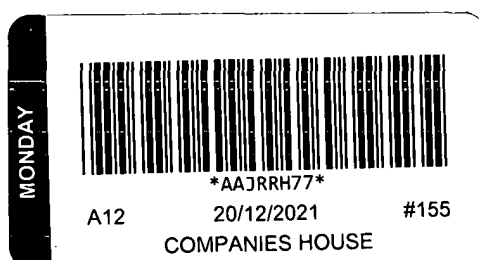


**Diageo US Investments (unlimited company)**  
**Annual report and financial statements**  
**30 June 2021**

Registered number: 05666069



**Diageo US Investments (unlimited company)**

**Registered number: 05666069**

**Year ended 30 June 2021**

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**Diageo US Investments (unlimited company)**

**Registered number: 05666069**

**Year ended 30 June 2021**

**STRATEGIC REPORT**

The directors present their strategic report for the year ended 30 June 2021.

**Activities**

The company acts as a financing vehicle for the Diageo group ("the group"). Previously, the company acted as investment holding company, up until the year ended 30 June 2020, during which all of the company's wholly owned subsidiaries were sold.

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

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

**Business review**

*Development and performance of the business of the company during the financial year and position of the company as at 30 June 2021*

During the year ended 30 June 2020, the company sold its investment in Diageo US Holdings, the former wholly owned subsidiary undertaking of the company. Before the sale, Diageo US Holdings distributed a dividend of \$12,626,399,000 and a dividend in specie in the amount of \$26,460,129,000 to the company. As a result of the receipt of the dividend in specie, the company's investment in Diageo US Holdings was impaired by \$10,592,287,000. To the extent that the impairment on the investment the company held in Diageo US Holdings was recognised in the income statement, a corresponding amount was released from other comprehensive income (that had earlier been recognised in relation to the dividend in specie) to the income statement, as it was deemed realised to the extent of the impairment.

After the sale of the company's investment, the activity of the company changed to act as financing entity for the Diageo group. The company recognised interest income in respect of its intercompany loan receivable. As a result, the profit before tax for the year ended 30 June 2021 decreased by \$2,041,495,000 from \$2,041,691,000 to \$196,000. A taxation credit on profit for the year ended 30 June 2021 of \$3,165,000 was recognised due to a reversal of a brought forward tax provision in the amount of \$3,130,000.

*Financial and other key performance indicators*

As the company acts as a financing vehicle in the group, the company's performance is measured based on the adherence to the group's intercompany funding policy and the group dividend policy.

*Principal risks and uncertainties facing the company as at 30 June 2021*

The principal risks identified by the group are disclosed on page 45 to 48 of Diageo plc's 2021 Annual Report. The most relevant of the group risks to this entity are the ones we have selected and articulated below, together with specific considerations relating to the company's operations and environment. 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. The directors consider that the following risks might impact the performance and the solvency or liquidity of the company through its intercompany financing structure.

**Diageo US Investments (unlimited company)**

**Registered number: 05666069**

**Year ended 30 June 2021**

**STRATEGIC REPORT (continued)**

**Business review (continued)**

*Principal risks and uncertainties facing the company as at 30 June 2021 (continued)*

*Pandemics*

Global outbreak of a public health threat or fear of such an event could result in increased government restrictions and regulations including the shutdown of the on-trade, restrictions to travel, and quarantining of employees resulting in a negative impact to consumer demand, or a slowdown or halting of the group business operations due to supply or logistic constraints and could adversely impact the group financial performance. 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 have assessed that the key impacts from the Covid-19 pandemic on the company would be in respect of any change in credit risk impacting the valuation of intercompany receivables and the effect of Covid-19 on remote working and ability to access IT systems, along with a potentially heightened cyber risk.

The directors believe that the risk mitigation actions taken by the group in relation to the Covid-19 pandemic, which incorporate those taken on behalf of the company, have been agile and effective and that the group will maintain adequate liquidity and be strongly positioned for a recovery in consumer demand. During the year, the group took actions to protect the business and support Diageo partners and communities. Further information is disclosed on pages 45 to 48 of Diageo plc's 2021 Annual Report.

*Brexit*

The European Union and the United Kingdom have agreed the EU-UK Trade and Cooperation Agreement which fully came into force on 1 May 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 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.

*Climate change*

Considering that the company forms part of the group's financial operations, the probability of climate change related risks having a significant and direct impact on the activities and operation of the company is considered to be remote. The directors believe that the risk mitigation actions taken in relation to climate risk by the group are appropriate measures in managing direct or indirect risks posed by climate change. Based on the climate risk assessment performed by the group, the risk attached to the recoverability of intercompany receivables is considered to be remote. Further information on the group's actions to mitigate climate change are disclosed on page 46 of Diageo plc's 2021 Annual Report.

**Diageo US Investments (unlimited company)**

**Registered number: 05666069**

**Year ended 30 June 2021**

**STRATEGIC REPORT (continued)**

*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 (the "group") whose ultimate holding company is Diageo plc ("Diageo"). In accordance with the requirements of UK company law, Diageo has included in its 2021 Annual Report and accounts on page 7 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.

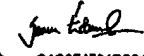
In order to ensure consistency in how the group operates with regard to its wider stakeholders, the group has adopted an internal Code of Business Conduct alongside a comprehensive framework of global policies and standards that are designed to ensure, amongst other things, that all companies throughout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

*Main activities of the Board*

The activities of the Board during the year include approval of the financial statements for the year ended 30 June 2020.

On behalf of the Board

DocuSigned by:  
  
C4C8F1784FCB48C

J M C Edmunds  
Director

Lakeside Drive  
Park Royal  
London  
NW10 7HQ

3 December 2021

**Diageo US Investments (unlimited company)**

**Registered number: 05666069**

**Year ended 30 June 2021**

**DIRECTORS' REPORT**

The directors are pleased to submit their annual report, together with the audited financial statements for the year ended 30 June 2021.

**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 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 a period of at least 12 months from the date the financial statements are approved and signed. 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 pandemic may have on the company and believe that any impact would be minimal.

**Financial**

The result for the year ended 30 June 2021 is shown on page 12.

The profit for the year transferred to reserves was \$3,361,000 (2020 - \$2,033,812,000) and the other comprehensive income for the year was \$nil (2020 - \$15,917,841,000).

Dividends paid during the year ended were \$nil (2020 - \$33,778,456,000).

**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

C M Lewin (appointed 1 August 2020 and resigned 30 September 2021)

V Rao (resigned 1 May 2021)

P Viswanathan (resigned 1 August 2020)

K E Major

C-L Jordan (appointed 1 May 2021)

I Thrustle (appointed 30 September 2021)

**Directors' remuneration**

None of the directors received any remuneration during the year in respect of their services as directors of the company (2020 - \$nil). The directors were paid by fellow group undertakings, and no cost was recharged to 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 financial year, nor is any currently in force.

**Diageo US Investments (unlimited company)**  
**Registered number: 05666069**  
**Year ended 30 June 2021**

**DIRECTORS' REPORT (continued)**

**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 2021 on page 97 at [www.diageo.com](http://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**

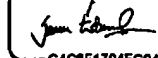
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**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.

On behalf of the Board

DocuSigned by:



CAC8F1784FC848C

J M C Edmunds  
*Director*

Lakeside Drive  
Park Royal  
London  
NW10 7HQ

3 December 2021

**Diageo US Investments (unlimited company)**

**Registered number: 05666069**

**Year ended 30 June 2021**

**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 Diageo US Investments (unlimited company)

## Report on the audit of the financial statements

### Opinion

In our opinion, Diageo US Investments (unlimited company)'s financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2021 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 2021; the income statement, the statement of comprehensive income, and 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## **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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to but were not limited to, UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results, and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Discussions with the directors, management and internal legal counsel, including inquiry regarding known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing relevant board of directors meeting minutes;
- Challenging assumptions and judgements made by management in their significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In particular, in relation to the recoverability of the amounts owed by fellow group undertakings; and
- As in all of our audits we also addressed the risk of management override of internal controls, including testing journals, and evaluated whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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](http://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.

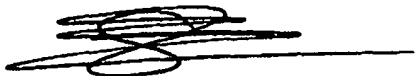
## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

- we have not obtained 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.

A handwritten signature in black ink, appearing to be 'Steve Reid', with a horizontal line drawn underneath it.

Steve Reid (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
3 December 2021

**Diageo US Investments (unlimited company)**  
**Registered number: 05666069**  
**Year ended 30 June 2021**

**INCOME STATEMENT**

	Notes	Year ended 30 June 2021 \$ 000	Year ended 30 June 2020 \$ 000
Operating costs	2	(1)	(1)
Income from shares in group undertakings	3	—	12,632,755
Provision against subsidiary undertakings	3	—	(10,592,287)
<b>Operating (loss) / income</b>		<b>(1)</b>	<b>2,040,467</b>
Finance income	4	197	1,224
<b>Profit before taxation on ordinary activities</b>		<b>196</b>	<b>2,041,691</b>
Taxation on profit on ordinary activities	5	3,165	(7,879)
<b>Profit for the financial year</b>		<b>3,361</b>	<b>2,033,812</b>

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

**Diageo US Investments (unlimited company)**  
**Registered number: 05666069**  
**Year ended 30 June 2021**

**STATEMENT OF COMPREHENSIVE INCOME**

	Notes	Year ended 30 June 2021 \$ 000	Year ended 30 June 2020 \$ 000
<b>Profit for the financial year</b>		<b>3,361</b>	<b>2,033,812</b>
<b>Other comprehensive income</b>			
<b>Items that will not be recycled subsequently to the income statement</b>			
Dividend in specie	3	—	15,867,842
Gain on sale of investments	6	—	49,999
<b>Other comprehensive income for the year, net of tax</b>		<b>—</b>	<b>15,917,841</b>
<b>Total comprehensive income for the year</b>		<b>3,361</b>	<b>17,951,653</b>

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

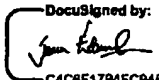
**Diageo US Investments (unlimited company)**  
**Registered number: 05666069**  
**Year ended 30 June 2021**

# **BALANCE SHEET**

	Notes	30 June 2021 \$ 000	30 June 2020 \$ 000
<b>Non-current assets</b>			
Trade and other receivables	7	48,077	47,934
		<u>48,077</u>	<u>47,934</u>
<b>Current assets</b>			
Trade and other receivables	7	14,140	18,840
Cash and cash equivalents		6	7
		<u>6</u>	<u>7</u>
<b>Total assets</b>		<u><b>62,223</b></u>	<u><b>66,781</b></u>
<b>Current liabilities</b>			
Trade and other payables	8	—	(4,789)
Corporate tax payable	5	—	(3,130)
		<u>—</u>	<u>(7,919)</u>
<b>Total liabilities</b>		<u><b>—</b></u>	<u><b>(7,919)</b></u>
<b>Net assets</b>		<u><b>62,223</b></u>	<u><b>58,862</b></u>
<b>Equity</b>			
Called up share capital	9	—	—
Retained earnings		62,223	58,862
		<u>62,223</u>	<u>58,862</u>
<b>Total equity</b>		<u><b>62,223</b></u>	<u><b>58,862</b></u>

The accounting policies and other notes on pages 16 to 22 form part of the financial statements.

These financial statements on pages 12 to 22 were approved by the Board on 3 December 2021 and were signed on its behalf by:

DocuSigned by:  
  
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**J M C Edmunds**  
*Director*

**Diageo US Investments (unlimited company)**  
**Registered number: 05666069**  
**Year ended 30 June 2021**

**STATEMENT OF CHANGES IN EQUITY**  
**ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY**

	<b>Called up share capital \$ 000</b>	<b>Share premium \$ 000</b>	<b>Retained earnings \$ 000</b>	<b>Total \$ 000</b>
<b>Balance at 30 June 2019</b>	<b>9,612,725</b>	<b>194,486</b>	<b>1,567,504</b>	<b>11,374,715</b>
Profit for the year	—	—	2,033,812	2,033,812
Other comprehensive income	—	—	15,917,841	15,917,841
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>17,951,653</b>	<b>17,951,653</b>
Shares issued	1,521,305	—	(1,521,305)	—
Share premium on share issued	—	4,510,950	—	4,510,950
Capital reduction	(11,134,030)	(4,705,436)	15,839,466	—
Dividends to shareholders	—	—	(33,778,456)	(33,778,456)
<b>Balance at 30 June 2020</b>	<b>—</b>	<b>—</b>	<b>58,862</b>	<b>58,862</b>
Profit for the year and other comprehensive income for the year	—	—	3,361	3,361
<b>Balance at 30 June 2021</b>	<b>—</b>	<b>—</b>	<b>62,223</b>	<b>62,223</b>

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



**Diageo US Investments (unlimited company)**  
**Registered number: 05666069**  
**Year ended 30 June 2021**

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

**Diageo US Investments (unlimited company)**  
**Registered number: 05666069**  
**Year ended 30 June 2021**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **1. ACCOUNTING POLICIES (continued)**

#### **Basis of preparation (continued)**

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 2020 with no impact on the company's results, financial position or disclosures:

- Amendments to References to the Conceptual Framework in IFRSs;
- Amendments to IFRS 3 - Definition of a Business;
- Amendments to IAS 1 and IAS 8 - Definition of Material;
- Amendments to IFRS 16 - Covid-19 - Related Rent Concessions;
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform (phase 1);
- Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement.

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 2)

#### **Functional and presentational currency**

These financial statements are presented in US dollar (\$), which is the company's functional currency.

All financial information presented in US dollar (\$) has been rounded to the nearest nearest thousand unless otherwise stated.

#### **Finance income**

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

#### **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.

**Diageo US Investments (unlimited company)**  
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**Year ended 30 June 2021**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **1. ACCOUNTING POLICIES (continued)**

**Cash and cash equivalents** Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

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

#### **Taxation**

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

#### **Judgements in applying accounting policies and key sources of estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There is no critical accounting policy, which the directors consider is of greater complexity and particularly subject to the exercise of judgements and estimates.

### **2. OPERATING COSTS**

Other external charges include bank charges of \$1,000 (2020 - \$1,000).

The auditors' remuneration of \$4,725 (2020 - \$3,150) was paid on behalf of the company by a fellow group undertaking. There were no fees payable to the independent auditors in respect of non-audit services (2020 - \$nil).

None of the directors received any remuneration during the financial year in respect of their services as directors of the company (2020 - \$nil). The directors were paid by fellow group undertakings, and no cost was recharged to the company.

**Diageo US Investments (unlimited company)****Registered number: 05666069****Year ended 30 June 2021****NOTES TO THE FINANCIAL STATEMENTS (continued)****3. INCOME FROM SHARES IN GROUP UNDERTAKINGS**

	Year ended 30 June 2021 \$ 000	Year ended 30 June 2020 \$ 000
<b>Dividend income from shares in group undertakings</b>		
Diageo Hungary Finance Limited Liability Company	—	6,356
Diageo US Holdings	—	12,626,399
	<u>—</u>	<u>12,632,755</u>
<b>Dividend in specie recognised in other comprehensive income</b>		
Diageo US Holdings	—	26,460,129
Other comprehensive income - released subsequently the income statement	—	(10,592,287)
	<u>—</u>	<u>15,867,842</u>

During the year ended 30 June 2020 the company received a dividend in specie from its subsidiary undertaking of \$26,460,129,000, which was 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 Netherlands B.V., the company's parent company. As a result of the receipt of the dividend in specie of \$26,460,129,000, the company's investment in Diageo US Holdings was impaired by \$10,592,287,000, and an amount equal to this was released from other comprehensive income to the income statement, as it was deemed realised to the extent of the impairment.

**4. FINANCE INCOME**

	Year ended 30 June 2021 \$ 000	Year ended 30 June 2020 \$ 000
<b>Interest</b>		
Interest from fellow group undertakings		
Diageo Finance plc	197	624
Diageo US Holdings	—	600
<b>Finance income</b>	<u>197</u>	<u>1,224</u>

**Diageo US Investments (unlimited company)**  
**Registered number: 05666069**  
**Year ended 30 June 2021**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

	Year ended 30 June 2021 \$ 000	Year ended 30 June 2020 \$ 000
<b>(a) Analysis of taxation credit/(charge) for the year</b>		
<b>Current tax</b>		
UK corporation tax	3,130	(5,845)
Adjustments in respect of prior years	35	(2,034)
<b>Total current tax</b>	<u>3,165</u>	<u>(7,879)</u>
<b>Deferred tax</b>	<u>—</u>	<u>—</u>
<b>Taxation on profit on ordinary activities</b>	<u><u>3,165</u></u>	<u><u>(7,879)</u></u>
	Year ended 30 June 2021 \$ 000	Year ended 30 June 2020 \$ 000
<b>(b) Factors affecting total tax credit/(charge) for the year</b>		
Profit on ordinary activities before taxation	<u>196</u>	<u>2,041,691</u>
Taxation on profit on ordinary activities at UK corporation tax rate of 19% (2020 - 19%)	(37)	(387,921)
Expenses not deductible for tax purposes	—	(2,012,534)
Items not chargeable for tax purposes	—	2,400,223
Group relief received for nil consideration	(807)	17
Adjustments in respect of prior periods	35	(2,034)
Foreign income subject to UK tax	—	(4,789)
Provision for uncertain tax positions	3,130	(1,056)
Other tax effects for reconciliation between accounting profit and tax income	844	215
<b>Total tax credit/(charge) for the year</b>	<u><u>3,165</u></u>	<u><u>(7,879)</u></u>

The UK corporation tax rate for the year ended 30 June 2021 is 19% which has been effective since 1 April 2017. In the Spring Budget 2021, the UK Government announced an increase in the corporation tax rate to 25% which will apply from 1 April 2023. The legislation increasing the tax rate to 25% rate was substantively enacted on 24 May 2021.

Other tax effects for reconciliation between accounting profit and tax income consists of transfer pricing adjustments in respect of intercompany loan relationships.

In the prior year, the company had a provision of \$3,130,000 for a corporation tax liability relating to certain intercompany financing arrangements. This has been reassessed in the current year and has been released in full as it is no longer considered necessary following a review by HMRC of the intercompany financing arrangements (Note 10).

**Diageo US Investments (unlimited company)**  
**Registered number: 05666069**  
**Year ended 30 June 2021**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **6. GAIN ON SALE OF INVESTMENT**

	30 June 2021 \$ 000	30 June 2020 \$ 000
Diageo Hungary Finance Limited Liability Company	—	49,999
	<u>—</u>	<u>49,999</u>

On 12 December 2019 the company sold 100% of the share capital of Diageo Hungary Finance Limited Liability Company for a consideration of \$5,314,230,000 to a fellow group undertaking and recognised a gain of \$49,999,000 through other comprehensive income, as the gain was determined to be unrealised to the extent the amount received did not meet the definition of qualifying consideration. However, the unrealised gain was treated as realised for the purposes of the onward distribution of the consideration received during the year-ended 30 June 2020.

### **7. TRADE AND OTHER RECEIVABLES**

	30 June 2021		30 June 2020	
	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				
Diageo Finance plc	14,140	48,077	18,840	47,934
	<u>14,140</u>	<u>48,077</u>	<u>18,840</u>	<u>47,934</u>

The amounts owed by Diageo Finance plc are loans which are unsecured, repayable on demand and bear interest at a floating rate.

Amounts owed by fellow group undertakings represent transactions with companies in the group with which the company has a long term financing relationship. The financing relationships are expected to continue for the foreseeable future. In the prior year, certain amounts owed by fellow group undertakings are reclassified to current assets due after one year as they are not expected to be repaid in the foreseeable future. Amounts owed by group undertakings are considered to have a fair value which is not materially different to the book value.

**Diageo US Investments (unlimited company)****Registered number: 05666069****Year ended 30 June 2021****NOTES TO THE FINANCIAL STATEMENTS (continued)****8. TRADE AND OTHER PAYABLES**

	30 June 2021	30 June 2020
	\$ 000	\$ 000
Amounts owed to fellow group undertakings		
Diageo Scotland Ltd	—	4,789
	<u>—</u>	<u>4,789</u>

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

The amount owed to Diageo Scotland Limited was in respect of corporate tax paid on behalf of the company in the previous year and was settled full in the current financial year.

**9. SHARE CAPITAL**

*Allotted, called up and fully paid:*

	30 June 2021
	\$
1 (2020 - 1) ordinary share of £1 each 1.3147/£	<u>1</u>

**10. CONTINGENT LIABILITIES**

In April 2019, the European Commission issued its decision in a state aid investigation into the Group Financing Exemption in the UK controlled foreign company (CFC) rules. In common with other UK-based international companies whose arrangement are in line with the UK CFC legislation, the company was considered potentially impacted by the ultimate outcome of this investigation. In the prior year, the company had estimated its maximum potential liability to be approximately £92 million, if the decision of the European Commission were to be upheld. However, in February 2021, HMRC confirmed that they have completed their review of the specific facts relating to the company and that the company was not a beneficiary of state aid and that no assessment would be issued. Therefore, as at 30 June 2021, the company no longer has any potential liability contingent on this investigation and therefore the provision has been fully released.

**11. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING**

The immediate parent undertaking of the company is Diageo Holdings Netherlands B.V., a company incorporated and registered in the Netherlands.

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