

Grand Metropolitan Limited
Annual report and financial statements
30 June 2020

Registered number: 00291848



Grand Metropolitan Limited
Registered number: 00291848
Year ended 30 June 2020

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Grand Metropolitan Limited
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STRATEGIC REPORT

The directors present their strategic report for the year ended 30 June 2020.

Activities

The principal activity of the company is that of an investment holding company for the Diageo group ("the group"), owning subsidiaries which holds assets in the global alcoholic drink sector.

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.

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

Business review

Development and performance of the business of the company during the financial year and position of the company as at 30 June 2020

In June 2010, the 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, until 2030. Under this structure the company, as a designated member, together with Lochside MWS Limited Partnership agreed to form Lakeside MWS Limited Liability Partnership ('Lakeside'), which was 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 £84 million to Lakeside (2019 - £105 million) and, in line with the Partnership Agreement, excess cash of Lakeside was paid back to the company in the amount of £152 million (2019 - £103 million) by withdrawing excess capital.

On 29 November 2019, the other reserves in the amount of £530 million and retained earnings in the amount of £24,200 million were capitalised through the allotment and issuance of 98,920 million additional 25 pence ordinary shares to the sole shareholder of the company, Diageo Holdings Limited. Subsequent to the allotment and issuance of the ordinary shares, the issued share capital of the company was reduced from £25,419,786,236.50 to £0.25 following the cancellation of 101,679,144,945 of the ordinary shares of £0.25 each. In addition, the share premium reserve of £9,070,257,426 was cancelled and extinguished. An equivalent value of the cancellations of the ordinary shares and the share premium reserve were credited to retained earnings.

On 10 December 2019, Grand Metropolitan International Holdings Limited, a wholly owned subsidiary of the company, paid an interim dividend of £6,511 million to the company. Subsequent to the dividend receipt, the company paid an interim dividend to its immediate parent undertaking, Diageo Holdings Limited, of £11,411 million.

On 12 December 2019, indirect wholly owned subsidiaries of the company sold Diageo Brands B.V., Diageo France Investments S.A.S., Diageo Inc., Diageo Turkey Holdings Limited and Selviac Nederland B.V. to Diageo Molenwerf B.V., a fellow 100% owned group company, and Diageo Hungary Finance Limited Liability Company to Tanqueray Gordon and Company Limited, a fellow 100% owned group company. Relating to these transactions, dividend income in the amount of £42,588 million was received from Grand Metropolitan International Holdings Limited, which has been recognised in other comprehensive income as a dividend in specie as it arose from an intra-group restructuring, with a subsequent onward distribution of the same amount to Diageo Holdings Limited, the company's parent company. The company also received dividend income from Grand Metropolitan International Holdings Limited in the amount of £128 million that has been recognised in the income statement, with a subsequent onward distribution of the same amount to Diageo Holdings Limited.

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STRATEGIC REPORT (continued)

Business review (continued)

Development and performance of the business of the company during the financial year and position of the company as at 30 June 2020

As a result of the receipt of the dividend in specie of £42,588 million, the company's investment in Grand Metropolitan International Holdings Limited has been impaired by £23,736 million. To the extent that the impairment on the investment the company holds in Grand Metropolitan International Holdings Limited was recognised in the income statement, a corresponding amount has been released from other comprehensive income (that had earlier been recognised in relation to the dividend in specie) to the income statement, as it is deemed realised to the extent of the impairment.

Income from shares in group undertakings increased by £28,171 million to £30,704 million in the year ended 30 June 2020 from £2,533 million in the year ended 30 June 2019. Dividend in specie recognised in other comprehensive income was £18,852 million (2019 - £nil). The company's net assets decreased by £28,256 million from £40,722 million to £12,466 million.

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.

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.

An identified company specific risk is the recoverability of the company's investments in subsidiaries.

Covid-19

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 directors have assessed that the key impacts on the company would be in respect of Covid-19 on remote working and ability to access IT systems, along with a potentially heightened cyber risk. 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.

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STRATEGIC REPORT (continued)

Business review (continued)

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

Covid-19 (continued)

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 38-39 of Diageo plc's 2020 Annual Report.

Brexit

The European Union and the United Kingdom have now signed the EU-UK Trade and Cooperation Agreement which provisionally came into force on 1 January 2021. We remain of the view that the direct financial impact to the group or the company will not be material. 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 will monitor the implications of the Agreement 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 page 39 of Annual Report.

Statement on Section 172 of the Companies Act 2006

Section 172 of the Companies Act 2006 requires the directors to promote the success of the company for the benefit of the members as a whole, having regard to the interests of stakeholders in their decision-making. In making decisions, the directors consider what is most likely to promote the success of the company for its shareholders in the long term, as well as the interests of the group's stakeholders. The directors understand the importance of taking into account the views of stakeholders and the impact of the company's activities on local communities, the environment, including climate change, and the group's reputation.

The company is a member of the group of companies whose ultimate holding company is Diageo plc ("Diageo"). In accordance with the requirements of UK company law, Diageo has included in its 2020 Annual Report and Accounts on page 5 a statement as to how the directors of Diageo have had regard to the matters set out in Section 172 of the Companies Act 2006.

In order to ensure consistency in how the group operates with regard to its wider stakeholders, the group has adopted an internal Code of Business Conduct alongside a comprehensive framework of global policies and standards that are designed to ensure, amongst other things, that all companies throughout the group, including the company, have regard to its wider stakeholders in a consistent manner.

The company has therefore had regard to the matters set out in Section 172 of the Act in a manner that is consistent with the approach adopted by Diageo, while at the same time ensuring the directors of the company are fulfilling their duties.

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STRATEGIC REPORT (continued)

Business review (continued)

Main activities of the Board

The main activities of the Board during the year include:

- Approval of various transactions relating to an intragroup reorganisation, including payment of interim dividends to its shareholder, and undertaking reduction of capital in the company and in its subsidiary; and
- Approval of the financial statements for the financial year ended 30 June 2019.

On behalf of the board

DocuSigned by:
Keresztesi Dóra
8C1095F7899E406...

D Keresztesi
Director

Lakeside Drive
Park Royal
London
NW10 7HQ

8 January 2021

Grand Metropolitan Limited
Registered number: 00291848
Year ended 30 June 2020

DIRECTORS' REPORT

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

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the business review section of the strategic report. The company is expected to continue to generate profit for its own account and to remain in 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 result for the year ended 30 June 2020 is shown on page 12.

The profit for the year transferred to reserves was £7,020 million (2019 - profit of £2,541 million transferred to reserves) and the other comprehensive income for the year was £18,852 million (2019 - £nil).

Dividends paid during the year ended 30 June 2020 and 30 June 2019 were £54,128 million and £3,200 million respectively.

Directors

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

J M C Edmunds

G Kovacs (resigned 1 September 2020)

H Patel

P Viswanathan (resigned 1 August 2020))

D Keresztesi (appointed 11 September 2020)

C M Lewin (appointed 1 August 2020)

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DIRECTORS' REPORT (continued)

Directors' remuneration

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

Business relationship statement

The business of the company is that of an intermediate holding company and as such it has a more limited number of third-party business relationships than other companies within the group. However, in order to ensure consistency in how the group operates, the company has adopted an internal Code of Business Conduct alongside a comprehensive framework of global policies and standards that are designed to ensure, amongst other things, that all companies throughout the group, including the company, have regard to its wider stakeholders, including those in a business relationship with the company, in a consistent manner. Decisions taken by directors are informed by the interests of its wider stakeholders, including those in a business relationship with the company, as guided by, amongst other things, the Code of Business Conduct and framework of policies and standards.

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.

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.

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.

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DIRECTORS' REPORT (continued)

On behalf of the board

DocuSigned by:
Keresztesi Dóra
8C1095F7899E408...

D Keresztesi
Director

Lakeside Drive
Park Royal
London
NW10 7HQ

8 January 2021

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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 regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Independent auditors' report to the members of Grand Metropolitan Limited

Report on the audit of the financial statements

Opinion

In our opinion, Grand Metropolitan 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 Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 30 June 2020; the income statement, 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 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 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 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 Statement of directors' responsibilities in respect of the financial statements set out on page 9, 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.

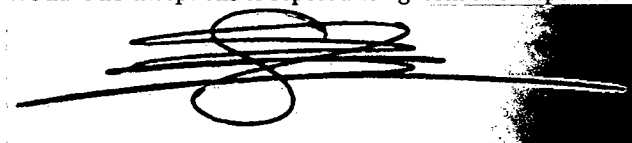
Other required reporting

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.



Steve Reid (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 January 2021

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INCOME STATEMENT

		Year ended 30 June 2020	Year ended 30 June 2019
	Notes	£ m	£ m
Operating costs	2	—	(37)
Income from shares in group undertakings	4	30,704	2,533
Provision against subsidiary undertakings	7	(23,736)	—
Operating profit		6,968	2,496
Finance income	5	67	70
Profit before taxation on ordinary activities		7,035	2,566
Taxation on profit on ordinary activities	6	(15)	(25)
Profit for the financial year		7,020	2,541

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

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STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 30 June 2020 £ m	Year ended 30 June 2019 £ m
Profit for the financial year		7,020	2,541
Other comprehensive income			
Items that may be recycled subsequently to the income statement			—
Dividend in specie	4	<u>18,852</u>	<u>—</u>
Other comprehensive income for the year, net of tax		<u>18,852</u>	<u>—</u>
Total comprehensive income for the year		<u>25,872</u>	<u>2,541</u>

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

Grand Metropolitan Limited
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BALANCE SHEET

	Notes	30 June 2020 £ m	30 June 2019 £ m
Non-current assets			
Investments in subsidiaries	7	14,246	38,050
Deferred tax assets	9	13	19
		<u>14,259</u>	<u>38,069</u>
Current assets			
Cash and cash equivalents		—	—
Trade and other receivables	8	777	5,277
Total assets		<u>15,036</u>	<u>43,346</u>
Current liabilities			
Trade and other payables	10	(2,570)	(2,619)
Corporate tax payable	6	—	(5)
		<u>(2,570)</u>	<u>(2,624)</u>
Non-current liabilities			
Post employment benefit liabilities	3	—	—
Total liabilities		<u>(2,570)</u>	<u>(2,624)</u>
Net assets		<u>12,466</u>	<u>40,722</u>
Equity			
Called up share capital	11	—	690
Share premium		—	9,070
Other reserves		—	530
Retained earnings		12,466	30,432
Total equity		<u>12,466</u>	<u>40,722</u>

The accounting policies and other notes on pages 16 to 42 form part of the financial statements.

These financial statements on pages 12 to 42 were approved by the Board on 8 January 2021 and were signed on its behalf by:

DocuSigned by:
Keresztesi Dóra
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D Keresztesi

Director

Grand Metropolitan Limited
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STATEMENT OF CHANGES IN EQUITY

ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

	Called up share capital £ m	Share premium £ m	Other reserves £ m	Retained earnings £ m	Total £ m
Balance at 30 June 2018	690	9,070	530	31,091	41,381
Profit for the financial year	—	—	—	2,541	2,541
Dividends to shareholders	—	—	—	(3,200)	(3,200)
Balance at 30 June 2019	690	9,070	530	30,432	40,722
Profit for the financial year	—	—	—	7,020	7,020
Other comprehensive income	—	—	—	18,852	18,852
Total comprehensive income for the year	—	—	—	25,872	25,872
Shares issued	24,730	—	(530)	(24,200)	—
Capital reduction	(25,420)	(9,070)	—	34,490	—
Dividends to shareholders	—	—	—	(54,128)	(54,128)
Balance at 30 June 2020	—	—	—	12,466	12,466

Further information in respect of other reserves is disclosed in note 11.

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

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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 preparation of financial statements in conformity with FRS 101 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

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).
- 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 following paragraphs of IAS 24 'Related party disclosures':
 - 17 (key management compensation);
 - 18A (key management services provided by a separate management entity).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

- The requirements 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.

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 19 - Plan Amendment, Curtailment or Settlement.
- IFRS 16 - Lease.

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 7 - Interest rate benchmark reform (phase 1)

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.

Finance income

Finance income is recognised in the income statement in the year in which it is earned.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Investments in subsidiaries

Investments in subsidiaries 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 income statement 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 income statement 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 other group companies are initially measured at fair value and are subsequently reported at amortised cost. Non-interest-bearing trade receivables are stated at their nominal value as they are due on demand. 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.

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.

Grand Metropolitan Limited
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Year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

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.

Full provision for deferred tax is made for temporary differences between the carrying value of assets and liabilities for financial reporting purposes and their value for tax purposes. The amount of deferred tax reflects the expected recoverable amount and is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the basis of taxation enacted or substantively enacted by the balance sheet date. Deferred tax assets are not recognised where it is more likely than not that the asset will not be realised in the future.

Dividends

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.

Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

The critical accounting policies, which the directors consider are of greater complexity and particularly subject to the exercise of judgements and estimates, are set out in detail in the relevant accounting policies:

- **Investment in subsidiaries:** A critical accounting judgement is the assessment that recoverable amount of the company's investment is greater than the carrying amount. Impairment reviews are carried out to ensure that the value of the investments in subsidiaries are not carried at above their recoverable amounts. The tests are dependent on management's estimates in respect of the forecasting of future cash flows, the discount rates applicable to the future cash flows and expected growth rates. Such estimates and judgements are subject to change as a result of changing economic conditions and actual cash flows may differ from forecasts.
- **Taxation:** The evaluation of deferred tax assets recoverability requires judgements to be made regarding the availability of future taxable income. The directors believe that the company will generate sufficient future taxable income.

Grand Metropolitan Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

2. OPERATING COSTS

	Year ended 30 June 2020 £ m	Year ended 30 June 2019 £ m
Operating costs		
Other operating income	—	1
Other operating expenses	—	(38)
	<u>—</u>	<u>(37)</u>

Other operating expense in the previous financial year, related to the write-off of the intercompany loan receivable from GrandMet Foods (UK) Limited (a wholly owned subsidiary of the company) in the amount of £38 million in order to enable the proposed dissolution and liquidation of the subsidiary undertaking.

The auditors' remuneration of £9,475 (2019 - £4,000) 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).

3. POST EMPLOYMENT BENEFIT LIABILITIES

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 statement are the respective balance sheet dates.

The following assumptions were used to determine the company's deficit/surplus in its post employment plan at 30 June in the relevant year:

	Year ended 30 June 2020 %	Year ended 30 June 2019 %
Discount rate for plan liabilities	<u>2.5</u>	<u>2.5</u>
		£ m
Plan liabilities at 30 June 2020 and at 30 June 2019		<u>—</u>

Grand Metropolitan Limited
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Year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	Year ended 30 June 2020	Year ended 30 June 2019
	£ m	£ m
Dividend income from shares in group undertakings		
Grand Metropolitan International Holdings Limited	30,375	2,317
Grand Metropolitan Estates Limited	9	14
Grand Metropolitan Capital Company Limited	—	2
Diageo Great Britain Limited	320	200
	30,704	2,533
Dividend in specie recognised in other comprehensive income		
Grand Metropolitan International Holdings Limited	42,588	—
Other comprehensive income - released subsequently the income statement	(23,736)	—
	18,852	—

During the year ended 30 June 2020 the company received a dividend in specie from its subsidiary undertaking of £42,588 million, which has been recognised in other comprehensive income as it arose from an intra-group restructuring, with a subsequent onward distribution of the same amount to Diageo Holdings Limited, the company's parent company. As a result of the receipt of the dividend in specie of £42,588 million, the company's investment in Grand Metropolitan International Holdings Limited has been impaired by £23,736 million, and an amount equal to this has been released from other comprehensive income to the income statement, as it is deemed realised to the extent of the impairment (Note 7).

Dividends of £6,968 million (2019 - £2,533 million) have been settled by receiving an amount due from fellow group undertakings. Dividend in specie of £42,588 million has been settled through a promissory note.

5. FINANCE INCOME

	Year ended 30 June 2020	Year ended 30 June 2019
	£ m	£ m
Interest income from fellow group undertakings		
Diageo Finance plc	19	46
Lakeside MWS Limited Liability partnership	48	24
Total finance income	67	70

Included within interest income from a fellow group undertakings is an interest receivable from Lakeside of £48 million (2019 - £24 million) (Note 7).

Grand Metropolitan Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 30 June 2020 £ m	Year ended 30 June 2019 £ m
(a) Analysis of taxation charge for the year		
Current tax		
UK corporation tax	(8)	(10)
Adjustments in respect of prior years	(1)	—
Total current tax charge	<u>(9)</u>	<u>(10)</u>
Deferred tax		
Current year	(8)	(11)
Adjustments in respect of prior years	—	(5)
Changes in tax rates	2	1
Total deferred tax charge	<u>(6)</u>	<u>(15)</u>
Taxation on profit on ordinary activities	<u><u>(15)</u></u>	<u><u>(25)</u></u>
(b) Factors affecting total tax charge for the year		
Profit on ordinary activities before taxation	<u>7,035</u>	<u>2,566</u>
Taxation on profit on ordinary activities at UK corporation tax rate of 19% (2019-19%)	(1,337)	(488)
Expenses not deductible for tax purposes	(4,509)	(7)
Items not chargeable for tax purposes	5,834	481
Adjustments in respect of prior periods	(1)	(5)
Foreign income subject to UK tax	(1)	—
Deferred tax expense relating to changes in tax rates or laws	2	1
Other tax effects for reconciliation between accounting profit and tax income	(3)	(7)
Total tax charge for the year	<u><u>(15)</u></u>	<u><u>(25)</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.

Deferred taxes at 30 June 2020 have been measured using these enacted tax rates (19%) and reflected in these financial statements (Note 9).

Grand Metropolitan Limited
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Year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN SUBSIDIARIES

	30 June 2020	30 June 2019
	£ m	£ m
Shares in group undertakings (i)	14,112	37,848
Loan to fellow group undertaking (ii)	134	202
	<u>14,246</u>	<u>38,050</u>
<i>(i) Shares in group undertakings and other investments</i>		
		Subsidiaries
		£ m
Cost		
At 30 June 2020 and at 30 June 2019		<u>37,848</u>
Provisions		
At 30 June 2019		—
Provision for impairment		<u>(23,736)</u>
At 30 June 2020		<u>(23,736)</u>
Carrying amount		
At 30 June 2020		<u>14,112</u>
At 30 June 2019		<u>37,848</u>

On 12 December 2019, indirect wholly owned subsidiaries of the company sold Diageo Brands B.V., Diageo France Investments S.A.S., Diageo Inc., Diageo Turkey Holdings Limited and Selviac Nederland B.V. to Diageo Molenwerf B.V., a fellow 100% owned group company, and Diageo Hungary Finance Limited Liability Company to Tanqueray Gordon and Company Limited, a fellow 100% owned group company. Relating to these transactions, dividend income in the amount of £42,588 million was received from Grand Metropolitan International Holdings Limited, which has been recognised in other comprehensive income as a dividend in specie as it arose from an intra-group restructuring, with a subsequent onward distribution of the same amount to Diageo Holdings Limited, the company's parent company. The company also received dividend income from Grand Metropolitan International Holdings Limited in the amount of £128 million that has been recognised in the income statement, with a subsequent onward distribution of the same amount to Diageo Holdings Limited.

As a result of the receipt of the dividend in specie of £42,588 million, the company's investment in Grand Metropolitan International Holdings Limited has been impaired by £23,736 million. To the extent that the impairment on the investment the company holds in Grand Metropolitan International Holdings Limited was recognised in the income statement, a corresponding amount has been released from other comprehensive income (that had earlier been recognised in relation to the dividend in specie) to the income statement, as it is deemed realised to the extent of the impairment.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN SUBSIDIARIES (continued)

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows. Unless otherwise stated the percentage of shares held are in respect of ordinary share capital.

Name of investment	Notes	Registered office address	Proportion of ownership interest %*	Proportion of effective interest %**
Direct holdings				
<i>Subsidiary undertakings</i>				
Diageo Group Insurance Company Limited		Heritage Hall, Le Marchant Street, St Peter Port, GY1 4JH, Guernsey	100%	100%
Grand Metropolitan Estates Limited		Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom	100%	100%
Grand Metropolitan International Holdings Limited		Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom	100%	100%
Diageo DV Limited		Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom	100%	100%
Diageo Great Britain Limited		Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom	100%	100%
Diageo Healthcare Limited	(i)	Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom	100%	100%
Diageo CL1 Limited	(vi)	Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom	100%	100%
The Pimm's Drinks Company Limited	(i)	Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom	100%	100%
DV Technology LLC		1209 Orange Street, New Castle, Delaware 19801, United States	100%	100%
Lakeside MWS Limited Liability Partnership	(vii)	Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom	—	—
<i>Joint venture undertakings</i>				
Grand Metropolitan Capital Company Limited	(xiii)	Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom	100%	100%

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

** Effective percentage of shares held owned by the company

Grand Metropolitan Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN SUBSIDIARIES (continued)

Name of investment	Notes	Registered office address	Proportion of ownership interest %*	Proportion of effective interest %**
Indirect holdings				
<i>Subsidiary undertakings</i>				
1759 Property Limited		St. James's Gate, Dublin 8, Ireland	100%	100%
Agropecuarias Las Marias I C.A.		Carretera Nacional Acarigua-Barquisimeto Casa Agropecuaria Las Marias I C.A.S-N Sector los Guayones La Miel, Lara., Venezuela	100%	99.76%
AGS Employee Shares Nominees (Ireland) Designated Activity Company		St. James's Gate, Dublin 8, Ireland	100%	100%
Allsopp (East Africa) Limited	(i)	Tusker House, Ruaraka, PO Box 30161, 00100 Nairobi GPO, Kenya	97%	48.52%
Anejos De Altura, Sociedad Anonima		0 calle 8-19 zona 9, Quetzaltenango, Guatemala	100%	50%
Anna Seed 83 Limited		Suites 5 & 6 Woodlands Court, Burnham Road, Beaconsfield, Buckinghamshire, HP9 2SF, United Kingdom	100%	100%
Arran Tradings, C.A.		Calle 1 con calle Calle 1 Este, Edificio y Galpon BTP, Zona Industrial La Caracarita, Municipio Los Guayos, estado Carabobo, Venezuela	97.60%	97.60%
Arthur Bell & Sons Limited	(i)	Edinburgh Park, 5 Lochside Way, Edinburgh, EH12 9DT, United Kingdom	100%	100%
Arthur Guinness Son & Company (Dublin)	(i)	St. James's Gate, Dublin 8, Ireland	100%	100%
Atalantaf Limited		Victoria Place, 5th Floor, 31 Victoria Street, Hamilton, HM 10 Bermuda	100%	100%
Belsazar GmbH		Reeperbahn 1., 20359 Hamburg, Germany	100%	100%
Bundaberg Distilling Company Pty Limited	(iv)	Whitted Street, QLD, 4670, Bundaberg, Australia	100%	100%
Bundaberg Distilling Investments Pty Ltd	(ii)	162 Blues Point Road, Level 1, NSW, 2060, McMahon's Point, Australia	100%	100%
Cellarers (Wines) Limited		Lakeside Drive, Park Royal, NW10 7HQ, London, United Kingdom	100%	100%
Chengdu Jianghai Trade Development Co. Limited		No. 9 Quanxing Road, Jinniu District, 610036, Chengdu City, China	63.14%	63.14%
Chengdu Ruijin Trade Co. Limited		No. 9 Quanxing Road, Jinniu District, 610036, Chengdu City, China	63.14%	63.14%
Chengdu Swellfun Liquor Co. Limited		Qionglai City, Linqiong Industrial Park Road 318 W, 611538, China	63.14%	63.14%

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

** Effective percentage of shares held owned by the company

Grand Metropolitan Limited
Registered number: 00291848
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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN SUBSIDIARIES (continued)

Name of investment	Notes	Registered office address	Proportion of ownership interest %*	Proportion of effective interest %**
Indirect holdings				
<i>Subsidiary undertakings</i>				
Chengdu Swellfun Marketing Co. Limited		Chengdu City, Jinjiang District Shuijing Street No21, 610011, China	63.14%	63.14%
Chengdu Tengyuan Liquor Marketing Co. Limited		No. 9 Quanxing Road, Jinniu District, 610036, Chengdu City, China	63.14%	63.14%
Clyde Trading, C.A.	(iv)	Av. Circunvalacion Norte (Jose Asunsion Rodriguez) Edificio Distribuidora Metropol, Porlamar, Estado Nueva Esparta	99.75%	99.75%
Copper Dog Whisky Limited		Edinburgh Park, 5 Lochside Way, Edinburgh EH12 9DT, United Kingdom	100%	100%
Crescendo Australia Pty Ltd	(ii), (vi)	162 Blues Point Road, Level 1, NSW, 2060, McMahons Point, Australia	100%	100%
Cupar Trading, C.A.	(iv)	Av. Circunvalacion Norte (Jose Asunsion Rodriguez) Edificio Distribuidora Metropol, Porlamar, Estado Nueva Esparta, Venezuela	99.75%	99.75%
D.C.L (Holdings) Australia Proprietary Limited	(i), (ii)	162 Blues Point Road, Level 1, NSW, 2060, McMahons Point, Australia	100%	100%
DEF Investments Limited	(vi)	Lakeside Drive, Park Royal, NW10 7HQ, London, United Kingdom	100%	100%
Diageo (IH) Limited	(i)	Lakeside Drive, Park Royal, NW10 7HQ, London, United Kingdom	100%	100%
Diageo Angola Limitada		Rua Fernao de Sousa, Condominio Bengo, Letter A, 11.s floor, Fraction A37, neighbourhood Vila Alice, Province of Luanda, Angola	100%	100%
Diageo Atlantic B.V.		Molenwerf 12, 1014 BG, Amsterdam, The Netherlands	100%	100%
Diageo Australia Limited	(ii)	162 Blues Point Road, Level 1, NSW, 2060, McMahons Point, Australia	100%	100%
Diageo Balkans Limited	(vi)	Lakeside Drive, Park Royal, NW10 7HQ, London, United Kingdom	100%	100%
Diageo Brands Nigeria Ltd	(vi)	Oba Akran Avenue Ikeja, 24, Lagos, PMB 21071, 100001, Nigeria	100%	100%
Diageo Business Services India Private Limited		Kempapura Main Road, Opp Nagawara Lake, Karle SEZ Tower, 2nd floor, Karnataka, 560045, Bangalore, India	99.99%	99.99%

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** Effective percentage of shares held owned by the company

Grand Metropolitan Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN SUBSIDIARIES (continued)

Name of investment	Notes	Registered office address	Proportion of ownership interest %*	Proportion of effective interest %**
Indirect holdings				
<i>Subsidiary undertakings</i>				
Diageo Business Services Limited		1132 Budapest, Vaci ut 20-26, Hungary	100%	100%
Diageo Croatia d.o.o.za usluge		Hektoroviceva ulica 2, 10000, Zagreb, Croatia	100%	100%
Diageo Distilleries Private Limited	(v)	Marathon Futurex, A-Wing, 2601, 26th Floor, N M Joshi Marg, Lower Parel, Mumbai - 400 013, India	100%	100%
Diageo Distribution Company Limited		Lakeside Drive, Park Royal, NW10 7HQ, London, United Kingdom	100%	100%
Diageo Dominicana S.R.L		A J Aybar 204 SD, Santo Domingo, Dominican Republic	100%	100%
Diageo Eire Finance & Co		Lakeside Drive, Park Royal, NW10 7HQ, London, United Kingdom	100%	100%
Diageo Employee Ownership Program Organization		1132 Budapest, Vaci ut 20-26, Hungary	99.94%	99.94%
Diageo Europe Holdings Limited		St. James's Gate, Dublin 8, Ireland	100%	100%
Diageo Finance US Limited		Lakeside Drive, Park Royal, NW10 7HQ, London, United Kingdom	100%	100%
Diageo Financing Turkey Limited		Lakeside Drive, Park Royal, NW10 7HQ, London, United Kingdom	100%	100%
Diageo Germany GmbH		Reeperbahn 1, 20359, Hamburg, Germany	100%	100%
Diageo Global Supply IBC Limited		3rd Floor Capital House, 3 Upper Queen Street, Belfast, Northern Ireland	100%	100%
Diageo Highlands Holding B.V.		Molenwerf 12, 1014 BG, Amsterdam, The Netherlands	100%	100%
Diageo Holdings Netherlands B.V.		Molenwerf 12, 1014 BG, Amsterdam, The Netherlands	100%	100%
Diageo Hungary Marketing Services Limited Liability Company		1132 Budapest, Vaci ut 20-26, Hungary	100%	100%

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** Effective percentage of shares held owned by the company

Grand Metropolitan Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN SUBSIDIARIES (continued)

Name of investment	Notes	Registered office address	Proportion of ownership interest %*	Proportion of effective interest %**
Indirect holdings				
<i>Subsidiary undertakings</i>				
Diageo Investment Holdings Limited		Lakeside Drive, Park Royal, NW10 7HQ, London, United Kingdom	100%	100%
Diageo Ireland		St. James's Gate, Dublin 8, Ireland	100%	100%
Diageo Ireland Finance 1 Unlimited Company		St. James's Gate, Dublin 8, Ireland	100%	100%
Diageo Ireland Finance 2 Unlimited Company	(xii)	St. James's Gate, Dublin 8, Ireland	100%	100%
Diageo Ireland Finance 3 Unlimited Company		St. James's Gate, Dublin 8, Ireland	100%	100%
Diageo Ireland Holdings Unlimited Company		St. James's Gate, Dublin 8, Ireland	100%	100%
Diageo Ireland Pension Trustee Designated Activity Company		St. James's Gate, Dublin 8, Ireland	100%	100%
Diageo Ireland Quebec Distribution Inc.		Boul Henri-Bourassa E., 9225, Local A, Quebec, H1E 1P6, Montreal, Canada	100%	100%
Diageo Japan K.K.		Nakano-ku 4-10-2, Nakano Central Park South, 17, Tokyo, 164-0001, Japan	100%	100%
Diageo Kazakhstan LLP.	(vi)	Timiryazev street 28 V, office 704, Bostandik district, 50040, Almaty, Kazakhstan	100%	100%
Diageo Kenya Limited		L R NO 1870/1/569, 2nd Floor, Apollo Centre, Ring Road Parklands, Westlands, PO BOX 764 00606 Nairobi, Kenya	100%	100%
Diageo Korea Company Limited		46, Dumujae-ro, Bubal-eup, Icheon-shi, Gyeonggi-do, 17317, Icheon, South Korea	100%	100%
Diageo Mexico Comercializadora S.A. de C.V.		Carretera Atotonilco Guadalajara, kilómetro 8, Atotonilco el Alto 47750 Jalisco, Mexico	100%	100%
Diageo Mexico II SA de CV Sociedad Financiera de Objeto Multiple, E.N.R.		Av. Ejercito Nacional, 843-B, Torre Paseo Acceso B, 2, Mexico City, 11520, Mexico	100%	100%

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

** Effective percentage of shares held owned by the company

Grand Metropolitan Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN SUBSIDIARIES (continued)

Name of investment	Notes	Registered office address	Proportion of ownership interest %*	Proportion of effective interest %**
Indirect holdings				
<i>Subsidiary undertakings</i>				
Diageo Mexico Operaciones S.A.de C.V.		Porfirio Diaz 17, Jalisco, 47750, Atotonilco el Alto, Mexico	100%	100%
Diageo Mexico SA de CV		Av. Ejercito Nacional, 843-B, Torre Paseo Acceso B, 2, Mexico City, 11520, Mexico	100%	100%
Diageo New Zealand Limited	(ii)	123 Carlton Gore Road, Level 2, Newmarket, 1023, Auckland, New Zealand	100%	100%
Diageo Nueva Esparta, C.A.	(i)	Av. Circunvalacion Norte (Jose Asunsion Rodriguez) Edificio Distribuidora Metropol, Porlamar, Estado Nueva Esparta, Venezuela	99.9%	99.66%
Diageo Overseas Holdings Limited		Lakeside Drive, Park Royal, NW10 7HQ, London, United Kingdom	100%	100%
Diageo Peru S.A.		Victor Andres Belaunde 147, Via Principal 133, Interior 107, Piso 10, San Isidro, Lima, Peru	99.99%	99.99%
Diageo Philippines Free Port Inc	(i), (xii)	Unit 1, 17th Floor, Ore Central 9th Avenue corner 31st Street Bonifacio Global City, Taguig City, 1634 Philippines	99.99%	99.99%
Diageo Retirement Savings Plan Designated Activity Company		St. James's Gate, Dublin 8, Ireland	100%	100%
Diageo Scotland Investment Limited		Lakeside Drive, Park Royal, NW10 7HQ, London, United Kingdom	100%	100%
Diageo Scotland Limited		Edinburgh Park, 5 Lochside Way, Edinburgh, EH12 9DT, United Kingdom	100%	100%
Diageo Singapore Supply Pte. Ltd.		112 Robinson Road, 1, 5th Floor, 1, 68902, Singapore	100%	100%
Diageo Southern Africa Markets (Pty) Ltd		Building 3, Maxwell Office Park, Magwa Crescent West, Waterfall City, Midrand, 2090, South Africa	100%	100%
Diageo South Africa (Pty.) Limited		Building 3 Maxwell Office Park, Magwa Crescent West, Waterfall City, Midrand, 2090 South Africa	51%	51%
Diageo South Africa Empowerment Trust Africa		Building 3 Maxwell Office Park, Magwa Crescent West, Waterfall City, Midrand, 2090 South Africa	100%	51%
Diageo Supply Marracuene Lda.		Estrada Nacional numero 1, Micanhine, Marracuene, Mozambique	100%	100%

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

** Effective percentage of shares held owned by the company

Grand Metropolitan Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN SUBSIDIARIES (continued)

Name of investment	Notes	Registered office address	Proportion of ownership interest %*	Proportion of effective interest %**
Indirect holdings				
<i>Subsidiary undertakings</i>				
Diageo Treasury Australia LLP	(vi)	Lakeside Drive, Park Royal, NW10 7HQ, London, United Kingdom	100%	100%
Diageo UK Turkey Holdings Limited	(ix)	Lakeside Drive, Park Royal, NW10 7HQ, London, United Kingdom	100%	100%
Diageo UK Turkey Limited		Lakeside Drive, Park Royal, NW10 7HQ, London, United Kingdom	100%	100%
Diageo US Investments		Lakeside Drive, Park Royal, NW10 7HQ, London, United Kingdom	100%	100%
Diageo Venezuela C.A		Ave. San Felipe Urbanización La Castellana, Edificio Centro Coinasa, Piso 6. Caracas, 1060, Venezuela	99.76%	99.76%
Diageo Vietnam		No. 157, 21/8 Street, Phuoc My Ward, Phan Rang - Thap Cham City, Ninh Thuan Province, Vietnam	100%	100%
DIREF Indústria de Bebidas,Lda-Angola JV		Rua Dom Eduardo Andre Muaca, S/ No, LOTE C4, Luanda, Angola	50.1%	50.1%
Don Julio Agavera S.A. de C.V.		Porfirio Diaz 17, Jalisco, 47750, Atotonilco el Alto, Mexico	100%	100%
Don Julio Agricultura y Servicios S.A. de C.V.		Porfirio Diaz 17, Jalisco, 47750, Atotonilco el Alto, Mexico	100%	100%
DV Paraguana, C.A.		Av Intercomunal Alí Primera, Los Taques, Estado Falcón, Venezuela	97.6%	97.6%
DV Release, C.A.		Calle 1 con calle Calle 1 Este, Edificio y Galpon BTP, Zona Industrial La Caracarita, Municipio Los Guayos, estado Carabobo, Venezuela	97.6%	97.6%
DV Trading, C.A.	(iv)	Av. Circunvalacion Norte (Jose Asunsion Rodriguez) Edificio Distribuidora Metropol, Porlamar, Estado Nueva Esparta, Venezuela	99.75%	99.75%
EABL (Tanzania) Limited	(i)	2nd Floor, East Wing TDFL Building, Ohio street. P.O. Box 32840 Dar es Salaam, Tanzania	100%	50.03%
EABL International Limited	(i)	Tusker House, Ruaraka, PO Box 30161, 00100 Nairobi GPO, Kenya	100%	50.03%

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** Effective percentage of shares held owned by the company

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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN SUBSIDIARIES (continued)

Name of investment	Notes	Registered office address	Proportion of ownership interest %*	Proportion of effective interest %**
Indirect holdings				
<i>Subsidiary undertakings</i>				
East African Beverages (Southern Sudan) Limited		Southern Sudan African Park Hotel, Juba Town, South Sudan	99%	49.53%
East African Breweries Limited		Tusker House, Ruaraka, PO Box 30161, 00100 Nairobi GPO, Kenya	50.03%	50.03%
East African Breweries Rwanda Limited		Kimihurura, Gasabo, Umujiyi was Kigali, 7130 Port Bell Luzira, Rwanda	100%	50.03%
East African Maltings (Uganda) Limited		P O BOX 7130 Kampala, Uganda	100%	50.03%
East African Maltings Limited		Tusker House, Ruaraka, PO Box 30161, 00100 Nairobi GPO, Kenya	99.99%	50.03%
Gilbeys of Ireland Unlimited Company		Nangor House, Western Estate, Nangor Road, Dublin, 12, Ireland	100%	100%
Global Farming Initiative B.V.		Molenwerf 12, 1014 BG, Amsterdam, The Netherlands	100%	100%
Grand Metropolitan (Cayman Islands) Limited	(i), (vi)	Elgin Court, Elgin Avenue, Grand Cayman, Cayman Islands	100%	100%
Guinness Canada Limited		Labatt House, 207 Queen's Quay West, Suite 299, Ontario, M5J 1A7, Toronto, Canada	51%	51%
Guinness Ghana Breweries Plc		Guinness Br�wery, Plot 1 Block L, Industrial Area, Kaasi, P. O. Box 1536, Kumasi, Ghana	80.4%	80.4%
Guinness Nigeria plc		Oba Akran Avenue Ikeja, 24, Lagos, PMB 21071, 100001, Nigeria	58.02%	58.02%
Guinness Overseas Limited		Lakeside Drive, Park Royal, NW10 7HQ, London, United Kingdom	100%	100%
Guinness Storehouse Limited		St. James's Gate, Dublin 8, Ireland	100%	100%
Horizon Developments Limited	(i)	3 Themistokli Dervi Ave, Julia House, 1066, Nicosia, Cyprus	100%	100%
Industrias Pampero C.A.		Ave. San Felipe Urbanizaci�n La Castellana, Edificio Centro Coinasa, Piso 6. Caracas, 1060, Venezuela	96.80%	96.57%
International Distillers Uganda Limited		Plot No 1 Malt Road, Portbell Luzira P.O. Box 3221 Kampala, Uganda	100%	50.03%
Islay Trading, C.A.		Calle 1 con calle Calle 1 Este, Edificio y Galpon BTP, Zona Industrial La Caracarita, Municipio Los Guayos, estado Carabobo, Venezuela	97.60%	97.60%
James Buchanan & Company Limited	(i)	Lakeside Drive, Park Royal, NW10 7HQ, London, United Kingdom	100%	100%

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** Effective percentage of shares held owned by the company

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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN SUBSIDIARIES (continued)

Name of investment	Notes	Registered office address	Proportion of ownership interest %*	Proportion of effective interest %**
Indirect holdings				
<i>Subsidiary undertakings</i>				
John Haig & Company Limited		Edinburgh Park, 5 Lochside Way, Edinburgh, EH12 9DT, United Kingdom	100%	100%
John Walker and Sons Limited	(i)	Lakeside Drive, Park Royal, NW10 7HQ, London, United Kingdom	100%	100%
Justerini & Brooks, Limited		61 St. James's Street, London, SW1A 1LZ	100%	100%
Kenya Breweries Limited	(iv)	Tusker House, Ruaraka, PO Box 30161, 00100 Nairobi GPO, Kenya	99.99%	50.03%
Ketel One Worldwide B.V.	(iii)	Molenwerf 12, 1014 BG, Amsterdam, The Netherlands	50%	50%
L4L Trading, C.A.		Calle 1 con calle Calle 1 Este, Edificio y Galpon BTP, Zona Industrial La Caracarita, Municipio Los Guayos, estado Carabobo, Venezuela	97.6%	97.6%
Lismore Trading, C.A.		Calle 1 con calle Calle 1 Este, Edificio y Galpon BTP, Zona Industrial La Caracarita, Municipio Los Guayos, estado Carabobo, Venezuela	97.6%	97.6%
Lochside MWS Limited Partnership	(vii)	Edinburgh Park, 5 Lochside Way, Edinburgh, EH12 9DT, United Kingdom	—	—
Mull Trading, C.A.		Av La Hormiga con Intersección de la Carretera via Payara, C.C. Tierra Buena Acarigua, Venezuela	97.6%	97.6%
Myers Rum Company (Jamaica) Limited	(i)	Lot14, Gilbert Drive, Lakeside Park, Discovery Bay, St. Ann, Jamaica	100%	100%
Powtom 11 Limited		St. James's Gate, Dublin 8, Ireland	100%	100%

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** Effective percentage of shares held owned by the company

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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN SUBSIDIARIES (continued)

Name of investment	Notes	Registered office address	Proportion of ownership interest %*	Proportion of effective interest %**
Indirect holdings				
<i>Subsidiary undertakings</i>				
Powtom 12 Limited		St. James's Gate, Dublin 8, Ireland	100%	100%
Powtom 13 Limited		St. James's Gate, Dublin 8, Ireland	100%	100%
Powtom 14 Limited		St. James's Gate, Dublin 8, Ireland	100%	100%
Powtom 16 Limited		St. James's Gate, Dublin 8, Ireland	100%	100%
Powtom 17 Limited		St. James's Gate, Dublin 8, Ireland	100%	100%
Powtom 18 Unlimited Company	(xii)	St. James's Gate, Dublin 8, Ireland	100%	100%
PT Langgeng Kreasi Jayaprima		Jl. Raya Kaba-Kaba No. 88, Banjar Carik Padang, Desa Nyambu, Kecamatan Kediri, Kabupaten Tabanan, Provinsi Bali, Indonesia	80%	80%
R & A Bailey & Co		Nangor House, Western Estate, Nangor Road, Dublin, 12, Ireland	100%	100%
R&A Bailey Pension Trustee Designated Activity Company		St. James's Gate, Dublin 8, Ireland	100%	100%
Rum Creation & Products, Inc.	(iii)	Commerce House, Wickhams Cay 1, PO Box 3140, Road Town, Tortola, British Virgin Islands	50%	50%
S & B Production Limited		3rd Floor Capital House, 3 Upper Queen Street, Belfast, United Kingdom	100%	100%
Seedlip Ltd		Suites 5 & 6 Woodlands Court, Burnham Road, Beaconsfield, Buckinghamshire, HP9 2SF, United Kingdom	91%	91%
Serengeti Breweries Limited	(viii)	Plot 117/2, Access Road, Nelson Mandela Expressway, Chang'Ombe Industrial Area, P.O. Box 41080, Dar es Salaam, Tanzania	85%	42.5%
Servicios Agavera, S.A.de C.V.		Porfirio Diaz 17, Jalisco, 47750, Atotonilco el Alto, Mexico	100%	100%
Seychelles Breweries Limited		O'Brien House, 273 Le Rocher, Mahe, Seychelles	54.4%	54.4%

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** Effective percentage of shares held owned by the company

Grand Metropolitan Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN SUBSIDIARIES (continued)

Name of investment	Notes	Registered office address	Proportion of ownership interest %*	Proportion of effective interest %**
Indirect holdings				
<i>Subsidiary undertakings</i>				
Sichuan Chengdu Shuijingfang Group Co., Ltd		No. 9 Quanxing Road, Jinniu District, 610036, Chengdu City, China	100%	100%
Sichuan Swellfun Co., Ltd		No. 9 Quanxing Road, Jinniu District, 610036, Chengdu City, China	63.14%	63.14%
Skye Trading, C.A.		Calle 1 con calle Calle 1 Este, Edificio y Galpon BTP, Zona Industrial La Caracarita, Municipio Los Guayos, estado Carabobo, Venezuela	97.6%	97.6%
Streetcar Investment Holding Pte. Ltd.		112 Robinson Road, 1, 5th Floor, 1, 68902, Singapore	100%	100%
Sumagro Limited	(i)	CRB Africa Legal Attorneys, Plot 60, Ursino Street P.O. Box 32840, Dar es Salaam, Tanzania	99.99%	100%
Tembo Properties Limited	(i)	Tusker House, Ruaraka, PO Box 30161, 00100 Nairobi GPO, Kenya	99.98%	50.03%
The Distillers Company (Biochemicals) Limited	(i)	Lakeside Drive, Park Royal, NW10 7HQ, London, United Kingdom	100%	100%
The Lochnagar Distillery Limited	(i)	Edinburgh Park, 5 Lochside Way, Edinburgh, EH12 9DT, United Kingdom	100%	100%
Tipplesworth Limited		Lakeside Drive, Park Royal, NW10 7HQ, London, United Kingdom	100%	100%
Trelawny Estates Limited		7th Floor, Scotiabank Centre, Duke Street, Kingston, Jamaica	100%	100%
Tusker Football Club		Tusker House, Ruaraka, PO Box 30161, 00100 Nairobi GPO, Kenya	100%	50.03%
UDV (SJ) Limited		Lakeside Drive, Park Royal, NW10 7HQ, London, United Kingdom	100%	100%

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** Effective percentage of shares held owned by the company

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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN SUBSIDIARIES (continued)

Name of investment	Notes	Registered office address	Proportion of ownership interest %*	Proportion of effective interest %**
Indirect holdings				
<i>Subsidiary undertakings</i>				
UDV Ireland Group (Trustees) Designated Activity Company		Nangor House, Western Estate, Dublin, 12, Ireland	100%	100%
UDV Kenya Limited		Tusker House, Ruaraka, PO Box 30161, 00100 Nairobi GPO, Kenya	100%	76.85%
Uganda Breweries Limited		Plot 3-17 Port Bell Road, Luzira Kampala, P.O. Box 7130, Kampala, Uganda	98.2%	49.03%
ULM Holdings Inc.	(i), (xii)	Unit 1, 17th Floor, Ore Central 9th Avenue corner 31st Street Bonifacio Global City, Taguig City, 1634 Philippines	40%	40%
United Distillers & Vintners Philippines Inc	(i), (xii)	Unit 1, 17th Floor, Ore Central 9th Avenue corner 31st Street Bonifacio Global City, Taguig City, 1634 Philippines	99.99%	99.99%
United Distillers France Limited	(i)	Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom	100%	100%
United Distillers France SAS		73, Rue de Provence 75009 Paris, France	100%	100%
Vast Fund Limited	(vi)	3/F, 21 Li Yuen Street West Central, Hong Kong	100%	100%
Vietnam Spirits and Wine LTD		621 Pham Van Chi Street, District 6, Ho Chi Minh City, Vietnam	55%	55%
William Sanderson and Son Limited	(i)	Edinburgh Park, 5 Lochside Way, Edinburgh, EH12 9DT, United Kingdom	100%	100%
Zepf Technologies UK Limited		Edinburgh Park, 5 Lochside Way, Edinburgh, EH12 9DT, United Kingdom	100%	100%
Zeta Importers, C.A.	(iv)	Av. Circunvalacion Norte (Jose Asunsion Rodriguez) Edificio Distribuidora Metropol, Porlamar, Estado Nueva Esparta, Venezuela	99.75%	99.75%

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Grand Metropolitan Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN SUBSIDIARIES (continued)

Name of investment	Notes	Registered office address	Proportion of ownership interest %*	Proportion of effective interest %**
Indirect holdings				
<i>Associate undertakings</i>				
Ballindalloch Distillery LLP		Ballindalloch Castle, Ballindalloch, Banffshire AB37 9AX, United Kingdom	33.33%	33.33%
Caleno Drinks Limited		1 Orchard Road, St George, Bristol, BS5 7HS, United Kingdom	20%	20%
Cambridge Distillery Limited		Cambridge Distillery, 20 High Street, Grantchester, Cambridge CB3 9NF, United Kingdom	33%	33%
Canbrew B.V.	(iii)	Ceresstraat 1, 4811 CA Breda, The Netherlands	28.16%	28.16%
Compania Cervecera De Canarias, S.A.		Carrera La Cuesta Taco Km 0.5. La Laguna, Santa Cruz De Tenerife, Spain	71.03%	20%
Del Professore Limited		17 Grosvenor Street, Mayfair, London, W1K 4QG, United Kingdom	20%	20%
Diageo Colombia S.A.	(x)	100 street No.13 21 Office 502. Bogota, Colombia	25.33%	25.33%
Diageo Reunion SA	(x)	14, rue Jules Thirel A30 97460 Saint Paul, Reunion Island	46.79%	46.79%
Diageo Suisse SA	(x)	Rue du Grand-Pre 2 b CH-1007, Lausanne, Switzerland	45.13%	45.13%
El Bandarra S.L		Calle General Vara del Rey 5, 1 Piso, 26003 Logroño, La Rioja, Spain	25%	25%
El Rayo Limited		20 King Street Prince Albert House Maidenhead SL6 1DT, United Kingdom	20%	20%

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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN SUBSIDIARIES (continued)

Name of investment	Notes	Registered office address	Proportion of ownership interest %*	Proportion of effective interest %**
Indirect holdings				
<i>Associate undertakings</i>				
Hanoi Liquor and Beverage Joint Stock Company (Halico)		94 Lo Duc Street, Pham Dinh Ho Ward, Hai Ba Trung District, Ha Noi City, Vietnam	45.57%	45.57%
London Botanical Drinks Limited		28 Vale Road, Claygate, Esher, KT10 0NJ, England	20%	20%
Mr Black Spirits Pty Ltd.		Cabel Partners, Level 5, 1 James Place, North Sydney, NSW 2060, Australia	45%	45%
New World Whisky Distillery PTY Limited		50 Bertie Street, Port Melbourne, Victoria 3207, Australia	30%	30%
Nicocktails S.R.L.		Via Tortona 15, 20144, Milan, Italy	20%	20%
Pulpex Limited		Central Working, Eccleston Yards, 25 Eccleston Place, SW1W 9NF, United Kingdom	49.5%	49.5%
Stauning Whisky Holding ApS		Stauningvej 38, 6900 Skjern, Denmark	40%	40%
The Scotch Whisky Heritage Centre Limited		354 Castlehill, The Royal Mile, Edinburgh, EH1 2NE, United Kingdom	29%	29%
The Southwest Fermentarium Limited		Tomino (Pontevedra), 36750, Parroquia de Goian, Barrio de Centinela, 1, Spain	25%	25%
Valdomino Premium Spirits, S.L.		Tomino (Pontevedra), 36750, Parroquia de Goian, Barrio de Centinela, 1, Spain	20%	20%
Zwack Unicum plc		26 Soroksari ut, Budapest, 1095, Hungary	26%	26%

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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN SUBSIDIARIES (continued)

Name of investment	Notes	Registered office address	Proportion of ownership interest %*	Proportion of effective interest %**
Indirect holdings				
<i>Joint venture undertakings</i>				
Lothian Distillers Limited		9 Wheatfield Road, Edinburgh, EH11 2PX, United Kingdom	50%	50%
The North British Distillery Company Limited		9 Wheatfield Road, Edinburgh, EH11 2PX, United Kingdom	99.99%	50%
<i>Joint operation undertakings</i>				
Diageo International Spirits Company Limited	(xi)	Room 06, 13A/F., South Tower, World Finance Centre, Harbour City, 17 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	50%	50%
Jiangsu Diageo Spirits Co., Ltd.		Room 1101, Building 3, No.68, Aoti Street, Jianye District, Nanjing City, China	100%	50%
Ron Santiago S.A.		Calle 246 y Quinta Avenida, Complejo Barlovento, Jaimanitas, Playa, La Habana, Republica de Cuba	50%	50%
Trafalgar Metropolitan Homes Limited	(i)	Goldsworth House, The Goldsworth Park Centre, Woking, Surrey, GU21 3LF, England	50%	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 equity shares and preference shares.
- (vi) In liquidation.
- (vii) No percentage is disclosed as Lochside MWS and Lakeside MWS Limited Liability Partnership are partnerships.
- (viii) Ownership held in class of A shares and preference shares.
- (ix) Ownership held in class of preference shares.
- (x) Subsidiary at group level but an associate based on the effective percentage of shares held by the company.
- (xi) 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.
- (xii) Dissolved.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN SUBSIDIARIES (continued)

(xiii) 50% held directly and 50% held indirectly. Subsidiary at group level but joint venture based on the effective percentage of shares held by the company.

The investments in subsidiaries 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.

(ii) Loan to fellow group undertaking

	Amounts owed by Lakeside £ m
At 30 June 2018	200
Capital contribution made during the year	105
Capital withdrawal made during the year	(103)
At 30 June 2019	<u>202</u>
Capital contribution made during the year	84
Capital withdrawal made during the year	(152)
At 30 June 2020	<u>134</u>

In June 2010, the 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'), which was 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 £84 million to Lakeside (2019 - £105 million) and, in line with the Partnership Agreement, excess cash of Lakeside was paid back to the company in the amount of £152 million (2019 - £103 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 income (Note 5).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

8. TRADE AND OTHER RECEIVABLES

	30 June 2020	30 June 2019
	£ m	£ m
Amounts owed by fellow group undertakings		
Diageo Finance plc	480	4,997
Grand Metropolitan Estates Limited	264	264
Diageo DV Limited	8	—
Lakeside MWS Limited Liability Partnership	25	16
	<u>777</u>	<u>5,277</u>

Amounts owed by fellow group undertakings are unsecured and repayable on demand. The amount owed by Diageo Finance plc of £480 million (2019 – £4,997 million) is interest bearing, and all other amounts owed by fellow group undertakings are interest free.

9. DEFERRED TAXATION

	Tax losses
	£ m
At 30 June 2018	34
Recognised in income statement	(15)
At 30 June 2019	<u>19</u>
Recognised in income statement	(6)
At 30 June 2020	<u>13</u>

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:

	30 June 2020	30 June 2019
	£ m	£ m
Capital losses - indefinite	<u>29</u>	<u>26</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

10. TRADE AND OTHER PAYABLES

	30 June 2020	30 June 2019
	£ m	£ m
Amounts owed to fellow group undertakings		
Grand Metropolitan (Cayman Islands) Limited	2,562	2,562
Diageo DV Limited	—	52
Diageo Scotland Limited	8	5
	<u>2,570</u>	<u>2,619</u>

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

In the year ended 30 June 2020, the loan structure between Grand Metropolitan Limited and Diageo DV Limited has been simplified. Several loans were settled, and thus the loan payable between the companies turned into a loan receivable.

Amount owed to Diageo Scotland Limited is in respect of corporate tax paid on behalf of the company during the year, and is expected to be settled in the following financial year.

11. CALLED UP SHARE CAPITAL AND RESERVES

(a) Share capital

Allotted, called up and fully paid:

	30 June 2020
	£ m
1 (2019 - 2,759,144,946) ordinary shares of 25p each	<u>—</u>

(b) Other reserves

'Other reserves' comprised a merger reserve of £62 million, a special reserve of £426 million, a preference share redemption reserve of £12 million, and other 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 of McGlynn Bakeries Inc..

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

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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

11. CALLED UP SHARE CAPITAL AND RESERVES (continued)

(b) Other reserves (continued)

On 29 November 2019, the other reserves in the amount of £530 million and retained earnings in the amount of £24,200 million were capitalised through the allotment and issuance of 98,920 million additional 25 pence ordinary shares to the sole shareholder of the company, Diageo Holdings Limited. Subsequent to the allotment and issuance of the ordinary shares, the issued share capital of the company was reduced from £25,419,786,236.50 to £0.25 following the cancellation of 101,679,144,945 of the ordinary shares of £0.25 each. In addition, the share premium reserve of £9,070,257,426 was cancelled and extinguished. An equivalent value of the cancellations of the ordinary shares and the share premium reserve were credited to retained earnings.

13. 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:

Loans to related parties

At 30 June 2020, amounts owed by fellow group companies includes £134 million (2019 - £202 million) in respect of a loan provided to Lakeside MWS Limited Liability Partnership (Note 7), which is not wholly owned by the group. In the year ended 30 June 2020, the company was entitled to an interest income of £48 million (2019 - £24 million) (Note 5). Interest receivable at 30 June 2020 from Lakeside MWS Limited Liability Partnership is £25 million (2019 - £16 million) (Note 8).

14. 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 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. The consolidated financial statements of Diageo plc can be obtained from the registered office at Diageo, Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom.