda	50.03%
East African Maltings Limited		Kenya	50.03%
Franchise Acceptance Corporation	(i)	Republic of Ireland	100%

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS (continued)

Indirect holdings (continued):

Name of subsidiary	Notes	Country of incorporation (or residence)	Proportion of ownership interest
Gilbey Canada Investments Limited		Canada	100%
Gilbeys East Africa Limited	(i)	Kenya	76.85%
Gilbeys New Zealand Limited		New Zealand	99.99%
Gilbeys of Ireland (R&D) Limited		Republic of Ireland	100%
Gilbeys of Ireland Limited		Republic of Ireland	100%
Guinness Hopstore Limited	(i)	Republic of Ireland	100%
Guinness Nigeria plc		Nigeria	54.32%
Guinness Overseas Limited		England	100%
Guinness Storehouse Ireland Pension Trustees Designated Activity Company (formerly Limited)	(x)	Republic of Ireland	100%
Guinness Storehouse Limited		Republic of Ireland	100%
Guinness UDV Korea Limited	(i)	South Korea	100%
Guinness Ventures Limited		Republic of Ireland	100%
Harp Distributors Limited	(i)	Kenya	76.85%
Harp Ireland Limited	(i)	Republic of Ireland	100%
Horizon Developments Limited	(i)	Cyprus	100%
Industrias Pampero C.A.		Venezuela	96.80%
International Distillers - Zimbabwe (Private) Limited	(i)	Zimbabwe	100%
International Distillers Kenya Limited	(i)	Kenya	76.85%
International Distillers Uganda Limited		Uganda	50.03%
Irish Ale Breweries		Republic of Ireland	100%
Irish Ale Breweries (Sales) Limited	(i)	Republic of Ireland	100%
Irish Ale Breweries Holdings	(ii)	Republic of Ireland	100%
Islay Trading, C.A.		Venezuela	100%
James Buchanan & Company Limited	(i)	England	100%
John Haig & Company Limited		Scotland	100%
John Walker and Sons Limited	(i)	England	100%
Joseph E. Seagram & Sons Limited	(i), (ii)	Canada	100%
Justerini & Brooks, Limited		England	100%
Kenya Breweries Limited		Kenya	50.03%
Kenya Distillers Limited	(i)	Kenya	76.85%
Kenya Liquor Distributors Limited	(i)	Kenya	76.85%
Ketel One Worldwide B.V.	(v)	Netherlands	50%
L4L Trading, C.A.		Venezuela	100%

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS (continued)

Indirect holdings (continued):

Name of subsidiary	Notes	Country of incorporation (or residence)	Proportion of ownership interest
Lamington Company	(i)	Republic of Ireland	99.99%
Lismore Trading, C.A.		Venezuela	100%
LLC Diageo Brands Distributors		Russia	100%
Lochside MWS Limited Partnership		Scotland	
Macardle Moore & Company Limited	(i)	Republic of Ireland	100%
Masterplan (Kenya) Limited	(i)	Kenya	50.03%
Mey Alkollu Ickiler Sanayi ve Ticaret A.S		Turkey	100%
Mey Icki Sanayi ve Ticaret A.S.		Turkey	100%
Mull Trading, C.A.		Venezuela	100%
Myers Rum Company (Jamaica) Limited	(i)	Jamaica	100%
Nangor Holdings	(i), (ii)	Republic of Ireland	100%
National Sorghum Breweries Properties Proprietary Limited	(i)	South Africa	100%
Newshelf 1167 Proprietary Limited	(iv)	South Africa	100%
Nicholas Doyle (New Ross) Limited	(i)	Republic of Ireland	100%
North Island United Enterprise Holdings Inc	(i)	Philippines	100%
Otford Estates Limited		England	100%
Phenix Gabon SARL	(i)	Gabon	99.75%
Powtom 11 Limited		Republic of Ireland	100%
Powtom 12 Limited		Republic of Ireland	100%
Powtom 13 Limited		Republic of Ireland	100%
Powtom 14 Limited		Republic of Ireland	100%
Powtom 16 Limited		Republic of Ireland	100%
Powtom 17 Limited		Republic of Ireland	100%
Powtom 18 Limited		Republic of Ireland	100%
Powtom 19 Unlimited Company (formerly Limited)	(x)	Republic of Ireland	100%
Powtom 20 Unlimited Company (formerly Limited)	(x)	Republic of Ireland	100%
PSP (Sales and Distribution) Limited[ii]		England	100%
PT Langgeng Kreasi Jayaprima		Indonesia	100%
R & A Bailey & Co		Republic of Ireland	100%
R&A Bailey Pension Trustee Designated Activity Company (formerly Limited)	(x)	Republic of Ireland	100%

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS (continued)

Indirect holdings (continued):

Name of subsidiary	Notes	Country of incorporation (or residence)	Proportion of ownership interest
Reldann Investments No. 12 Proprietary Limited	(i)	South Africa	100%
RUM CREATION & PRODUCTS, INC.	(iv)	British Virgin Islands	50%
Seagram Ukraine Limited	(i)	Ukraine	60.90%
Selviac Nederland B.V.		Netherlands	100%
Serengeti Breweries Limited		Tanzania	32.52%
Servicios Agavera, S.A.de C.V.		Mexico	100%
Seychelles Breweries Limited		Seychelles	54.40%
Sichuan Chengdu Shuijingfang Group Co., Ltd		China	100%
Sichuan Shuijingfang Company Ltd		China	39.71%
Sichuan Shuijingfang Jiuye Co. Limited	(i)	China	39.71%
Sierra Leone Brewery Limited	(i)	Sierra Leone	11.59%
Skye Trading, C.A.		Venezuela	100%
St. James's Gate Trading Company	(i)	Republic of Ireland	100%
Streetcar Investment Holding Pte. Ltd.		Singapore	100%
Sumagro Limited	(i)	Tanzania	100%
Tembo Properties Limited	(i)	Kenya	50.03%
Tequila Don Julio Servicios, S.A.de C.V.		Mexico	100%
The Bulleit Distillery, Inc.		USA	100%
The Connacht Mineral Water Company Limited		Republic Of Ireland	100%
The Distillers Company (Biochemicals) Limited	(i)	England	100%
The Pierre Smirnoff Company Limited	(i)	USA	100%
Trelawny Estates Limited		Jamaica	100%
Turk Alkollu Icki ve Sarap Endustrisi Ltd.Sti.		North Cyprus	66%
Tusker Football Club		Kenya	50.03%
UDV (SJ) Limited		England	100%
UDV Ireland Group (Trustees) Designated Activity Company (formerly Limited)	(x)	Republic of Ireland	100%
UDV Ireland Group Unlimited Company		Republic of Ireland	100%

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS (continued)

Indirect holdings (continued):

Name of subsidiary	Notes	Country of incorporation (or residence)	Proportion of ownership interest
UDV Kenya Limited		Kenya	76.85%
UDV Operations Ireland Limited	(i)	Republic of Ireland	100%
Uganda Breweries Limited		Uganda	49.03%
ULM Holdings Inc.	(i)	Philippines	40%
United Beverages Pension Trustees Company Limited by Guarantee (formerly Limited)	(x)	Republic of Ireland	100%
United Beverages Sales Limited	(i)	Republic of Ireland	100%
United Distillers & Vintners Philippines Inc		Philippines	99.99%
United Distillers (Guernsey) Limited	(xi)	Guernsey	100%
United Distillers Canada Inc.		Canada	100%
United Distillers France Limited	(i)	England	100%
United Distillers France SAS		France	100%
United Distillers Investments Limited	(i)	England	100%
United Distillers UK plc	(i)	Scotland	100%
United National Breweries (SA)Proprietary Limited		South Africa	100%
Ursus Vodka Holding N.V.		Netherlands	100%
Vast Fund Limited		Hong Kong	100%
Vietnam Spirits and Wine LTD		Vietnam	55%
Vignobles Internationaux S.A.S.		France	100%
W. & A. Gilbey Limited	(i)	England	100%
Associate undertakings			
Ballindalloch Distillery LLP		Scotland	33.33%
Ban Poitin Ltd		England	20%
Belsazar GmbH		Germany	20%
Canbrew B.V.	(i)	Netherlands	28.16%
Clarendon Distillers Limited		Jamaica	27%
Compania Cervecera De Canarias, S.A.		Spain	20%
Copper Dog Whiskey Limited		England	30%
Del Professore Limited		England	20%
Hanoi Liquor Joint Stock Company (Halico)		Vietnam	45.56%
International Brands Developers N.V.		Curacao	25%
Moet Hennessy International		France	34%

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS (continued)

Indirect holdings (continued):

Associate undertakings	Notes	Country of incorporation (or residence)	Proportion of ownership interest
Moet Hennessy, SNC		France	34%
Mr Black Spirits Pty Ltd.		Australia	20%
New World Whisky Distillery PTY Limited		Australia	30%
Seedlip Ltd		England	20%
Stauning Whisky Holdings ApS		Denmark	40%
The Rouge Group Limited		Hong Kong	20%
The Scotch Whisky Heritage Centre Limited	(v)	Scotland	22.38%
The Westbourne Drinks Company Limited		England	20%
Valdomino Premium Spirits, S.L.		Spain	20%
Zwack Unicum plc		Hungary	26%
Joint venture undertakings			
Lothian Distillers Limited		Scotland	50%
North British Distillery Company Limited		Scotland	50%
Joint operation undertakings			
Brandhouse Beverages (Pty) Limited		South Africa	72.29%
Diageo Kirin Company Limited		Japan	51%
Diageo Moet Hennessy (Thailand) Limited	(viii)	Thailand	63.02%
Diageo Moet Hennessy B.V.	(iii)	Netherlands	67%
Gist Dominicana S.A.	(i)	Dominican Republic	60.25%
HA&COM Bebidas del Mundo, SA		Costa Rica	50%
Holcom Industrial, SA		Costa Rica	47.35%
Industria de Licores Internationales S.A.	(i)	Dominican Republic	59.71%
MHD Moet Hennessy Diageo K.K.	(vii)	Japan	67%
MHD Moet Hennessy Diageo SAS		France	0.05%
Moet Hennessy Diageo (China) Co Ltd	(vii)	China	67%
Moet Hennessy Diageo Hong Kong Limited	(vii)	Hong Kong	67%

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS (continued)

Indirect holdings (continued):

Joint operation undertakings	Notes	Country of incorporation (or residence)	Proportion of ownership interest
Moet Hennessy Diageo Macau Limited	(vii)	Macau	67%
Moet Hennessy Diageo Malaysia Sdn Bhd.	(vii)	Malaysia	67%
Moet Hennessy Diageo Singapore Pte. Ltd	(vii)	Singapore	67%
Seagram Dominicana S.A.	(i)	Dominican Republic	60.9%
Seagram European Customer Services Limited	(i)	England	60.9%
Trafalgar Metropolitan Homes Limited		England	50%

(i) Dormant company.
(ii) Ownership held in class of A shares.
(iii) Ownership held in class of B shares.
(iv) Ownership held in class of A shares and B shares.
(v) Ownership held in preference shares.
(vi) Ownership held in equity shares and preference shares.
(vii) Operation is managed by Moet Hennessy.
(viii) Operation is managed by Diageo.
(ix) The name of the company changed to Diageo Beer Company USA on 5 August 2016.
(x) Subsequent to year end, the name of the company was changed, to comply with provisions in the 2014 Companies Act.
(xi) The company was dissolved in August 2016.
(xii) No percentage is disclosed as Lakeside MWS is a partnership.

The investments in subsidiary undertakings 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 subsidiary undertakings are worth at least the amount at which they are stated in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS (continued)

(ii) Loan to fellow group undertaking

	Amounts owed by Lakeside £million
At 30 June 2014	186
Capital contribution made during the year	108
Capital withdrawal made during the year	(75)
At 30 June 2015	219
Capital contribution made during the year	99
Capital withdrawal made during the year	(165)
At 30 June 2016	**153**

During the year the company made a capital contribution of £99 million to Lakeside (2015 - £108 million) and, in line with the Partnership Agreement, excess cash of Lakeside was paid back to the company in the amount of £165 million (2015 - £75 million) by withdrawing excess capital. As the distributions represent a contractual right for the company to receive cash from Lakeside, the capital contribution is shown as a loan to fellow group undertaking and the profit distribution received is presented as an interest receivable (Note 5).

8. TRADE AND OTHER RECEIVABLES

	30 June 2016 £million	30 June 2015 (restated) £million
Amounts owed by fellow group undertakings:		
Diageo Finance plc	**8,048**	1,054
Grand Metropolitan Estates Limited	**263**	261
Lakeside MWS Limited Liability Partnership	**23**	13
Diageo DV Limited	**7**	-
Diageo Great Britain Limited	**-**	716
	8,341	2,137

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

The amount owed by Diageo Finance plc of £8,048 million (2015 - £1,054 million) is interest bearing, other amounts owed by fellow group undertakings are interest free.

Figures for the year ended 30 June 2015 have been restated following the adoption of FRS 101. See Note 1 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. DEFERRED TAXATION

	Tax losses £million
At 30 June 2015	**93**
Recognised in income statement	(27)
At 30 June 2016	**66**

Deferred tax assets have been recognised to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Where this is not the case, deferred tax assets have not been recognised, as set out below:

	Capital losses £million
Deferred tax assets	30

10. TRADE AND OTHER CREDITORS

	30 June 2016 £million	30 June 2015 £million
Amounts owed to fellow group undertakings:		
Grand Metropolitan (Cayman Islands) Limited	**2,562**	2,562
Grand Met Foods (UK) Limited	**78**	78
Diageo plc	**1**	-
Diageo DV Limited	-	2
	2,641	2,642

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. SHARE CAPITAL

(a) Share capital

	30 June 2016 £million
Allotted, called up and fully paid:	
2,759,144,946 (2015 - 2,759,144,946) ordinary shares of 25p each	690

(b) Other reserves

'Other reserves' comprise a merger reserve of £62 million, a special reserve of £426 million, a preference share redemption reserve of £12 million, and another reserve of £30 million.

The merger reserve of £62 million arose in 1992 on the issue of shares at a premium in connection with an acquisition.

The special reserve was created with shareholder and court approval in 1988 by a transfer from the share premium account.

The other reserve of £30 million was created in 1998 with shareholder and court approval, following the cancellation and reissuance of the company's shares to Diageo plc. This reserve is distributable on agreement from all creditors of the company which were existing at the date of the scheme of arrangement, or until such time these creditors cease to exist.

12. CONTINGENT LIABILITIES

The company undertakes to provide sufficient funds to various fellow group companies to enable them to meet their obligations, as and when required.

13. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

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

The ultimate parent undertaking of the company is Diageo plc, which is the ultimate controlling party of Diageo Group, a company incorporated and registered in England. The consolidated financial statements of Diageo plc can be obtained from the registered office at Lakeside Drive, Park Royal, London, NW10 7HQ.