

# **Diageo Finance (Netherlands) & Co**

## **Financial statements 30 June 2011**

Registered number 4245744

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## **Directors' report**

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2011

### **Activities**

The company is an investment company From 5<sup>th</sup> April 2011, the company is acting as a holding company for Diageo US sub-group In addition, the company is involved in financing the US sub- group The results of the company and the development of its business are, therefore, influenced to a considerable extent by group financing requirements The company's operations are based in the United Kingdom

The functional currency of the company was pound sterling until 5 April 2011 On 5 April 2011, the company's activities and ownership structure changed significantly due to the acquisition of the US sub-group which gave rise to a change in the functional currency to US Dollar

### **Financial**

The results for the year ended 30 June 2011 are shown on page 5 The profit for the year transferred to reserves is \$45,364 thousand (2010 – \$nil)

The directors do not recommend the payment of a dividend for the year (2010 – \$nil).

As a result of the implementation of various restructuring projects during the year, investments and equity balances changed significantly The full movement in investments is described in Note 7 with changes in share capital & share premium shown in notes 9 and 10 respectively

### **Going concern**

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

## **Directors' report (continued)**

### **Directors**

The directors who held office during the year were as follows

S J Bolton	(appointed 1 April 2011)
C D Coase	(resigned 31 March 2011)
G P Crickmore	(appointed 4 April 2011)
C M Davies	(appointed 4 April 2011)
J A I Franco	(appointed 24 March 2011)
G Geiszl	(appointed 9 September 2010, resigned 4 April 2011)
D Heginbottom	(appointed 9 September 2010)
D A Mahlan	(resigned 13 December 2010)
N Makos	(appointed 4 April 2011)
A O M Manz	(resigned 1 September 2010)
S C Moore	(resigned 24 March 2011)
J J Nicholls	(appointed 4 April 2011)
M Pais	(resigned 4 April 2011)
A M Smith	
P D Tunnachiffe	

On 9 December 2011, M Khurana was appointed as director of the company.

### **Directors' remuneration**

None of the directors received any remuneration during the year in respect of their services as directors of the company (2010 – \$nil)

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor, KPMG Audit Plc, is willing to continue in office and will be deemed to be reappointed on the expiry of its term in office in respect of the year ended 30 June 2011

### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's 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

By order of the board



D Heginbottom  
Director  
Lakeside Drive  
Park Royal  
London NW10 7HQ

15 December 2011

**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 regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

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

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

## **Independent auditor's report to the members of Diageo Finance (Netherlands) & Co**

We have audited the financial statements of Diageo Finance (Netherlands) & Co for the year ended 30 June 2011 set out on pages 5 to 12. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2011 and of its profit/loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### **Opinion on other matter prescribed by the Companies Act 2006**

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

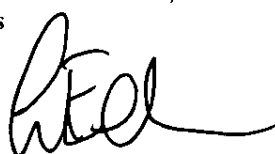
### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Lee Edwards (Senior Statutory Auditor)  
for and on behalf of KPMG Audit Plc, Statutory Auditor  
Chartered Accountants

15 Canada Square  
London E14 5GL  
15<sup>th</sup> December 2011



**Profit and loss account**

	<i>Notes</i>	<b>Year ended 30 June 2011 \$'000</b>	<b>Year ended 30 June 2010 \$'000</b>
Interest income	5	45,364	-
<b>Profit on ordinary activities before taxation</b>	1,2,3	45,364	-
Taxation on profit on ordinary activities	6	-	-
<b>Profit for the financial year</b>		45,364	-

There are no recognised gains and losses other than the result for the year and consequently a statement of total recognised gains and losses has not been presented as part of the financial statements

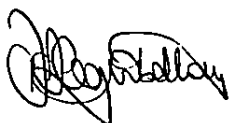
There is no difference between the results for the years shown in the profit and loss account and the results for the relevant years restated on an historical cost basis

All results arise from continuing operations

**Balance sheet**

	<i>Notes</i>	<b>30 June 2011 \$'000</b>	<b>30 June 2010 \$'000</b>
<b>Fixed assets</b>			
Investments	7	9,200,000	-
<b>Current assets</b>			
Debtors due within one year	8	45,367	1,566,000
Cash at bank and in hand		-	2
<b>Net current assets</b>		45,367	1,566,002
<b>Debtors: due after one year</b>	8	2,302,637	-
<b>Net assets</b>		11,548,004	1,566,002
<b>Capital and reserves</b>			
Called up share capital	9	5,630,572	1,566,000
Share premium account	10	5,872,066	-
Profit and loss account	10	45,366	2
<b>Shareholders' funds</b>	11	11,548,004	1,566,002

These financial statements on pages 5 to 12 were approved by the board of directors on 15 December 2011 and were signed on its behalf by



D Heginbottom  
*Director*

## **Accounting policies**

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

### **Basis of preparation**

The financial statements are prepared on a going concern basis under the historical cost convention and in accordance with applicable UK accounting standards

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. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard No 1 (Revised 1996)

The company is exempt under the terms of Financial Reporting Standard No 8 from disclosing related party transactions (but not balances) with entities that are part of the Diageo group ("group undertakings") or investees of the Diageo plc group. The consolidated financial statements of Diageo plc, within which this Company is included, can be obtained from the address given in note 12

The company is exempt from the requirement to prepare consolidated accounts under section 400 of the Companies Act 2006 as its results are included in the published consolidated financial statements of Diageo plc. These financial statements present information about the company as an individual undertaking and not about its group

### **Taxation**

Current tax, including UK corporation tax and overseas tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted at the balance sheet date. Any interest or penalties on tax liabilities are provided in the tax charge

### **Foreign currencies**

The functional currency of the company changed during the year from pound sterling to US Dollars due to changes in the assets, events and circumstances of the company

### **Fixed asset investments**

Income from fixed asset investments is credited to the profit and loss account when it is approved by the paying company. Investments are stated individually at cost less provision for impairment in value where such impairment is expected by the directors to be permanent



## **Notes to the financial statements**

### **1. Operating costs**

The auditor's remuneration was paid on behalf of the company by a fellow group undertaking. Fees in respect of services provided by the auditors were: Statutory audit \$6,440 (2010 - \$6,000)

### **2. Staff costs**

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

### **3. Directors' remuneration**

None of the directors received any remuneration during the financial year in respect of their services as directors of the company (2010 - \$nil)

### **4. Functional currency**

On 5 April 2011, the functional currency of the company changed from Pound Sterling to US Dollar. Up to that date, pound sterling was the functional currency of the company, as all the transactions were denominated in pound sterling. From 5 April 2011, the activities of and transactions undertaken by this company changed, together with the ownership structure and assets held. The company now owns Diageo Inc and its US subsidiaries, which are US incorporated and US managed. Accordingly, the nature and extent of such change to the secondary factors such as the financing and retention of operating income was considered significant enough to require a change of functional currency of this company.

Arising from the change in the functional currency, the reporting currency of the company was also changed from pound sterling to US Dollars. The 2010 comparatives have been re-presented in US Dollars as follows:

- The assets, liabilities and equity items have been translated at the GBP/USD rate of exchange prevailing at 30 June 2010 balance sheet date.

The rates of exchange used in the re-presentation of the comparatives of the company are as follows:

	<b>GBP/USD rate of exchange</b>
Exchange rate used to transfer balance sheet as at 5 April 2011	1.6064
Exchange rate used to transfer balance sheet as at 30 June 2010	1.5000

### **5. Interest income**

	<b>Year ended 30 June 2011 \$'000</b>	<b>Year ended 30 June 2010 \$'000</b>
Interest income on loans to fellow group undertakings	45,364	-

On 5<sup>th</sup> April 2011, the company acquired loan notes issued by Diageo Inc from UDVSJ Limited and earned interest on the various loan notes.

## Notes to the financial statements (continued)

### 6. Taxation

	Year ended 30 June 2011 \$'000	Year ended 30 June 2010 \$'000
<b>Factors affecting current tax credit for the year</b>		
Profit on ordinary activities before taxation	45,364	-
Taxation on profit on ordinary activities at UK corporation tax rate of 27.5% (2010 – 28%)	(12,476)	-
Group relief claimed for nil consideration	12,476	-
Current ordinary tax credit for the year	-	-

### 7. Fixed assets – investments

	Year ended 30 June 2011 \$'000	Year ended 30 June 2010 \$'000
<b>Cost and net book value</b>	9,200,000	-

The subsidiary undertakings and the percentage of equity owned by the company as at 30 June 2011

#### *Direct holdings:*

Subsidiary undertaking	Country of incorporation	Principal activity	Percentage and class of shares held
Diageo Inc	US	Investment holding company	100% of Class A Ordinary Shares

#### *Indirect holdings:*

Subsidiary undertakings			
Diageo Inc	US	Investment holding company	100% of Class B Ordinary Shares
Anyslam Investments	UK	Investment holding company	100% of Ordinary Shares
Diageo Overseas Holdings Limited	UK	Investment holding company	100% of Preference Shares
Irish Ale Breweries Holdings	Ire	Investment holding company	99.9% of Class A Ordinary Shares
California Simulcast Inc	US	Production, importing and marketing of premium drinks	80% of Ordinary Shares
Diageo North America, Inc	US	Production, importing and marketing of premium drinks	80% of Class A Ordinary Shares
Diageo Investment Corporation	US	Investment holding company	100% of Ordinary Shares

**Notes to the financial statements (continued)**

**7. Fixed assets – investments (continued)**

On 5 April 2011, the company purchased 11,942 Class A Ordinary shares of Diageo Inc for consideration of \$9,200,000,000, and held 85% ownership in Diageo Inc

On the same date, the company also held the remaining 15% of the ownership with 2218 Class B Ordinary shares in Diageo Inc through an indirect subsidiary

The investments in subsidiary undertakings are held at cost less, where appropriate, provision for impairment in value

In the opinion of the directors, the investment in and amounts due from the company's subsidiary undertakings are worth at least the amounts at which they are stated in the financial statements

**8. Debtors**

	30 June 2011		30 June 2010	
	Due within one year \$'000	Due after one year \$'000	Due within one year \$'000	Due after one year \$'000
Amounts owed by fellow group undertakings				
Anyslam Limited	-	-	1,566,000	-
Diageo Inc	-	2,302,637	-	-
Diageo Finance Plc	45,367	-	-	-
	<u>45,367</u>	<u>2,302,637</u>	<u>1,566,000</u>	<u>-</u>

During the year, amounts owed by fellow group undertakings were significantly impacted due to the commencement of the restructuring project. On 5 April 2011, the company acquired loan notes issued by Diageo Inc from UDVSJ Limited in consideration of \$2,302,637,604 (£1,433,414,843). Interest earned from 5 April 2011 to 30 June 2011 was deposited with Diageo Finance Plc.

The amounts owed by fellow group undertakings include \$45,366,792 at a floating rate of interest. All other amounts are at a fixed rate of interest.

**Notes to the financial statements (continued)**

**9. Share capital**

	<b>30 June 2011</b>	<b>30 June 2010</b>
	<b>\$'000</b>	<b>\$'000</b>
4,863,686,689 A ordinary shares of \$1 each	4,863,687	-
540,409,633 B ordinary shares of €1 each	766,885	-
1,000,000 A ordinary shares of £1 each	-	1,500
264,000,000 B ordinary shares of £1 each	-	396,000
778,000,000 C ordinary shares of £1 each	-	1,167,000
1,000,000 D ordinary shares of £1 each	-	1,500
	<u>5,630,572</u>	<u>1,566,000</u>

On 5 April 2011, the company reduced its issued share capital by cancelling all the GBP 'A B, C and D' ordinary shares of £1,044,000,000 (\$ 1,566,000,000) and issued 4,863,686,689 new 'A' ordinary shares of \$1 with a total nominal value of \$4,863,686,689

On the same date, the company also issued 540,409,633 'B' ordinary shares of €1 with a total nominal value of \$766,885,189 (€540,409,633)

**10. Reserves**

	<b>Share Premium</b>	<b>Profit and</b>	<b>Total</b>
	<b>account</b>	<b>loss account</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
At 30 June 2010	-	2	2
Share Premium	5,872,066	-	5,872,066
Profit for the year	-	45,364	45,364
At 30 June 2011	<u>5,872,066</u>	<u>45,366</u>	<u>5,917,432</u>

On 5 April 2011, the company reorganised its share capital into 'A' ordinary shares of \$1 with a total premium value of \$633,081,600 (£394,099,602) and received additional premium value of \$2,316,258,008 (£1,441,893,680) for the newly issued 'A' ordinary shares of \$1

On the same date, the company also received premium value of \$2,922,726,118 (€2,059,590,367) for the 'B' ordinary shares of €1.

**Notes to the financial statements (continued)**

**11. Reconciliation of movement in shareholders' funds**

	<b>30 June 2011</b>	<b>30 June 2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit on ordinary activities after taxation	45,364	-
New share capital issued	5,630,572	-
New share premium	5,872,066	-
Share capital cancelled	(1,566,000)	-
	<hr/>	<hr/>
<b>Net addition to shareholders' funds</b>	9,982,002	-
Shareholders' funds at the beginning of the year	1,566,002	1,566,002
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<b>Shareholders' funds at the end of the year</b>	11,548,004	1,566,002
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**12. Immediate and ultimate parent undertaking**

The immediate parent undertakings of the company are Diageo Finance Amsterdam & Co and Diageo France SNC, incorporated and registered in England and France respectively

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