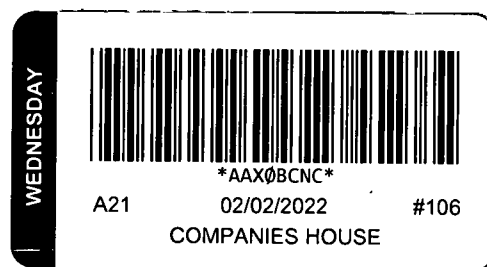


Diageo Distribution Company Limited
Directors' report and financial statements
30 June 2021

Registered number: 12144183



Diageo Distribution Company Limited
Registered number: 12144183
Year ended 30 June 2021

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Diageo Distribution Company Limited

Registered number: 12144183

Year ended 30 June 2021

DIRECTORS' REPORT

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

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 and business review

The company acts as a distributor for Santiago de Cuba rum on behalf of the Diageo group ("the group"), and owns the exclusive rights to distribute and market the brand in the United Kingdom and all over the world. The company entered into an agreement with a fellow group company, Justerini & Brooks Limited, who acts as the sub-distributor of the brand. The sub-distributor is entitled to earn a fixed margin on distribution of Santiago de Cuba rum. Excess profit or loss is recharged to the company at the end of each financial year. The brand was recently introduced to the UK market, and therefore the company is currently generating a loss as upfront investment behind the brand has been greater than the turnover generated. In the prior year the total turnover was related to a single initial purchase of the product. During the current year, the brand has gone through a redevelopment and redesign, which impacted the distribution of product and resulted in a significant reduction to turnover. However, the directors expect that the business will become profitable in future years.

The company also acts as an agent for Ron Santiago S.A, a fellow group company, and facilitates the dry material purchases. The company does not recognise any income on this activity and the associated income and costs, which are fully reimbursed by Ron Santiago S.A, are presented net in the statement of comprehensive income.

The directors foresee no changes in the company's activities. The company is incorporated and domiciled as a private company limited by shares in England, the United Kingdom. The registered address is Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom.

Going concern

The company's parent is expected to provide financial support for the foreseeable future. The company is not reliant on external third-party financing. 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 as a fellow group undertaking has agreed its policy to provide financial support for this period. 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 results for the year ended 30 June 2021 are shown on page page 11.

The loss for the year ended 30 June 2021 transferred to reserves was £2,021,386 (2020 – loss of £20,459).

No dividend was paid during the financial period (2020 - £nil) and there is no dividend proposed to be distributed to the shareholders in regard to the financial period (2020 - £nil).

Diageo Distribution Company Limited

Registered number: 12144183

Year ended 30 June 2021

DIRECTORS' REPORT (continued)

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

R J Henderson

H Patel

Directors' remuneration

None of the directors received any remuneration during the financial period 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 period, nor is any currently in force.

Internal control and risk management over financial reporting

The company operates under the financial reporting processes and controls of the group. The internal control and risk management systems over the financial reporting process of Diageo plc, which include those of the company, are discussed in the group's Annual Report 2021 on page 97 at www.diageo.com, which does not form part of this report.

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 operation 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.

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.

Diageo Distribution Company Limited
Registered number: 12144183
Year ended 30 June 2021

DIRECTORS' REPORT (continued)

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

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 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 remain 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 page 46 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 distribution structure, 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 low. 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 held by the company 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.

Changes in consumer preferences and tastes

Products sold by the company are a rare and collectable Cuban rum. Consumer preferences may shift due to a variety of factors including changes in demographic and social trends, and changes in the economic environment.

Inability to increase the market share of the company

The company may have difficulty in gaining market share, and to adapt its products to consumer preferences, thereby threatening revenue, profitability and growth ambitions. The company mitigates this challenge by investing in advertising and promotion, and by exploring new markets.

The company faces competition that may reduce its market share and margins.

The company faces substantial competition from several international companies as well as local and regional companies in the United Kingdom. Increased competition and unanticipated actions by competitors or customers could lead to downward pressure on prices and/or a decline in the company's market share in any of its product

Diageo Distribution Company Limited
Registered number: 12144183
Year ended 30 June 2021

DIRECTORS' REPORT (continued)

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

The company faces competition that may reduce its market share and margins (continued).

variants, which would adversely affect the company's results and hinder its growth potential.

Regulatory decisions and changes in the legal and regulatory environment could increase the company's costs and liabilities or limit its business activities.

The company's operations, including those linked to its supplier, are subject to extensive regulatory requirements, which include those in respect of product liability, distribution, marketing, promotion, labelling, advertising, labour, pensions, excise tax and environmental issues. Changes in laws, regulations or governmental policy could cause the company to incur material additional costs or liabilities that could adversely affect its business, predominantly in respect of changes in tax law (including tax rates) which could materially reduce the company's reported after tax profit.

Breach of data privacy laws or regulations could harm the trust and/or reputation of the company, its brand or people and could significantly restrict the company's ability to deliver its digital productivity and growth plans.

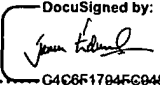
Independent auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors, PricewaterhouseCoopers LLP, have been appointed as 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.

On behalf of the Board

DocuSigned by:

.....G4C6F1704FC048G.....
J M C Edmunds
Director

Lakeside Drive
Park Royal
London
United Kingdom
NW10 7HQ

17 December 2021

Diageo Distribution Company Limited
Registered number: 12144183
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 Distribution Company Limited

Report on the audit of the financial statements

Opinion

In our opinion, Diageo Distribution Company Limited'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 loss 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 Directors' report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 30 June 2021; 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 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.

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 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 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 amounts owed by fellow group undertakings and other debtors; 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. 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.

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: prepare financial statements in accordance with the small companies regime; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

A handwritten signature in black ink, appearing to be 'Steve Reid', is written over a horizontal line.

Steve Reid (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

17 December 2021

Diageo Distribution Company Limited
Registered number: 12144183
Year ended 30 June 2021

STATEMENT OF COMPREHENSIVE INCOME

		Year ended 30 June 2021 £000	Year ended 30 June 2020 £000
	Notes		
Turnover	2	62	1,027
Cost of sales		(62)	(517)
Gross profit		-	510
Marketing expenses		(83)	(355)
Other operating expenses	3	(2,565)	(399)
Operating loss		(2,648)	(244)
Other income	4	176	177
Finance charges		(64)	-
Loss before taxation		(2,536)	(67)
Taxation on loss on ordinary activities	5	515	47
Loss for the financial period and total comprehensive expense for the period		(2,021)	(20)

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

The company had no other comprehensive income or expense during the current financial period.

Diageo Distribution Company Limited
Registered number: 12144183
Year ended 30 June 2021

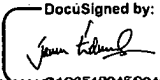
BALANCE SHEET

		30 June 2021	30 June 2020
		£000	£000
	Notes		
Non - current assets			
Intangible assets	6	18	-
Trade and other receivables	7	160	-
		<u>178</u>	<u>-</u>
Current assets			
Trade and other receivables	7	1,851	938
Cash and cash equivalents		926	612
		<u>2,777</u>	<u>1,550</u>
Total assets		<u>2,955</u>	<u>1,550</u>
Current liabilities			
Trade and other payables	8	(3,999)	(573)
Total liabilities		<u>(3,999)</u>	<u>(573)</u>
Net (liabilities)/assets		<u>(1,044)</u>	<u>977</u>
Equity			
Called up share capital	9	-	-
Share premium		997	997
Retained deficit		(2,041)	(20)
Total equity		<u>(1,044)</u>	<u>977</u>

The accounts have been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime.

The accounting policies and other notes on pages 14 to 21 form part of the financial statements.

These financial statements on pages 11 to 21 were approved by the Board of directors on 17 December 2021 and were signed on its behalf by:

DocuSigned by:

C4C8F1794FC948C.....
J M C Edmunds
Director

Diageo Distribution Company Limited**Registered number: 12144183****Year ended 30 June 2021****STATEMENT OF CHANGES IN EQUITY****ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY**

	Called up share capital £000	Share premium £000	Retained deficit £000	Total £000
Balance at 7 August 2019	—	997	—	997
Loss for the financial period	—	—	(20)	—
Balance at 30 June 2020	—	997	(20)	977
Loss for the financial period	—	—	(2,021)	(2,021)
Balance at 30 June 2021	—	997	(2,041)	(1,044)

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

Diageo Distribution Company Limited
Registered number: 12144183
Year ended 30 June 2021

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.

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); and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- The following paragraphs of IAS 8, 'Accounting policies, changes in accounting estimates and errors':
 - 30 (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
 - 31 (disclosures relating to the new IFRS).
- Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets' (disclosures when the recoverable amount is fair value less costs of disposal, assumptions involved in estimating recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives, and management's approach to determining these amounts).
- The following paragraphs of IAS 24 'Related party disclosures':
 - Paragraph 17 of IAS 24, (key management compensation).
 - Paragraph 18A of IAS 24, 'Related party disclosures', related to key management services provided by a separate management entity.

Diageo Distribution Company Limited

Registered number: 12144183

Year ended 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

- The requirements of IFRS 7 Financial Instruments: Disclosures, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- Paragraphs 110, 113(a), 114, 115, 118, 119(a) to 119(c), 120 to 127, and 129 of IFRS 15 'Revenue from contracts with customers' (disclosures on contract with customers, on significant judgements, and changes in the judgements, and on assets recognised from the costs to obtain or fulfil a contract with a customer).

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)

Going concern

The financial statements have been prepared on a going concern basis as a fellow group undertaking has agreed its policy is to provide financial support for a period of at least 12 months from the date the financial statements are approved and signed.

Functional and presentational currency

These financial statements are presented in pound sterling (£), which is the company's functional currency. All financial information presented in pound sterling has been rounded to the nearest thousand unless otherwise stated.

Diageo Distribution Company Limited
Registered number: 12144183
Year ended 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Turnover

Turnover comprises revenue from the sale of goods which occurs as part of a back to back transaction alongside the purchase of goods for sale. Revenue from the sale of goods excludes amounts collected on behalf of third parties, such as value added tax. Sales are recognised as or when performance obligations are satisfied by transferring control of a good or service to the customer. Generally, the transfer of control of goods occurs at the time of dispatch but in the case of wholesale customers may be on delivery to customers. The company includes in sales the net consideration to which it expects to be entitled. Sales are recognised to the extent that it is highly probable that a significant reversal will not occur. Therefore, sales are stated net of expected price discounts, allowances for customer loyalty and certain promotional activities and similar items. Generally, payment of the transaction price is due within credit terms that are consistent with industry practices, with no element of financing.

The company also acts as an agent for Ron Santiago S.A, a fellow group company, and facilitates the dry material purchases. The company does not recognise any income on this activity and the associated income and costs, which are fully reimbursed by Ron Santiago S.A, are presented net in the statement of comprehensive income.

Cost of sales

Cost of sales represents the cost of the inventory sold during the year.

Marketing expenses

Marketing expenditure, such as advertising costs, points of sale materials and sponsorship payments, are charged to the statement of comprehensive income within marketing expenses when the company has the right of access to the goods or services acquired.

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. Allowance 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.

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.

Diageo Distribution Company Limited**Registered number: 12144183****Year ended 30 June 2021****NOTES TO THE FINANCIAL STATEMENTS (continued)****1. ACCOUNTING POLICIES (continued)****Trade and other payables**

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

Taxation

Current tax is based on taxable profit for the period. 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.

Judgements in applying accounting policies and key sources of estimation uncertainty

The directors make estimates and judgements concerning the future of the company. The resulting accounting estimates will, by definition, seldom equate to actual results. The company's directors are of the opinion that there are no estimates and assumptions that have a significant risk of casting material adjustment to the carrying value of the assets and liabilities for the company within the next financial year due to the nature of the business. 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. TURNOVER

The turnover and loss before taxation are attributable to one class of business, which is the distribution of Santiago de Cuba Rum.

Geographical analysis of turnover

	Year ended 30 June 2021 £000	Year ended 30 June 2020 £000
United Kingdom	62	1,027
Total turnover	62	1,027

The total turnover consists of sales to Justerini & Brooks Limited, a fellow group undertakings. The finished product is sold at a fixed margin, in accordance with the sub-distributor agreement. The product is still in its introduction phase into the UK market, and in the prior year the total turnover was related to a single initial purchase of the product. During the current year, the brand has gone through a redevelopment and redesign, which impacted the distribution of product and resulted in a significant reduction to turnover.

The company also acts as an agent for Ron Santiago S.A, a fellow group company, and facilitates the dry material purchases. The company does not recognise any income on this activity and the associated income and costs, which are fully reimbursed by Ron Santiago S.A, are presented net in the statement of comprehensive income.

The total value of the goods, including shipping, purchased on behalf of Ron Santiago S.A, and the associated income generated, during the year was £397,972.

Diageo Distribution Company Limited**Registered number: 12144183****Year ended 30 June 2021****NOTES TO THE FINANCIAL STATEMENTS (continued)****3. OTHER OPERATING EXPENSES**

	Year ended 30 June 2021 £000	Year ended 30 June 2020 £000
Other operating expenses	2,565	399
Comprising:		
Staff cost recharges	382	205
Indirect cost recharges	6	176
Audit fee	14	15
Intercompany charges	2,145	-
Net foreign exchange losses	3	-
Other costs	15	3
	2,565	399

Other operating expenses include recharged salaries, pension and other staff related miscellaneous costs of £388,000 (2020 - £381,000), recharged professional fees of £10,000 (2020 - £nil), software depreciation of £3,200 (2020 - £nil) and other costs reimbursed in relation of distribution of Ron Santiago de Cuba Rum to Justerini & Brooks Limited of £2,145,000 (£591,000 transfer pricing adjustments, £1,077,000 marketing cost and £477,000 of other operating costs).

The company did not employ any direct staff during the current financial period.

The auditors' remuneration for the period was £13,500 (2020 - £15,000). There were no fees payable to the auditors in respect of non-audit services.

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.

4. OTHER INCOME

The company purchased barrels from a fellow group company, Diageo Scotland Limited, for £75,795 (2020 - £176,732) and sold them to a third party company, Corporación Cuba Ron S.A., for £251,665 (2020 - £353,520). The £175,870 (2020 - £176,788) gain is recognised as other income.

Diageo Distribution Company Limited
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Year ended 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. TAXATION ON LOSS ON ORDINARY ACTIVITIES

	Year ended 30 June 2021 £000	Year ended 30 June 2020 £000
(a) Analysis of taxation credit for the year		
Current tax		
UK corporation tax	515	47
Total current tax	<u>515</u>	<u>47</u>
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on loss on ordinary activities	<u>515</u>	<u>47</u>
	Year ended 30 June 2021 £000	Year ended 30 June 2020 £000
(b) Factors affecting total tax credit for the year		
Loss on ordinary activities before taxation	<u>(2,536)</u>	<u>(67)</u>
Tax on loss on ordinary activities at UK corporation tax rate of 19% (2020 – 19%)	482	13
Income not taxable	<u>33</u>	<u>34</u>
Total tax credit for the year	<u>515</u>	<u>47</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.

6. INTANGIBLE ASSETS

The company has recognised the implementation costs of the ERP system, SAP Business One, as an intangible asset. The gross value of the asset is £21,200. The asset is depreciated on a straight-line basis over 3 years. The accumulated depreciation at 30 June, 2021 is £3,200.

Diageo Distribution Company Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

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	1,394	-	537	-
Group tax relief surrendered	-	-	47	-
Reclaimable VAT	54	-	-	-
Other debtors	403	160	354	-
	<u>1,851</u>	<u>160</u>	<u>938</u>	<u>-</u>

Amounts owed by fellow group undertakings are unsecured, interest free and repayable on demand. This amount includes £837,000 (2020 - £537,000) prepayment to Ron Santiago S.A in respect of inventory, and £557,000 (2020 - £nil) receivable from Diageo Scotland Limited in respect of corporation tax receivable as Diageo Scotland Limited settles corporation tax on behalf of the company.

The other debtors relate to the amounts owed for the sale of the barrels as disclosed in note 4.

8. TRADE AND OTHER PAYABLES

	Year ended 30 June 2021 £000	Year ended 30 June 2020 £000
Amounts owed to fellow group undertakings	3,870	558
Trade payables	101	-
Accruals and deferred income	28	-
Other creditors	-	15
	<u>3,999</u>	<u>573</u>

Amounts owed to fellow group undertakings are unsecured, interest free and repayable on demand. This amount includes £1,564,000 (2020 - £nil) loan plus accrued interest from Diageo Highlands Holding B.V., £2,082,000 (2020 - £nil) payable to Justerini & Brooks Limited in respect of the sub-distributor agreement, £187,000 (2020 - £347,000) payable to Diageo Great Britain Limited, £37,000 (2020 - £nil) to Diageo Mexico S.A. and £nil (2020 - £34,000) payable to Diageo plc in respect of recharged salaries, pension and other staff related costs, and £nil (2020 - £177,000) payable to Diageo Scotland Limited in respect of purchased barrels.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

9. CALLED UP SHARE CAPITAL

Allotted, called up and fully paid:

	Year ended 30 June 2021 £
3 (2020 – 3) ordinary shares of £1 each	<u>3</u>

On 7 August 2019, the company issued 2 ordinary shares of £1 each to Diageo Highlands Holdings B.V., a fellow group company. On 16 December 2019, the company issued a further 1 ordinary share of £1 to its sole shareholder, for a total subscription price of £997,000, resulting in share premium of £996,999.

10. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking of the company is Diageo Highlands Holding 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.