McDowell & Co. (Scotland) Ltd.

Annual Report and Financial Statements
31 March 2018

Registered number: SC145242

McDowell & Co. (Scotland) Ltd.
Registered number: SC145242
Year ended 31 March 2018

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Directors' report

The directors are pleased to submit their directors' report, together with the audited financial statements for the year ended 31 March 2018.

The directors are entitled to take advantage of the small companies' exemption in not preparing a strategic report. This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Activities

The company owned a leasehold apartment in Hong Kong at 31 March 2017. On 10 May 2017 the apartment was sold to a third party for a consideration net of costs of HK$131million (£13.1million), realising a gain of £17,044. In addition, the company has the beneficial ownership in Keillour Castle located in Scotland.

Financial

The results for the year ended 31 March 2018 are shown on page 5.

The profit for the year transferred to reserves was £457,157 (2017 - loss of £919,885 transferred from reserves).

No dividend was paid during the year (2017 - £nil).

Directors

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

G P Crickmore
J J Nicholls (resigned 9 March 2018)
J M C Edmunds (appointed 8 March 2018)

Directors' remuneration

None of the directors received any remuneration during the year in respect of their services as directors of the company (2017 - £nil).

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Directors' report (continued)

Secretary

On 20 April 2018 J Guttridge resigned as company secretary of the company.

Directors' indemnity

The Articles of Association permit qualifying third-party indemnities for the directors as defined by Section 234 of the Companies Act 2006. No such indemnity was in force during the last 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 Diageo group. Diageo plc's internal control and risk management systems, including its financial reporting process, which include those of the company, are discussed in the Diageo group's Annual Report 2017 on pages 62 to 63 at www.diageo.com, which does not form part of this report.

Independent auditor

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

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

On behalf of the board

G P Crickmore
Director

5 Lochside Way
Edinburgh Park
Edinburgh
EH12 9DT
Scotland

9 May 2018

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

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

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

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

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

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

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

McDowell & Co. (Scotland) Ltd.
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STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year ended 31 March 2018 £**	**Year ended 31 March 2017 £**
Gain on sale of asset		**17,044**	-
Foreign exchange gain/(loss)	*2*	**266,582**	(1,145,653)
Operating costs	*2*	**(108,693)**	(197,021)
Operating profit/(loss)		174,933	(1,342,674)
Net finance income/(charges)	*4*	**14,488**	(7,708)
Profit/(loss) before taxation on ordinary activities		**189,421**	(1,350,382)
Taxation on profit/(loss) on ordinary activities	*5*	**285,736**	430,497
Profit/(loss) for the year and total comprehensive income/(expense) for the year		**475,157**	(919,885)

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.

McDowell & Co. (Scotland) Ltd.
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BALANCE SHEET

	Note	31 March 2018	31 March 2017
		£	£
Non-current assets			
Property, plant and equipment	6	4,650	6,000
Deferred tax assets	9	-	416,488
		4,650	422,488
Current assets			
Asset held for sale	8	-	13,094,170
Trade and other receivables	10	-	3,110
Cash and cash equivalents		4,246,032	1,424,451
		4,246,032	14,521,731
Total assets		4,250,682	14,944,219
Current liabilities			
Trade and other payables	11	(3,486,676)	(13,953,146)
Non current liabilities			
Deferred tax liablities	9	-	(702,224)
Total liabilities		(3,486,676)	(14,655,370)
Net assets		764,006	288,849
Equity			
Called up share capital	12	1,575,000	1,575,000
Accumulated losses		(810,994)	(1,286,151)
Total equity		764,006	288,849

The accompanying notes on pages 8 to 15 form part of the financial statements.

These financial statements on pages 5 to 15 were approved by the board of directors on 9 May 2018 and were signed on its behalf by:

G P Crickmore
Director

McDowell & Co. (Scotland) Ltd.
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Year ended 31 March 2018

STATEMENT OF CHANGES IN EQUITY

ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

	Called up share capital £	Accumulated losses £	Total equity £
Balance at 31 March 2016	1,575,000	(366,266)	1,208,734
Loss for the year and total comprehensive expense	-	(919,885)	(919,885)
Balance at 31 March 2017	1,575,000	(1,286,151)	288,849
Profit for the year and total comprehensive income	-	475,157	475,157
Balance at 31 March 2018	**1,575,000**	**(810,994)**	**764,006**

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.

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 exemption 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 reconciliation for share capital; property, plant and equipment
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management
- 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:

(i) the disclosures required by *IFRS 7 Financial Instruments Disclosures* and *IFRS 9 Financial Instruments*.

(ii) disclosures required by *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* in respect of the cash flows of discontinued operations. These financial statements are separate financial statements.

New accounting standards

IFRS 9 has been adopted by the company from 1 April 2017. The standard has not impacted the financial statements of the company for the years ended 31 March 2018 and 31 March 2017.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Functional and presentational currency

These financial statements are presented in sterling (£), which is the company's functional currency.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the year end exchange rates and these foreign exchange differences are recognised in the income statement.

Property, plant and equipment

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

Property, plant and equipment are depreciated on a straight-line basis to estimated residual values over their expected useful lives, and these values and lives are reviewed each year. The property and plant is fully depreciated. The estimated useful life of the vehicle is five years.

Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation. Investment properties are held at fair value. Gains or losses arising from changes in the fair value of investment property are included in the income statement for the period in which they arise.

Assets held for sale

Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their net book value is expected to be recovered through sale rather than continuing use. This condition is only met when the sale is highly probable and the non-current asset, or disposal group, is available for immediate sale in its present condition. Non-current assets and disposal groups classified as held for sale are measured at the lower of net book value and the fair value less selling costs.

Financial assets

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.

Cash and cash equivalents Cash and cash equivalents comprise cash in hand and deposits which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less at acquisition, including money market deposits, commercial paper and investments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Financial liabilities

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

Taxation

Current tax is based on taxable profit for the year. Taxable profit is different from accounting profit due to temporary differences between accounting and tax treatments, and due to items that are never taxable or tax deductible. Tax benefits are not recognised unless it is probable that the tax positions are sustainable. Once considered to be probable, tax benefits are reviewed each year to assess whether a provision should be taken against full recognition of the benefit on the basis of potential settlement through negotiation and/or litigation. Tax provisions are included in current liabilities. Interest and penalties on tax liabilities are provided in the tax charge.

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

Significant accounting judgements

Keillour Castle is held in the balance sheet as at 31 March 2018 and 2017 at nil due to the uncertainty of recovering its value as the company does not currently own the legal title to the property. Judgement has been applied by the directors in estimating this recoverable value and a value may well be achieved once the legal title to the property has been obtained.

2. OPERATING COSTS

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
Other external charges (a)	**81,155**	134,470
Staff costs (see note 3)	**26,188**	61,801
Depreciation	**1,350**	750
	108,693	197,021

(a) **Other external charges**: maintenance charges of Keillour Castle £30,357 (2017 -£35,534), bank charges £19,941 (2017 -£1,435) and legal charges £17,332 (2017 -£14,051). Fees in respect of services provided by the auditor were: statutory audit £9,600 (2017 - £9,600). There were no fees payable to the auditor in respect of non-audit services (2017 - £nil).

None of the directors received any remuneration during the year in respect of their services as directors of the company (2017 - £nil).

(b) **Foreign exchange gain/(loss):** The foreign exchange gain of £266,582 (2017- foreign exchange loss of £1,145,653) arose on the intercompany balances with fellow group undertakings.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. EMPLOYEES

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

	Year ended 31 March 2018	Year ended 31 March 2017
Caretaker	1	3*

* Employed until September-16

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
Aggregate remuneration		
Wages and salaries	24,458	57,728
Employer's social security costs	1,730	4,073
	26,188	61,801

4. NET FINANCE INCOME/(CHARGE)

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
Interest income on deposits	31,178	-
Interest payable on loan from United Spirits Limited	(16,690)	(7,708)
	14,488	(7,708)

5. TAX ON PROFIT/LOSS

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
(a) Analysis of taxation credit for the year		
Current tax	-	-
Deferred tax		
Investment properties	702,224	14,009
Losses	(416,488)	416,488
Taxation on profit/(loss)	285,736	430,497

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. TAX ON PROFIT/LOSS (continued)

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
(b) Factors affecting total tax credit for the year		
Profit/(loss) before taxation	**189,421**	(1,350,382)
Taxation on profit/(loss) on ordinary activities at UK corporation tax rate of 19% (2017 - 20%)	**(35,990)**	270,076
Movement in unrecognised deferred tax assets	**111,953**	(37,438)
Difference in tax rates	-	(51,325)
Movement in indexation allowance on investment properties	-	53,799
Deferred tax asset recognised on brought forward losses	-	197,351
Non-deductible expenditure	**(3,909)**	(1,966)
Group relief claimed	**6,164**	-
Chargeable losses	**204,279**	-
Property timing differences	**3,239**	-
Total tax credit for the year	**285,736**	430,497

The UK tax rate reduced from 20% to 19% on 1 April 2017. A reduction to 17% (effective from 1 April 2020) was enacted in September 2016. The deferred tax liability (note 9) is calculated including the effect of these rate changes.

6. PROPERTY, PLANT AND EQUIPMENT

	Plant and equipment £	Vehicle £	Total £
Cost			
At 31 March 2017 and at 31 March 2018	**51,043**	**6,750**	**57,793**
Depreciation			
At 31 March 2017	(51,043)	(750)	(51,793)
Depreciation charge	-	(1,350)	(1,350)
At 31 March 2018	**(51,043)**	**(2,100)**	**(53,143)**
Carrying amount			
At 31 March 2017	-	6,000	6,000
At 31 March 2018	**-**	**4,650**	**4,650**

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INVESTMENT PROPERTIES

The company owns the beneficial interest, but not the legal title to Keillour Castle. Prior to 31 March 2017 this property was formerly held at its fair value in the balance sheet at £975,000. As the company does not own the legal title, which is an impediment to the disposal of the property, it was determined by management that a more appropriate fair value was nil. If legal title to the castle is obtained the fair value is estimated at £975,000.

8. ASSET HELD FOR SALE

The Hong Kong leasehold apartment was sold on 10 May 2017 for a consideration net of costs of HK$131 million (£13.1 million) to an unrelated third party, realising a gain of £17,044.

9. DEFERRED TAX ASSETS AND LIABILITIES

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

	Revaluation of investment properties £
As at 31 March2017 – deferred tax liability	(702,224)
Credit for the year	702,224
As at 31 March 2018	-

	Non trading loan relationship losses £
As at 31 March 2017	416,488
Charge for the year	(416,488)
As at 31 March 2018	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised, as follows:

	31 March 2018 £	31 March 2017 £
Property losses – indefinite	-	509,518
Capital losses on property	**2,500,000**	2,500,000
	2,500,000	3,009,518

10. TRADE AND OTHER RECEIVABLES

	31 March 2018 £	31 March 2017 £
Prepayments	-	3,110
	-	3,110

All amounts fall due within one year.

11. TRADE AND OTHER PAYABLES

	31 March 2018 £	31 March 2017 £
Amounts owed to fellow group undertakings	**3,475,145**	12,541,299
Accruals and deferred income	**11,532**	1,411,847
	3,486,676	13,953,146

A £200,000 balance due to the company's holding company was interest bearing and was paid back during the year ended 31 March 2018. Other than this balance all amounts owed to fellow group undertakings are interest free, unsecured and repayable on demand.

Accrual and deferred income includes accruals of £11,532 (2017- £13,854) and at 31 March 2017 deferred income in respect of the leasehold apartment in Hong Kong of £1,397,983.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. CALLED UP SHARE CAPITAL

Allotted, called up and fully paid:

	31 March 2018 and 31 March 2017 £
1,575,000 (2017 - 1,575,000) ordinary shares of £1 each	1,575,000

13. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking of the company is United Spirits Limited, a company incorporated and registered in India.

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

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

Independent auditors' report to the members of McDowell & Co. (Scotland) Limited

Report on the audit of the financial statements

Opinion

In our opinion, McDowell & Co. (Scotland) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 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 31 March 2018; the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Chrichmond

Christopher Richmond (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
10 May 2018