

**Diageo Overseas Holdings Limited**  
**Annual report and financial statements**  
**30 June 2020**

Registered number: 03341331



**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2020**

<b>CONTENTS</b>	<b>PAGE</b>
STRATEGIC REPORT	2
DIRECTORS' REPORT	6
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS	9
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIAGEO OVERSEAS HOLDINGS LIMITED	10
STATEMENT OF COMPREHENSIVE INCOME	12
BALANCE SHEET	13
STATEMENT OF CHANGES IN EQUITY	14
NOTES TO THE FINANCIAL STATEMENTS	15

**Diageo Overseas Holdings Limited**

**Registered number: 03341331**

**Year ended 30 June 2020**

**STRATEGIC REPORT**

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

**Activities**

The principal activity of the company is to act as an investment holding company for the Diageo group ("the group").

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, United Kingdom. The registered address is Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom.

**Business review**

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

In the year ended 30 June 2020, impairment charges were recognised in the amount of £542,705,000 (2019 – £65,345,000), in respect of the company's investments in Diageo Atlantic B.V. (£482,534,000), Guinness Overseas Limited (£60,161,000).

An impairment charge was recognised in the amount of £482,534,000 (2019 – £nil) in respect of Diageo Atlantic B.V., which holds shares in Diageo Korea Company Limited (the brand owner entity of Windsor Premier brand). The forecast cash flow assumptions were reduced principally due to the recent local regulatory changes limiting trade spend for wholesalers and venues, and the Covid-19 pandemic which negatively impacted the whiskey market in Korea.

An impairment charge in respect of the company's investment in Guinness Overseas Limited was recognised in the amount of £60,161,000 (2019 – £nil), mainly in respect of the indirect investment in Guinness Nigeria plc. The profit generating ability of the assets were reduced principally due to the deteriorated economic outlook as a result of the combination of the oil price crisis in Nigeria and the Covid-19 pandemic.

Diageo Treasury Australia LLP and DEF Investments Limited are in the process of being liquidated. As a result, the value of the investment in DEF Investments Limited of £56,507,000 and the corresponding provision for impairment have been fully written-off, resulting in neither a gain, nor a loss for the company. These investments in Diageo Treasury Australia LLP and DEF Investments Limited were fully impaired during 2019 with the expectation that these investments would be liquidated in the forthcoming business years and no returns was assumed.

On 6 September 2019, the company provided capital contribution to Diageo Supply Marracuene Limitada in the amount of £10,000. Subsequently, a fair value loss was recognised in the same amount, due to the economic downturn in Mozambique.

**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2020**

## **STRATEGIC REPORT (continued)**

### **Business review (continued)**

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

On 11 December 2019, the capital contribution in Diageo Treasury Australia LLP (DTA) was reduced by £8,759,562 to £13.56. It was noted that the other member of Diageo Treasury Australia LLP, DEF Investments Limited, would be reducing its contribution to Diageo Treasury Australia LLP by £55,828,372 to £86.44 in proportion to their membership interest in the Diageo Treasury Australia LLP. The funds available in Diageo Treasury Australia LLP as a result of the capital reduction was distributed to the members in proportion of their membership interest after the settlement of the outstanding liabilities and accumulated losses have been covered. After the said process, Diageo Treasury Australia LLP was liquidated.

Loss for the year ended 30 June 2020 increased by 639% from £78,647,000 to £581,187,000 mainly as a result of the increased impairment charges when compared to the year ended 30 June 2019.

### *Financial and other key performance indicators*

As the company is an intermediary holding company within the group, the principal key performance indicator used by management to analyse the development, performance and position of the company's business is adherence to the group dividend policy.

### *Principal risks and uncertainties facing the company as at 30 June 2020*

The company believes the following to be the principal risks and uncertainties it faces. If any of these risks occur, the company's business, financial condition and operational results could suffer. As the company forms part of the group's financial operations, the financial risk management measures used by management to analyse the development, performance and position of the company's business are mainly similar to those facing the group as a whole and are managed by the group's treasury department.

### Covid-19

At the beginning of calendar year 2020 a new coronavirus, referred to as 'Covid-19', emerged and has been classified as a pandemic due to its spread across the world. Given the global nature of the Covid-19 pandemic, and the uncertainty as to the severity and duration of the impact across multiple markets, it is difficult to accurately assess the impact the virus will have on the future financial performance of the group and the company. The directors have assessed that the key impacts on the company would be in respect of Covid 19 on remote working and ability to access IT systems, along with a potentially heightened cyber risk. The global economic outlook remains uncertain currently, as the pandemic has created volatility in the short term as a result of the social restrictions implemented across the world. The impact of the virus on economic conditions over the medium-term (one to three years) is highly uncertain, in sharp contrast to the stable and growing GDP performance across most markets experienced in recent years. As a result, significant volatility is likely to continue or increase as markets face challenging economic conditions and higher levels of unemployment leading to reduced consumer spending.

**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2020**

## **STRATEGIC REPORT (continued)**

### **Business review (continued)**

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

#### Covid-19 (continued)

To mitigate these challenges the group regularly gathers data and obtains insights which enable management to assess conditions in the markets where the group operates and to amend forecasts and investment decisions appropriately. The directors believe that the risk mitigation actions taken in relation to the pandemic have been agile and effective and that the group will maintain adequate liquidity and be strongly positioned for a recovery in consumer demand. Further information on the group's risk management measures in relation to Covid-19 are disclosed on pages 38-39 of Diageo plc's 2020 Annual Report and on page 61 of Diageo plc's Interim results for the six months ended 31 December 2020.

#### Brexit

The European Union and the United Kingdom have now signed the EU-UK Trade and Cooperation Agreement which provisionally came into force on 1 January 2021. We remain of the view that the direct financial impact to the group or the company will not be material. A cross-functional working group is in place that meets on a regular basis to identify and assess the consequences of Brexit, with all major functions within our business represented, including the function of raising external funding. The group will monitor the implications of the Agreement very closely, as well as the broader environment risks, including a continuing focus on identifying critical decision points to ensure potential disruption is minimised, and take prudent actions to mitigate these risks wherever practical. Further information on the group's risk management measures in relation to Brexit are disclosed on page 39 of Annual Report.

#### *Statement on Section 172 of the Companies Act 2006*

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

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

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

**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2020**

**STRATEGIC REPORT (continued)**

*Statement on Section 172 of the Companies Act 2006 (continued)*

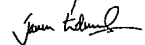
The company has therefore had regard to the matters set out in Section 172 of the Act in a manner that is consistent with the approach adopted by Diageo, while at the same time ensuring the directors of the company are fulfilling their duties.

*Main activities of the Board*

The main activities of the Board during the year include:

- Approval of various transactions relating to an intragroup reorganisation, including a reduction of capital in Diageo Treasury Australia LLP; and
- Approval of the financial statements for the financial year ended 30 June 2019.

On behalf of the board

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J M C Edmunds  
*Director*

Lakeside Drive  
Park Royal  
London  
NW10 7HQ

28 June 2021

**Diageo Overseas Holdings Limited**

**Registered number: 03341331**

**Year ended 30 June 2020**

**DIRECTORS' REPORT**

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

**Going concern**

The company's business activities, together with the factors likely to affect its future development and position, are set out in the business review section of the strategic report. The company is expected to remain in positive net asset position for the foreseeable future. The company participates in the group's centralised treasury arrangements and the parent and fellow group undertakings are expected to provide financial support for the foreseeable future. The company is not reliant on external third party financing. The only liabilities at the balance sheet date are in respect of balances due to fellow group undertakings. The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern. On the basis of their assessment, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for 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 is to provide financial support for this period.

In arriving at this conclusion, the directors have also considered the potential impact that the Covid-19 outbreak may have on the company and believe that it would not have an impact on the company's ability to continue as a going concern. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**Financial**

The result for the year ended 30 June 2020 is shown on page 12.

The loss for the year transferred from reserves was £581,187,000 (2019 - £78,647,000).

No dividend was paid during the year (2019 - £nil) and there is no dividend proposed to be distributed to the shareholders in regards to the financial year (2019 - £nil).

**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

Cs Hajos

C M Lewin (appointed 1 August 2020)

K E Major

P Viswanathan (resigned 1 August 2020)

**Directors' remuneration**

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

**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2020**

## **DIRECTORS' REPORT (continued)**

### **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.

### **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.

### **Post balance sheet events**

On 18 November 2020, Diageo Atlantic B.V. paid dividend to the company in the amount of £13,466,894.

#### *Additional Capital injection into Diageo Supply Marracuene Lda.*

On 1 December 2020 the board approved an additional equity injection to Diageo Supply Marracuene Lda. to £1,200,000 to be paid in proportion to the existing shareholding of the company and Guinness Overseas Limited. The capital contribution was required to settle intercompany liabilities and fund the working capital needs of Diageo Supply Marracuene Lda..

### **Internal control and risk management over financial reporting**

The company operates under the financial reporting processes and controls of the group. Diageo plc's internal control and risk management systems including its financial reporting process of Diageo plc, which include those of the company, are discussed in the group's Annual Report 2020 on page 79 at [www.diageo.com](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 auditors**

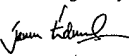
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make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



**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2020**

**DIRECTORS' REPORT (continued)**

On behalf of the Board

DocuSigned by:  
  
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J M C Edmunds  
*Director*

Lakeside Drive  
Park Royal  
London  
NW10 7HQ

28 June 2021

**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2020**

### **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 Overseas Holdings Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Diageo Overseas Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its 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 Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 30 June 2020; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **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.

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### **Conclusions relating to going concern**

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

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

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

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### **Reporting on other information**

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

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

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

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

## *Strategic Report and Directors' report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 30 June 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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## **Responsibilities for the financial statements and the audit**

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 9, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### *Auditors' responsibilities for the audit of the financial statements*

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](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.

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## **Other required reporting**

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

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

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

We have no exceptions to report arising from this responsibility.



Christopher Richmond (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
28 June 2021

**Diageo Overseas Holdings Limited****Registered number: 03341331****Year ended 30 June 2020****STATEMENT OF COMPREHENSIVE INCOME**

	Notes	Year ended 30 June 2020 £ 000	Year ended 30 June 2019 £ 000
Operating costs	2	(542,661)	(51,476)
Income from shares in group undertakings	3	1,165	19,979
<b>Operating loss</b>		<b>(541,496)</b>	<b>(31,497)</b>
Net finance charges	4	(39,691)	(45,751)
<b>Loss before taxation on ordinary activities</b>		<b>(581,187)</b>	<b>(77,248)</b>
Taxation on loss on ordinary activities	5	—	(1,399)
<b>Loss for the financial year and total comprehensive expense for the year</b>		<b>(581,187)</b>	<b>(78,647)</b>

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

The company had no other comprehensive income or expense during the current and previous year.

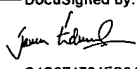
**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2020**

**BALANCE SHEET**

	Notes	Year ended 30 June 2020 £ 000	Year ended 30 June 2019 £ 000
<b>Non-current assets</b>			
Investments	6	1,080,744	1,623,439
		<u>1,080,744</u>	<u>1,623,439</u>
<b>Current assets</b>			
Trade and other receivables	7	19,777	34,194
Corporate tax receivables		210	542
		<u>19,987</u>	<u>34,736</u>
<b>Total assets</b>		<u>1,100,731</u>	<u>1,658,175</u>
<b>Current liabilities</b>			
Trade and other payables	8	(663,504)	(639,761)
		<u>(663,504)</u>	<u>(639,761)</u>
<b>Net assets</b>		<u>437,227</u>	<u>1,018,414</u>
<b>Equity</b>			
Called up share capital	10	208,571	208,571
Share premium		1,342,354	1,342,354
Accumulated deficit		(1,113,698)	(532,511)
<b>Total equity</b>		<u>437,227</u>	<u>1,018,414</u>

The accounting policies and other notes on pages 15 to 29 form part of the financial statements.

These financial statements on pages 12 to 29 were approved by the Board on 28 June 2021 and were signed on its behalf by:

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J M C Edmunds  
 Director

**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2020**

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

	<b>Called up share capital £ 000</b>	<b>Share premium £ 000</b>	<b>Accumulated deficit £ 000</b>	<b>Total £ 000</b>
<b>Balance at 30 June 2018</b>	<b>208,558</b>	<b>1,212,367</b>	<b>(453,864)</b>	<b>967,061</b>
Loss for the financial year and total comprehensive expense	—	—	(78,647)	(78,647)
Shares issued	13	129,987	—	130,000
<b>Balance at 30 June 2019</b>	<b>208,571</b>	<b>1,342,354</b>	<b>(532,511)</b>	<b>1,018,414</b>
Loss for the financial year and total comprehensive expense	—	—	(581,187)	(581,187)
<b>Balance at 30 June 2020</b>	<b>208,571</b>	<b>1,342,354</b>	<b>(1,113,698)</b>	<b>437,227</b>

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

**Diageo Overseas Holdings Limited**  
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**Year ended 30 June 2020**

## **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 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).



**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2020**

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

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

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

- The requirements of IFRS 7 Financial Instruments: Disclosures, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- 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 company has taken advantage of the exemption by virtue of section 400 under Companies Act 2006, from the requirement to prepare consolidated financial statements, as it and its subsidiaries are included in the consolidated financial statements of its ultimate parent, Diageo plc.

These financial statements are separate financial statements.

#### **New accounting standards and interpretations**

The following amendments to the accounting standards, issued by the IASB which have been endorsed by the EU, have been adopted by the group and therefore by the company from 1 July 2019 with no impact on the company's results, financial position or disclosures:

- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures
- Amendments to IFRS 9 - Prepayment Features with Negative Compensation
- Improvements to IFRS 3 and IFRS 11 - Business combinations and Joint arrangements - Accounting for previously held interests
- Improvements to IAS 12 - Income taxes - Accounting for income tax consequences of payments on financial instruments that are classified as equity
- Improvements to IAS 23 - Borrowing costs on completed qualifying assets
- IFRS 16 - Leases

The following amendment and standard, issued by the IASB have not been adopted by the company:

- IFRS 17 - Insurance contracts
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform (phase 1)

#### **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 the foreseeable future which is for a period of at least 12 months from the date the financial statements are approved and signed.

**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2020**

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

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

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

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

All financial information presented in sterling (£) has been rounded to the nearest thousand unless otherwise stated.

#### **Finance income/charges**

Finance income/charges are recognised in the statement of comprehensive income in the year in which it is earned/incurred.

#### **Foreign currencies**

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

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

#### **Investments in subsidiaries**

Investments in subsidiaries are stated at historical cost less impairment provisions for any permanent decrease in value. The carrying amounts of the company's investments are reviewed at each reporting date to determine whether there is an indication of impairment. If such an indication exists, then the asset's recoverable amount is estimated. Losses are recognised in the statement of comprehensive income to reflect an impairment against the carrying value. Where an event results in the asset's recoverable amount being higher than the previously impaired carrying value, the original impairment may be reversed through the statement of comprehensive income in subsequent periods.

#### **Financial assets and liabilities**

Financial assets and liabilities are initially recorded at fair value including, where permitted by IFRS 9, including 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 Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2020**

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

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

#### **Financial assets and liabilities (continued)**

**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.

**Other investments** Other investments represent equity instruments, which are non-derivative financial assets that are either designated as such upon initial recognition or not classified in any of the other financial asset categories. Other investments are included in non-current assets as they are held not for trading. Subsequent to initial measurement, other investments are stated at fair value.

Under IFRS 9, gains and losses arising from the changes in fair value of other investments are recognized in the statement of comprehensive income as the company has not elected the option to recognize fair value gains and losses through other comprehensive income. previously, under IAS 39, there was an exemption which allowed to use measuring unquoted equity instruments at cost less impairment provisions for any permanent decrease in value, however, IFRS 9 eliminated this exemption and the company has changed from cost to fair value measurement in respect of other investments.

#### **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 30 June 2020 are included in profit before taxation.

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

#### **Dividends**

Dividends received are included in the financial statements in the year in which they are receivable.

**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2020**

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

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

#### **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.

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

- Investment in subsidiaries: A critical accounting estimate is the assessment that recoverable amount of the company's investment is greater than the carrying amount. Impairment reviews are carried out to ensure that the value of the investments in subsidiaries, associates and joint ventures are not carried at above their recoverable amounts. The tests are dependent on management's estimates in respect of the forecasting of future cash flows, the discount rates applicable to the future cash flows and expected growth rates. Such estimates and judgements are subject to change as a result of changing economic conditions and actual cash flows may differ from forecasts.

**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2020**

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

**2. OPERATING COSTS**

	Year ended 30 June 2020 £ 000	Year ended 30 June 2019 £ 000
Fair value gain on other investment	45	—
Other operating income	—	13,870
Other operating expenses	(542,706)	(65,346)
	<u>(542,661)</u>	<u>(51,476)</u>
<b>Comprising:</b>		
Other external charges	(1)	(1)
Other operating income	—	13,870
Fair value gain on other investment	45	—
Provision for Impairment	(542,705)	(65,345)
	<u>(542,661)</u>	<u>(51,476)</u>

The auditors' remuneration of £3,000 (2019 - £3,000) was paid on behalf of the company by a fellow group undertaking. There were no fees payable to the auditors in respect of non-audit services (2019 - £nil).

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

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

**Diageo Overseas Holdings Limited****Registered number: 03341331****Year ended 30 June 2020****NOTES TO THE FINANCIAL STATEMENTS (continued)****3. INCOME FROM SHARES IN GROUP UNDERTAKINGS**

	<b>Year ended 30 June 2020 £ 000</b>	<b>Year ended 30 June 2019 £ 000</b>
<b>Dividend income from shares in group undertakings</b>		
Diageo Atlantic B.V.	—	19,979
DEF Investments Limited	1,165	—
	<u>1,165</u>	<u>19,979</u>

**4. NET FINANCE CHARGES**

	<b>Year ended 30 June 2020 £ 000</b>	<b>Year ended 30 June 2019 £ 000</b>
<b>Net interest</b>		
Interest income from fellow group undertakings		
Diageo Finance plc	251	188
Diageo Treasury Australia LLP	—	10,997
<b>Total interest income</b>	<u>251</u>	<u>11,185</u>
Interest charge to fellow group undertakings		
Diageo Finance plc	(39,942)	(56,936)
<b>Total interest charges</b>	<u>(39,942)</u>	<u>(56,936)</u>
<b>Net finance charges</b>	<u>(39,691)</u>	<u>(45,751)</u>

**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2020**

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

**5. TAXATION ON LOSS ON ORDINARY ACTIVITIES**

	Year ended 30 June 2020 £ 000	Year ended 30 June 2019 £ 000
<b>(a) Analysis of taxation charge for the year</b>		
<b>Current tax</b>		
Foreign taxes suffered	—	(1,399)
<b>Total current tax</b>	—	(1,399)
<b>Total deferred tax</b>	—	—
<b>Taxation on loss on ordinary activities</b>	—	(1,399)
	Year ended 30 June 2020 £ 000	Year ended 30 June 2019 £ 000
<b>(b) Factors affecting total tax charge for the year</b>		
Loss before taxation on ordinary activities	(581,187)	(77,248)
Taxation on loss on ordinary activities at UK corporation tax rate of 19% (2019 - 19%)	110,426	14,677
Expenses not deductible for tax purposes	(103,115)	(12,415)
Items not chargeable for tax purposes	230	3,796
Group relief surrendered for nil consideration	(7,541)	(7,967)
Withholding tax suffered	—	266
Foreign taxes suffered	—	(1,399)
Other tax effects for reconciliation between accounting profit and tax income	—	1,643
<b>Total tax charge for the year</b>	—	(1,399)

The UK tax rate is 19% effective from 1 April 2017 which is applied for the year ended 30 June 2020. In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2020**

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6. INVESTMENTS IN SUBSIDIARIES AND OTHER INVESTMENTS

#### *Shares in group undertakings and other investments*

	<b>Subsidiaries</b>	<b>Other investments</b>	<b>Total</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
<b>Cost</b>			
At 30 June 2019	2,423,793	434	2,424,227
Additions	—	10	10
Fair value gain	—	45	45
Return of capital	—	(45)	(45)
Decrease in fair value	—	—	—
Write off	(56,507)	—	(56,507)
<b>At 30 June 2020</b>	<b>2,367,286</b>	<b>444</b>	<b>2,367,730</b>
<b>Provisions</b>			
At 30 June 2019	(800,354)	(434)	(800,788)
Provided	(542,695)	—	(542,695)
Write-off	56,507	—	56,507
Decrease in fair value	—	(10)	(10)
<b>At 30 June 2020</b>	<b>(1,286,542)</b>	<b>(444)</b>	<b>(1,286,986)</b>
<b>Carrying amount</b>			
<b>At 30 June 2020</b>	<b>1,080,744</b>	<b>—</b>	<b>1,080,744</b>
At 30 June 2019	1,623,439	—	1,623,439

#### **Additions**

The company injected equity into Diageo Supply Marracuene Limitada (£10,000).

#### **Other investments**

The investments represent equity instruments, which are non-derivative financial assets that are either designated as such upon initial recognition or not classified in any of the other financial asset categories. They are included in non-current assets. Subsequent to initial measurement, the investments are stated at fair value. The company values its investments using unobservable inputs for the asset (Level 3). Gains and losses arising from the changes in fair value of the investments are recognized in the statement of comprehensive income.



**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2020**

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

### **6. INVESTMENTS (continued)**

#### **Provisions for impairment and other movement**

In the year ended 30 June 2020, impairment charges were recognised in the amount of £542,705,000 (2019 – £65,345,000), in respect of the company's investments in Diageo Atlantic B.V. (£482,534,000), Guinness Overseas Limited (£60,161,000).

An impairment charge was recognised in the amount of £482,534,000 (2019 – £nil) in respect of Diageo Atlantic B.V., which holds shares in Diageo Korea Company Limited (the brand owner entity of Windsor Premier brand). The forecast cash flow assumptions were reduced principally due to the recent local regulatory changes limiting trade spend for wholesalers and venues, and the Covid-19 pandemic which negatively impacted the whiskey market in Korea.

An impairment charge in respect of the company's investment in Guinness Overseas Limited was recognised in the amount of £60,161,000 (2019 – £nil), mainly in respect of the indirect investment in Guinness Nigeria plc. The profit generating ability of the assets were reduced principally due to the deteriorated economic outlook as a result of the combination of the oil price crisis in Nigeria and the Covid-19 pandemic.

Diageo Treasury Australia LLP and DEF Investments Limited are in the process of being liquidated. As a result, the value of the investments of £56,507,000 and the corresponding provision for impairment have been fully written-off, resulting in neither a gain, nor a loss for the company.

On 6 September 2019, the company provided capital contribution to Diageo Supply Marracuene Limitada in the amount of £10,000. Subsequently, a fair value loss was recognised in the same amount, due to the economic downturn in Mozambique.

#### **Sensitivity to change in key assumptions**

Impairment testing for the year ended 30 June 2020 has identified the following investment as being sensitive to reasonably possible changes in assumptions. The table below shows the impairment at 30 June 2020 and the additional impairment charge that would be required if the assumptions in the calculation of its value in use were changed:

<b>Name of investment</b>	<b>Impairment</b>	<b>1ppt increase in discount rate</b>	<b>1ppt decrease in annual growth rate</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
Diageo Atlantic B.V.	(482,534)	(13,524)	(8,836)

**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2020**

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

### **6. INVESTMENTS (continued)**

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

<b>Name of investment</b>	<b>Notes</b>	<b>Registered office address</b>	<b>Proportion of ownership interest %*</b>	<b>Proportion of effective interest %**</b>
<b>Direct holdings</b>				
<i>Subsidiary undertakings</i>				
DEF Investments Limited	(iii)	Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom	100%	100%
Diageo Atlantic B.V.		Molenwerf 12, 1014 BG Amsterdam, The Netherlands	100%	100%
Diageo Australia Limited	(i)	162 Blues Point Road, Level 1, McMahon's Point, NSW 2060, Australia	100%	100%
Guinness Overseas Limited		Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom	100%	100%
<i>Other investment undertakings</i>				
Diageo Supply Marracuene Lda.	(vi)	Estrada Nacional numero 1, Micanhine, Marracuene, Mozambique	100%	100%
Diageo Treasury Australia LLP	(iii, v)	Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom	100%	100%

\* The percentage of shares owned by the immediate shareholder(s) of the subsidiary

\*\*Effective percentage of shares owned by the company directly and indirectly

**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2020**

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

**6. INVESTMENT (continued)**

<b>Name of investment</b>	<b>Notes</b>	<b>Registered office address</b>	<b>Proportion of ownership interest %*</b>	<b>Proportion of effective interest %**</b>
<b>Indirect holdings</b>				
<i>Subsidiary undertakings</i>				
Atalantaf Limited		Victoria Place, 5th floor 31 Victoria Street, Hamilton HM10, Bermuda	100%	100%
Bundaberg Distilling Company Pty. Limited	(ii)	Whitted Street, Bundaberg, QLD 4670, Australia	100%	100%
Bundaberg Distilling Investments Pty Ltd	(i)	162 Blues Point Road, Level 1, McMahons Point, NSW 2060, Australia	100%	100%
Crescendo Australia Pty Ltd	(i, ix)	162 Blues Point Road, Level 1, McMahons Point, NSW 2060, Australia	100%	100%
Diageo Angola Limitada	(viii)	Rua Fernao de Sousa, Condominio Bengo, Letter A, 11.s floor, Fraction A37, neighbourhood Vila Alice, Municipality of Luanda, Province of Luanda, Angola	50%	50%
Diageo Brands Nigeria Ltd	(iii)	24 Oba Akran Avenue, PMB 21071, Ikeja, Lagos, Nigeria	100%	100%
Diageo Korea Company Limited		932-94, Daewol-ro, Daewol-myun, Icheon-shi, Gyeonggi-do, 17342, Icheon, South Korea	100%	100%
DIREF Industria de Bebidas, Lda-Angola JV		Rua Dom Eduardo André Muaca, S/No, Lote C4, Angola	50.10%	50.10%
Guinness Canada Limited		Labatt House, 207 Queen's Quay, West, Suite 299, Ontario, M5J 1A7, Toronto, Canada	51%	51%
Guinness Nigeria plc		The Ikeja Brewery, Oba Akran Avenue, Private Mail Bag 21071, Ikeja, Lagos, Nigeria	58.02%	58.02%
<i>Associate undertakings</i>				
Monrovia Breweries Inc.		Duala, Bushrod Island, Monrovia, Liberia	7.50%	7.50%
Sierra Leone Brewery Limited	(iv)	P O Box 721 Wellington Industrial Estate Freetown, Sierra Leone	1.31%	1.31%
Phoenix Beverages Limited	(iv)	Phoenix House, Pont Fer, Phoenix, Mauritius	1.92%	1.92%
Seychelles Breweries Limited	(vii)	O'Brien House, 273 Le Rocher, Mahé, Seychelles	30%	30%

\* The percentage of shares owned by the immediate shareholder(s) of the subsidiary

\*\*Effective percentage of shares owned by the company directly and indirectly

**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2020**

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

### **6. INVESTMENT (continued)**

- (i) Ownership held in class of A shares.
- (ii) Ownership held in class of A shares and B shares.
- (iii) In liquidation.
- (iv) Dormant.
- (v) 13.56% held directly, 86.44% held indirectly.
- (vi) 2.5% held directly, 97.5% held indirectly.
- (vii) Subsidiary at group level but an associate based on the effective percentage of shares held by the company.
- (viii) Subsidiary at group level but a joint venture based on the effective percentage of shares held by the company.
- (ix) Dissolved.

The investments in subsidiaries are held at cost less, where appropriate, provision for impairment in value.

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

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

	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>Due within</b>	<b>Due within</b>
	<b>one year</b>	<b>one year</b>
	<b>£ 000</b>	<b>£ 000</b>
Amounts owed by fellow group undertakings		
Diageo Finance plc	19,777	34,194
	<u>19,777</u>	<u>34,194</u>

The amount owed by Diageo Finance plc is interest bearing, unsecured and repayable on demand.

### **8. TRADE AND OTHER PAYABLES**

	<b>Year ended</b>	<b>Year ended</b>
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Amounts owed to fellow group undertakings		
Diageo Finance plc	663,504	639,761
	<u>663,504</u>	<u>639,761</u>

The amount owed to fellow group undertakings is interest bearing, unsecured and repayable on demand.

**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2020**

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

### **9. DEFERRED TAX ASSETS**

#### **Unrecognised deferred tax assets**

Deferred tax assets have been recognised to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Where this is not the case, deferred tax assets have not been recognised, as set out below:

	<b>Year ended 30 June 2020 £ 000</b>	<b>Year ended 30 June 2019 £ 000</b>
Capital loss	7,971	7,132
	<u>7,971</u>	<u>7,132</u>

### **10. CALLED UP SHARE CAPITAL**

*Allotted, called up and fully paid:*

	<b>30 June 2020 £ 000</b>
22,576,293 (2019 - 22,576,293) ordinary shares of £1 each	22,576
20,000,000 (2019 - 20,000,000) preference shares of \$15 each at 0.62/\$	185,995
	<u><b>208,571</b></u>

The preference shares have full voting rights and are non-redeemable. The holder of the preference share is entitled to a fixed cumulative preferential dividend on the nominal value of each preference share at a rate of 8.408% per annum, which is payable at the discretion of the directors. The amount of cumulative preference share dividends at 30 June 2020 is £61,521,951 (2019 – £39,722,835), which have not been accrued.

### **11. POST BALANCE SHEET EVENTS**

On 18 November 2020, Diageo Atlantic B.V. paid dividend to the company in the amount of £13,466,894.

*Additional Capital injection into Diageo Supply Marracuene Lda.*

On 1 December 2020 the board approved an additional equity injection to Diageo Supply Marracuene Lda. to £1,200,000 to be paid in proportion to the existing shareholding of the company and Guinness Overseas Limited. The capital contribution was required to settle intercompany liabilities and fund the working capital needs of Diageo Supply Marracuene Lda..

**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2020**

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

**12. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING**

The immediate parent undertaking of the company is Diageo Investment Holdings Limited, a company incorporated and registered in England, United Kingdom.

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.