

DIAGEO DENMARK A/S

Sundkrogsgade 19, 2., 2100 København Ø

CVR no. 21 25 61 10

Annual report

for the year 1 July 2022 - 30 June 2023

Approved at the Company's annual general meeting on 25 January 2024

Chair of the meeting:

.....
Irene van Leeuwen

Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Financial statements 1 July 2022 - 30 June 2023	9
Income statement	9
Balance sheet	10
Statement of changes in equity	12
Notes to the financial statements	13

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of DIAGEO DENMARK A/S for the financial year 1 July 2022 - 30 June 2023.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 June 2023 and of the results of the Company's operations for the financial year 1 July 2022 - 30 June 2023.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 25 January 2024
Executive Board:

.....
Eray Cayirli
Managing director

Board of Directors:

.....
Irene van Leeuwen
Chairman

.....
Beata Eva Nagyne Sipos

.....
Yann Cameli

.....
Thea Dybdal Hammerskov

.....
Eray Cayirli

Independent auditor's report

To the shareholder of DIAGEO DENMARK A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 June 2023, and of the results of the Company's operations for the financial year 1 July 2022 - 30 June 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Diageo Denmark A/S for the financial year 1 July 2022 - 30 June 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the Management's review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines 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, Management is 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 in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's 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 auditor's 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 and the additional requirements applicable in Denmark 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.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 25 January 2024
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Ulrich Kaare von Cappeln
State Authorised Public Accountant
mne11629

Mette Buskbjerg Gade
State Authorised Public Accountant
mne47828

Management's review

Company details

Name	DIAGEO DENMARK A/S
Address, Postal code, City	Sundkrogsgade 19, 2., 2100 København Ø
CVR no.	21 25 61 10
Established	30 December 1954
Registered office	Copenhagen
Financial year	1 July 2022 - 30 June 2023
Board of Directors	Irene van Leeuwen, Chairman Beata Eva Nagyne Sipos Yann Cameli Thea Dybdal Hammerskov Eray Cayirli
Executive Board	Eray Cayirli, Managing director
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44, 2900 Hellerup

Management's review

Financial highlights

DKK'000	2022/23	2021/22	2020/21	2019/20	2018/19
Key figures					
Revenue	347,649	320,338	280,419	239,651	259,456
Gross profit	45,764	53,091	39,652	34,999	46,025
Profit before interest and tax (EBIT)	15,731	21,478	14,474	9,272	9,848
Operating profit/loss	11,163	14,488	9,575	963	677
Net financials	381	-91	-214	197	55
Profit for the year	12,540	16,672	10,939	7,351	7,665
Balance sheet					
Total assets	111,605	124,020	106,676	94,037	101,734
Investments in property, plant and equipment	19	188	1,812	0	0
Share capital	5,000	5,000	5,000	5,000	5,000
Equity	19,364	21,672	16,644	13,055	13,104
Financial ratios					
Gross margin	13.2%	16.6%	14.1%	14.6%	17.7%
Equity ratio	17.4%	17.5%	15.6%	13.9%	12.9%
Return on equity	61.1%	87.0%	73.7%	56.2%	63.5%
Operational metrics					
Average number of full-time employees	31	28	24	34	37

For terms and definitions, please see the accounting policies.

Note: comparative figures have been restated for 2021/22.

Management's review

Business review

Diageo Denmark A/S is a wholly owned subsidiary of Selviac Nederland BV., Amsterdam, which is part of the Diageo Group. The consolidated financial statements for the Ultimate Parent can be obtained at www.diageo.com.

The Company's activity comprises import and sale of liquor and "Ready To Drink" products.

Prior year restatement

During the year it was established that the prior year's trade investment accrual was overestimated by DKK 6,666 thousand due to an internal error. As a result, Management has decided to correct the misstatement in the Company's annual report 2022/23 by restating the comparative figures for 2021/22 including key figures. As a consequence of the restatement, revenue and trade payables for 2021/22 have been favorably affected by DKK 6,666 thousand. Cost of sales and payables to group enterprises for 2021/22 have been adversely affected by DKK 4,367 thousand as well as profit on tax for the year and income taxes have been adversely impacted by DKK 475 thousand. In total the equity has been favorably affected by DKK 1,824 thousand.

Development in activities and finances

The total market sales in the Nordics slightly increased in 2022/23. Diageo Denmark's market share is 23% in Denmark and decreased by 31 bps compared to 2021/22 due to the price increase in 2023 which made Diageo Denmark the price leader in major categories.

Even though Diageo Denmark sales volume decreased by 2%, the company was able to increase its net sales value by 9% driven by a very strong performance of the off-trade-channel, growing key categories and product mix optimization which resulted in overall positive landing for the company.

Even though the whole Nordics market experienced increasing cost prices and inflation we have delivered a good set of results.

Growth was driven by strong consumer demand. Johnnie Walker and Smirnoff brands drove the company strong performance, supported by our Innovation portfolio and product mix optimization. However operating profit decreased as a result of the increased marketing investment, cost of sales and higher overhead spend.

Despite the challenges Diageo Denmark A/S maintained its well-established market position.

Sustainability and responsibility

Responsibly managing our environmental impact continues to be a high priority for us and we are committed to protecting and sustaining our natural resources and making a positive contribution to the communities in which we live and work. In November 2020, we were proud to launch our new 10-year sustainability action plan, 'Society 2030: Spirit of Progress'. The plan builds on Diageo's long and ambitious track record on environmental, social and governance issues, with goals focused in three core areas: promoting positive drinking; championing inclusion and diversity; and pioneering grain to glass sustainability. We would like to reduce value chain emission by 50%, achieve zero waste in our direct operation and ensure 100% of our packaging is widely recyclable by 2030. We want to change the way the world drinks for the better. That means promoting moderation and continuing to address the harmful use of alcohol by changing attitudes and expanding our programmes that tackle underage drinking, drink driving and binge drinking. Detailed information on the steps taken can be obtained from the consolidated financial statement of the Diageo Group. The Company has not had any environmental issue in the framework of its activities in the current year.

Management's review

Financial review

In 2022/23, the Company's revenue amounted to DKK 347,649 thousand against DKK 320,338 thousand last year. The income statement for 2022/23 shows a profit of DKK 12,540 thousand against a profit of DKK 16,672 thousand last year, and a balance sheet at 30 June 2023 shows equity of DKK 19,364 thousand.

In the fiscal year 2022/2023, the Company's primary objective was to exceed market growth and increase market share by a mid-single-digit margin compared to the previous year. However, the Organization saw 31bps decrease in market share. This decline was mainly due to adverse price elasticity affecting key brands like Baileys, Tanqueray, Captain Morgan, and Gordon's. Notably, Johnnie Walker and Smirnoff showed strong performance despite these challenges. Additionally, even though volume expectations against annual target (-3.7%), a strong Revenue performance was delivered (+9%), as the company's strategy to focus on high-end products materializes, as the company's strategy to focus on high-end products materializes.

No activity has been exercised in the research and development area during the last financial year. The Company has no branch abroad.

The net profit decreased by 25% due to the increased marketing investment, cost of sales and higher overhead spend. Based on actual results recorded for the first quarter of 2023/2024, ending on 30 September 2023, and because the entity belongs to a large, structured group, with a clear strategy in place, the directors have no reasons to believe that the economical and sanitary context could materially hit the financial healthy situation of the Company for the upcoming 12 months.

It is important to note that the Company, as well as the whole Danish market, will face macroeconomic challenges as in the previous years, such as high inflation, increasing raw material prices, and living costs raisings, which could generate short-term volatility throughout 2023/2024.

Financial risks and use of financial instruments

The Company's funding, liquidity and exposure to foreign exchange rate risk are similar to those facing the Group as a whole and are managed by the Group's treasury department. The treasury department uses a range of financial instruments to manage these underlying risks. 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.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Outlook

The Company's ambition is to protect its market share and improve its profitability in 2023/24 through strategic portfolio battlegrounds, which will be the key growth drivers for the upcoming years. These actions are expected to result in sustainable growth in Sales and Operating Profit compared to the current year's result. The Company expected net sales for 2023/2024 is DKK 379,493 thousand which represents 9% increase compared to prior year sales.

Diageo Denmark is committed to promote responsible drinking and balanced lifestyle, therefore non-alcoholic beverages such as Gordon's 0.0, Tanqueray 0.0, and Captain Morgan 0.0 will play an important role in its future success. The Luxury segment will continue to play an important role within the Organization's performance, as leveraging strong and well-positioned brands such as Don Julio 1942, Talisker, Singleton, Johnnie Walker Blue, and Zacapa, will create sustainable growth.

From consumers perspective, their experience and continued engagement with alcoholic beverages was able to mitigate the pandemic impact, allowing the industry to maintain a relatively resilient performance. As result of removing restrictions after the global COVID-19 crisis, the on-trade business will continue to be a key focus area, supported by a strong and clear strategy to ensure the competitiveness of the Company.

Financial statements 1 July 2022 - 30 June 2023

Income statement

Note	DKK'000	<u>2022/23</u>	<u>2021/22</u>
	Revenue	347,649	320,338
	Cost of sales	-237,278	-213,983
	Other operating income	4,568	6,990
	Other external expenses	-69,175	-60,254
	Gross profit	<u>45,764</u>	<u>53,091</u>
2	Staff costs	-29,653	-31,197
3	Depreciation of property, plant and equipment	-380	-416
	Profit before net financials	<u>15,731</u>	<u>21,478</u>
4	Financial income	1,000	584
5	Financial expenses	-619	-675
	Profit before tax	<u>16,112</u>	<u>21,387</u>
6	Tax for the year	-3,572	-4,715
	Profit for the year	<u><u>12,540</u></u>	<u><u>16,672</u></u>

Financial statements 1 July 2022 - 30 June 2023

Balance sheet

Note	DKK'000	<u>2022/23</u>	<u>2021/22</u>
	ASSETS		
	Fixed assets		
8	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	824	1,204
	AUC-Tangible assest under construction and advance payments	<u>152</u>	<u>134</u>
		<u>976</u>	<u>1,338</u>
	Total fixed assets	<u>976</u>	<u>1,338</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	<u>30,312</u>	<u>21,518</u>
		<u>30,312</u>	<u>21,518</u>
	Receivables		
	Trade receivables	76,664	77,523
	Receivables from group enterprises	2,502	22,400
	Other receivables	1,095	1,027
9	Prepayments	<u>56</u>	<u>214</u>
		<u>80,317</u>	<u>101,164</u>
	Total non-fixed assets	<u>110,629</u>	<u>122,682</u>
	TOTAL ASSETS	<u><u>111,605</u></u>	<u><u>124,020</u></u>

Financial statements 1 July 2022 - 30 June 2023

Balance sheet

Note	DKK'000	<u>2022/23</u>	<u>2021/22</u>
	EQUITY AND LIABILITIES		
	Equity		
10	Share capital	5,000	5,000
	Retained earnings	0	1,824
	Dividend proposed	14,364	14,848
	Total equity	<u>19,364</u>	<u>21,672</u>
	Provisions		
11	Deferred tax	120	183
	Total provisions	<u>120</u>	<u>183</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	41,339	49,415
12	Payables to group enterprises	19,290	15,614
	Corporation tax payable	3,485	4,248
	Other payables	28,007	32,888
		<u>92,121</u>	<u>102,165</u>
	Total liabilities other than provisions	<u>92,121</u>	<u>102,165</u>
	TOTAL EQUITY AND LIABILITIES	<u>111,605</u>	<u>124,020</u>

- 1 Accounting policies
- 13 Contractual obligations and contingencies, etc.
- 14 Collateral
- 15 Related parties
- 7 Appropriation of profit

Financial statements 1 July 2022 - 30 June 2023

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Dividend proposed	Total
	Equity at 1 July 2021	5,000	0	11,644	16,644
7	Transfer, see "Appropriation of profit"	0	1,824	14,848	16,672
	Dividend distributed	0	0	-11,644	-11,644
	Equity at 1 July 2022	5,000	1,824	14,848	21,672
7	Transfer, see "Appropriation of profit"	0	-1,824	14,364	12,540
	Dividend distributed	0	0	-14,848	-14,848
	Equity at 30 June 2023	5,000	0	14,364	19,364

Financial statements 1 July 2022 - 30 June 2023

Notes to the financial statements

1 Accounting policies

The annual report of DIAGEO DENMARK A/S for 2022/23 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

Changes in accounting policies

The accounting policies applied in the preparation of the annual report has been changed. The Company has adopted IFRS 9 - Financial Instruments, replacing IAS 39. The adoption of the new accounting standards has not impacted the profit and loss, equity or comparative figures.

The accounting policies used in the preparation of the financial statements are otherwise consistent with those of last year.

Material misstatements

During the year it was established that the prior year's trade investment accrual was overestimated by DKK 6,666 thousand due to an internal error. As a result, Management has decided to correct the misstatement in the Company's annual report 2022/23 by restating the comparative figures for 2021/22 including key figures. As a consequence of the restatement, revenue and trade payables for 2021/22 have been favorably affected by DKK 6,666 thousand. Cost of sales and payables to group enterprises for 2021/22 have been adversely affected by DKK 4,367 thousand as well as profit on tax for the year and income taxes have been adversely impacted by DKK 475 thousand. In total the equity has been favorably affected by DKK 1,824 thousand. Reference is also made to the comments in the Management's review.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company Diageo Plc.

Basis of recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Financial statements 1 July 2022 - 30 June 2023

Notes to the financial statements

1 Accounting policies (continued)

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

The Company has chosen IFRS 15 as interpretation for revenue recognition.

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk to the buyer have taken place and provided that the income can be reliably measured and payment is expected to be received. Revenue is measured less VAT and tax charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Other operating income

Other operating income comprise income of a secondary nature viewed in relation to the Company's primary activities.

Cost of sales

Cost of sales comprises cost of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Other external expenses

Other external expenses include expenses relating to the Company's ordinary activities, including expenses relating for premises, stationery and office supplies, marketing costs, etc. The item also includes write-downs of receivables recognised in current assets.

Staff costs

Payroll and related costs all include cost and expenses occurred in relation to Management and staff.

Depreciation

A non-cash expense that reduces the value of an asset over the useful life of the asset.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Fixtures and fittings, other plant and equipment	5-10 years
IT Equipments	3 years

Property, plant and equipment are written down to the lower of recoverable amount, if this is lower than the carrying amount.

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

Financial statements 1 July 2022 - 30 June 2023

Notes to the financial statements

1 Accounting policies (continued)

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial income and expenses

Financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on payables and transactions in foreign currencies.

Financial expenses comprise interest expenses, including interest expenses on payables to group enterprise, net capital losses on securities, payables and transactions in foreign currencies.

Tax

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses on property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating cost, respectively.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Financial statements 1 July 2022 - 30 June 2023

Notes to the financial statements

1 Accounting policies (continued)

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

The Company has chosen IFRS 9 as interpretation for impairment of financial receivables.

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial reporting years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Given the nature of the Group's cash pool arrangement, cash pool balances are not considered cash, but are recognised under "Receivables from group entities" or "Payables to group entities" depending on the balance.

Equity

Proposed dividends

Dividend is recognised as a liability at the time of adoption at the annual general meeting (declaration date). The proposed dividend for the financial year is disclosed as a separate item in equity.

Financial statements 1 July 2022 - 30 June 2023

Notes to the financial statements

1 Accounting policies (continued)

Income taxes and deferred tax

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income adjusted for prepaid tax.

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Liabilities

Installments due within 1 year are entered under current liabilities. Other liabilities are recognized under non-current liabilities.

Other liabilities are measured at amortised cost, which usually corresponds to nominal value.

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating profit/loss	$\frac{\text{Profit/loss before net financials +/-Other operating income and other operating expenses}}{\text{Revenue}}$
Gross margin	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

Financial statements 1 July 2022 - 30 June 2023

Notes to the financial statements

DKK'000	<u>2022/23</u>	<u>2021/22</u>
2 Staff costs and incentive programmes		
Wages/salaries	26,712	28,342
Pensions	2,797	2,784
Other social security costs	144	71
	<u>29,653</u>	<u>31,197</u>
Average number of full-time employees	<u>31</u>	<u>28</u>
Total remuneration to Management: DKK 1,918 thousand, of which DKK 173 thousand is pension.		
By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management in 2021-2022 is not disclosed.		
Incentive programmes		
There is no specific incentive programmes for the Company's management.		
3 Depreciation of property, plant and equipment		
Depreciation of property, plant and equipment	380	416
	<u>380</u>	<u>416</u>
4 Financial income		
Interest income from group entities	240	136
Other financial income	760	448
	<u>1,000</u>	<u>584</u>
5 Financial expenses		
Interest expenses, group entities	535	142
Other financial expenses	84	533
	<u>619</u>	<u>675</u>
6 Tax for the year		
Estimated tax charge for the year	3,618	4,767
Deferred tax adjustments in the year	-63	-52
Tax adjustments, prior years	17	0
	<u>3,572</u>	<u>4,715</u>
7 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	14,364	14,848
Retained earnings/accumulated loss	-1,824	1,824
	<u>12,540</u>	<u>16,672</u>

Financial statements 1 July 2022 - 30 June 2023

Notes to the financial statements

8 Property, plant and equipment

DKK'000	Fixtures and fittings, other plant and equipment	AUC-Tangible assest under construction and advance payments	Total
Cost at 1 July 2022	3,263	134	3,397
Correction of opening balance	155	0	155
Additions	0	18	18
Cost at 30 June 2023	<u>3,418</u>	<u>152</u>	<u>3,570</u>
Impairment losses and depreciation at 1 July 2022	2,059	0	2,059
Correction of opening balance	155	0	155
Depreciation	380	0	380
Impairment losses and depreciation at 30 June 2023	<u>2,594</u>	<u>0</u>	<u>2,594</u>
Carrying amount at 30 June 2023	<u>824</u>	<u>152</u>	<u>976</u>

9 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years.

DKK'000	<u>2022/23</u>	<u>2021/22</u>
10 Share capital		
Analysis of the share capital:		
1,000 Ordinary shares of DKK 5,000.00 nominal value each	5,000	5,000
	<u>5,000</u>	<u>5,000</u>

The Company's share capital has remained DKK 5,000 thousand over the past 5 years.

11 Deferred tax

Deferred tax at 1 July	183	235
Other deferred tax	-63	-52
Deferred tax at 30 June	<u>120</u>	<u>183</u>
Deferred tax relates to:		
Property, plant and equipment	120	183
	<u>120</u>	<u>183</u>
Analysis of the deferred tax		
Deferred tax liabilities	120	183
	<u>120</u>	<u>183</u>

Financial statements 1 July 2022 - 30 June 2023

Notes to the financial statements

12 Payables to group enterprises

The company has entered into a cash pool agreement with Diageo Finance plc, in which Diageo Finance plc, is the account holder and Diageo Denmark A/S is the sub-account holder together with the group's other affiliated companies. The terms of the cash pool scheme grant Bank of America the right to settle withdrawals and deposits with each other, whereby only the net balance of the total cash pool accounts constitutes Diageo Finance plc, balance with Bank of America.

Diageo Denmark A/S' accounts in the cash pool scheme, which are recognised under payables to group enterprises, constitute a balance of DKK 115 thousand as of 30 June 2023 (as of 30 June 2022: receivables of DKK 21 944 thousand).

13 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK'000	<u>2022/23</u>	<u>2021/22</u>
Rent and lease liabilities	3,884	4,835

Rent and lease liabilities include a rent obligation totalling DKK 3,092 thousand in interminable rent agreements with remaining contract terms of 32 months. Furthermore, the Company has liabilities under operating leases for cars and IT equipment, totalling DKK 792 thousand, with remaining contract terms of 1-3 years.

14 Collateral

The Company has not provided any security or other collateral in assets at 30 June 2023.

Financial statements 1 July 2022 - 30 June 2023

Notes to the financial statements

15 Related parties

DIAGEO DENMARK A/S' related parties comprise the following:

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
Selviac Nederland BV.	Amsterdam, Netherlands	Parent
Diageo Plc.	London, UK	Ultimate Parent

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Diageo Plc.	London, UK	Consolidated financial statement can be obtained by contacting Diageo Plc. or via its homepage www.diageo.com
Selviac Nederland B.V.	Amsterdam, Netherlands	Selviac Nederland B.V. does not have to publish its consolidated financial statements

Related party transactions

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

All transactions have been carried out on an arm's length basis.