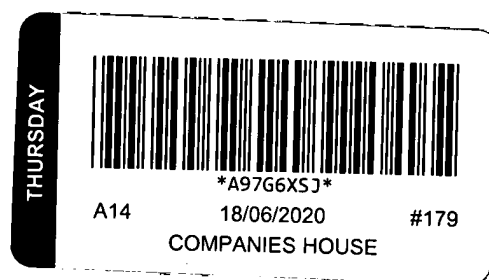


Diageo DV Limited
Directors' report and financial statements
30 June 2019

Registered number: 00014172



Diageo DV Limited
Registered number: 00014172
Year ended 30 June 2019

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Diageo DV Limited
Registered number: 00014172
Year ended 30 June 2019

DIRECTORS' REPORT

The directors have pleasure in submitting their directors' report, together with the audited financial statements for the year ended 30 June 2019.

The directors are entitled to take advantage of the small companies' exemption in not preparing a strategic report. This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Activities

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

On 5 August 2013, Diageo entered into an agreement with Independents United to launch an incubator programme to invest in and mentor entrepreneurs developing premium spirits brands. Independents United, trading as Distill Ventures LLP, manages the programme and discovers potential business opportunities for the Diageo group ("the group").

During the financial year, as part of the incubator programme, the company acquired ordinary shares for cash consideration in Anna Seed 83 Limited, Caleno Drinks Ltd, Conscious Drinks Limited and Niococktails S.r.l.. As a result of the acquisition, the company holds a 20% equity stake in each of the investments.

Additional cash consideration was also paid in the form of subscription for convertible shares to Cambridge Distillery Limited, El Bandarra S.L., Mr Black Spirits Pty Ltd. and Seedlip Ltd.

The company also subscribed for additional convertible shares in Stauning Whisky Holding ApS and New World Whisky Distillery Pty Limited.

On 4 December 2018, GrandMet Foods (UK) Limited novated its intercompany loan payable to the company in the amount of £117,355,000 to Grand Metropolitan Limited ("GML"). As a result of the intercompany loan novation, offset by an additional loan draw down of £17,086,000 for investment additions, amounts owed to GML decreased by £100,269,000 from £48,029,000 to amounts owed by GML in the amount of £52,240,000 for the year ended 30 June 2019.

On 8 January 2019, PSP (Sales and Distribution) Limited, the wholly owned subsidiary of the company, was dissolved. The company did not realise any gain or loss on this transaction.

Going concern

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

Diageo DV Limited
Registered number: 00014172
Year ended 30 June 2019

DIRECTORS' REPORT (continued)

Financial

The result for the year ended 30 June 2019 is shown on page 9.

The loss for the year transferred to reserves was £2,490,000 (2018 - £3,413,000).

No dividend was paid during the year (2018 - £nil) and there was no dividend proposed to be distributed to the shareholders in regards to the financial year (2018 - £nil).

Directors

The directors who held office during the year and up to the date of this report were as follows:

E A Brown

T M Clarke (appointed 24 August 2018 and resigned 27 August 2019)

C Diezhandino

J M C Edmunds

D B Gates (resigned 1 October 2018)

D F Harlock (resigned 1 August 2018)

I A Hockney (resigned 8 April 2019)

G Kovacs (appointed 1 August 2018)

A Mahler (resigned 1 August 2018)

K E Major (appointed 1 August 2018)

D Nayager (appointed 7 November 2019)

S C Saller

Directors' remuneration

None of the directors received any remuneration during the year in respect of their services as directors of the company (2018 - £nil).

Directors' indemnity

The Articles of Association permit qualifying third-party indemnities for the directors as defined by Section 234 of the Companies Act 2006. No such indemnity was in force during the last financial year, nor is any currently in force.

Diageo DV Limited
Registered number: 00014172
Year ended 30 June 2019

DIRECTORS' REPORT (continued)

Post balance sheet events

Subsequent to year-end, the company acquired further shareholding in Seedlip Ltd, Anna Seed 83 Limited and Tipplesworth Limited, therefore the percentage owned by the company increased to 91%, 100% and 100%, respectively. As a consequence, Seedlip Ltd, Anna Seed 83 Limited and Tipplesworth Limited became subsidiaries of the company.

Subsequent to year-end, as part of the incubator programme, the company acquired ordinary shares for cash consideration in El Rayo Limited and The Southwest Fermentarium Limited. As a result of the acquisitions, the company holds 20% and 25% equity stake in the investments, respectively.

Subsequent to year-end, as part of the incubator programme, the company acquired further ordinary and convertible shares for cash consideration in Mr Black Spirits Pty Ltd. in the amount of AUD 7,606,000 (£ 4,061,000). As a result of the acquisition, the shareholding of the company increased from 20% to 45%.

Subsequent to year-end, additional consideration was paid in the form of subscription for convertible shares to certain associate undertakings of the company in the total amount of £16,752,000.

Subsequent to year-end, the company divested its ordinary shares in Pekoe B.V. and Conscious Drinks Limited.

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 company, although it is expected that the pandemic will not affect the ability of the group to operate as a going concern. On 9 April 2020 Diageo plc, the ultimate parent of the Company, issued an announcement relating to the impact of the COVID-19 outbreak. The announcement emphasised that the group has a strong balance sheet and is taking actions to maintain good liquidity of the group and will invest prudently to ensure that it is strongly positioned for a recovery in consumer demand. The directors are therefore comfortable that the group is able to provide support for a period of at least 12 months from the date of the signed financial statements, should it be required.

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 2019 on page 75 at www.diageo.com, which does not form part of this report.

Principal risks and uncertainties facing the company as at 30 June 2019

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. One company-specific risk has been identified, which is the recoverability of the company's investment in subsidiaries.

Diageo DV Limited
Registered number: 00014172
Year ended 30 June 2019

DIRECTORS' REPORT (continued)

Principal risks and uncertainties facing the company as at 30 June 2019 (continued)

The process surrounding the United Kingdom's future trading relationship with the European Union continues. The group remains of the view that, in the event of either a future free trade agreement (FTA) or a 'no FTA' outcome at the end of the implementation period between the UK and the EU, the direct financial impact to Diageo will not be material. The full implications of Brexit will not be understood until future trade, regulatory and tax arrangements to be entered into by the United Kingdom are established. Furthermore, the group could experience changes to laws and regulations post Brexit, in areas such as intellectual property rights, employment, environment, supply chain logistics, data protection, and health and safety.

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. The group continues to monitor this risk area 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 takes prudent actions to mitigate these risks wherever practical. More specific details on the impact of Brexit are included in the 2020 interim results presentation of Diageo plc which are publicly available.

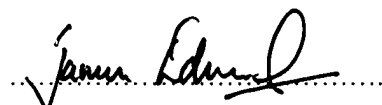
Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors, PricewaterhouseCoopers LLP, have been reappointed and will continue in office as auditors of the company.

Disclosure of information to the auditors

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

By order of the board



J M C Edmunds
Director

Lakeside Drive
Park Royal
London
NW10 7HQ

29 April 2020

Diageo DV Limited
Registered number: 00014172
Year ended 30 June 2019

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the directors' 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 DV Limited

Report on the audit of the financial statements

Opinion

In our opinion, Diageo DV Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 30 June 2019; 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

Reporting on other information

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

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

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

Based on 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.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 30 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 6, 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. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not 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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. 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
29 April 2020

Diageo DV Limited
Registered number: 00014172
Year ended 30 June 2019

STATEMENT OF COMPREHENSIVE INCOME

		Year ended 30 June 2019	Year ended 30 June 2018 (restated)
	Notes	£ 000	£ 000
Operating costs	2	(1,967)	(2,224)
Net result from shares in subsidiary undertakings	3, 6	—	—
Provision against subsidiary and associate undertakings	6	(305)	(1,288)
Operating loss		(2,272)	(3,512)
Net finance (charges)/income	4	(218)	99
Loss before taxation on ordinary activities		(2,490)	(3,413)
Taxation on loss on ordinary activities	5	—	—
Loss for the financial year and total comprehensive expense for the year		(2,490)	(3,413)

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.

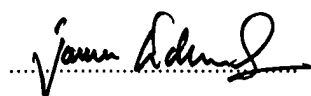
Diageo DV Limited
Registered number: 00014172
Year ended 30 June 2019

BALANCE SHEET

		30 June 2019	30 June 2018 (restated)
	Notes	£ 000	£ 000
Non-current assets			
Investments in subsidiaries	6	9,916	10,086
Investments in associates	6	56,449	39,676
Other investments	6	—	—
Trade and other receivables	7	—	3,293
		<u>66,365</u>	<u>53,055</u>
Current assets			
Trade and other receivables	7	54,226	117,875
Cash and cash equivalents		297	312
Total assets		<u>120,888</u>	<u>171,242</u>
Current liabilities			
Trade and other payables	9	(3,541)	(51,985)
Non-current liabilities			
Other payables	9	(2,794)	(2,214)
Total liabilities		<u>(6,335)</u>	<u>(54,199)</u>
Net assets		<u>114,553</u>	<u>117,043</u>
Equity			
Called up share capital	11	15,139	15,139
Share premium		772	772
Other reserves		2,937	2,937
Retained earnings		95,705	98,195
Total equity		<u>114,553</u>	<u>117,043</u>

The accounting policies and other notes on pages 12 to 27 form part of the financial statements.

These financial statements on pages 9 to 27 were approved by the Board on 29 April 2020 and were signed on its behalf by:



J M C Edmunds
 Director

Diageo DV Limited
Registered number: 00014172
Year ended 30 June 2019

STATEMENT OF CHANGES IN EQUITY

ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

	Called up share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
Balance at 30 June 2017 (as previously reported)	15,139	772	2,937	97,746	116,594
Restatement of contingent consideration (note 1)	—	—	—	3,862	3,862
Balance at 30 June 2017 (restated)	15,139	772	2,937	101,608	120,456
Loss for the financial year	—	—	—	(3,413)	(3,413)
Balance at 30 June 2018 (restated)	15,139	772	2,937	98,195	117,043
Loss for the financial year	—	—	—	(2,490)	(2,490)
Balance at 30 June 2019	15,139	772	2,937	95,705	114,553

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

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

These financial statements are prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (IFRS), but makes amendments where necessary in order to comply with Companies Act 2006 and sets out below where the FRS 101 disclosure exemptions have been taken.

These financial statements are prepared on a going concern basis under the historical cost convention, except that certain financial instruments are measured at their fair value.

The company is a wholly owned subsidiary of Diageo plc and is included in the consolidated financial statements of Diageo plc which are publicly available.

The preparation of financial statements in conformity with FRS 101 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - 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).

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

The following exemptions from the requirements of IFRS have been applied in the preparation of financial statements, in accordance with FRS 101: (continued)

- 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 requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 'Business Combinations', can be omitted, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- 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.

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.

Prior year adjustment

During the year the directors revised the accounting treatment of advances promised to associates at 30 June 2018, on achieving certain performance targets, which were incorrectly recognised and presented on the balance sheet and in the applicable disclosure notes resulting an overstatement of Investments in associates by £10,691,000 (2017 - £10,689,000; 2016 - £14,559,000), an overstatement of Trade and other payables within Current liabilities and Other payables within Non-current liabilities by £5,172,000 (2017 - £8,926,000; 2016 - £6,759,000) and £9,415,000 (2017 - £5,632,000; 2016 - £10,562,000), respectively and an understatement of Retained earnings in the amount of £3,896,000 (2017 - £3,869,000; 2016 - £2,762,000), which relates entirely to foreign exchange movements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101: (continued)

- 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 requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n) (ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 'Business Combinations', can be omitted, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
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NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

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 2018 with no impact on the company's results, financial position or disclosures:

- Amendments to IAS 40 - Transfers of Investment Property;
- Amendments to IFRS 2 - Classification and Measurement of Share-based payment transactions;
- Amendments to IFRS 4 - Applying IFRS 9 with IFRS 4 Insurance contracts;
- Improvements to IFRS 1 - First-time Adoption of International Financial Reporting Standards: Deletion of short-term exemptions for first-time adopters;
- Improvements to IAS 28 - Investments in Associates and Joint Ventures: Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice;
- IFRIC 23 Uncertainty over Income Tax Treatments.

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/costs

Finance income/costs are recognised in the statement of comprehensive income in the year in which they are 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Investments in subsidiaries

Investments in subsidiaries are stated at historical cost less impairment provisions for any permanent decrease in value, incorporating the fair value of any contingent consideration. Contingent consideration is an obligation of the acquirer to transfer additional consideration if specified future events occur or conditions are met. 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. The amount of contingent consideration is reassessed at year-end and the subsequent changes in the probabilities or expectations are recognised in line with the cost base approach, with any changes accounted for against the cost of investment in subsidiary undertaking.

Investments in associates

Investments in associates are stated at historical cost less impairment provisions for any permanent decrease in value. Investments in associates balance includes ordinary, convertible shares and net derivatives that include the fair value of the option of conversion, which is presented in net with the associated assumed liability. The value of ordinary shares incorporates all directly attributable costs of the acquisition. 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. Investments in associates balance includes convertible shares invested in associates. The value of these is derived from the conversion option and subsequent discount on purchase price. As such these are accounted for under IFRS 9 and are subsequently measured at fair value through the statement of comprehensive income. These convertible shares are also disclosed in the Financial instruments note as they are measured accordingly.

Financial assets and liabilities

Financial assets and liabilities are initially recorded at fair value, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

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.

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

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.

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. Contingent considerations are measured at fair value through statement of comprehensive income.

Taxation

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

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.

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.

Critical accounting estimates and judgements

The company makes estimates and judgements concerning the future. The resulting accounting judgements will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

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

- Investment in subsidiaries, associates and other investments, including convertible shares: A critical accounting estimate is the assessment that recoverable amount of the company's investment is greater than the carrying amount and the fair value of convertible shares.
- Taxation: The evaluation of deferred tax assets recoverability requires estimates to be made regarding the availability of future taxable income. The directors believe that the company will generate sufficient future taxable income.
- Contingent considerations: Management need to consider the key inputs in respect of the business performance and future forecasts including market projections when developing the assumptions used to determine the fair value. This includes the need to estimate the likelihood and timing of achieving the arrangement's relevant milestones. Management also need to exercise judgement when applying a probability assessment for each of the potential outcomes. Such estimates and judgements are subject to change as a result of changing economic conditions and actual cash flows may differ from forecasts.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

2. OPERATING COSTS

	Year ended 30 June 2019	Year ended 30 June 2018 (restated)
	£ 000	£ 000
Other operating expenses	<u>1,967</u>	<u>2,224</u>

Comparatives have been restated as a result of the revised presentation of contingent consideration and the related note disclosures. For an explanation of the effect of the restatement see 'Prior year adjustment' in the accounting policies.

Other operating expenses include a foreign exchange gain of £30,000 (2018 - loss of £46,000) in respect of the contingent consideration (see note 9), foreign exchange gain of £nil (2018 - £50,000) in respect of the convertible loans, £1,671,000 (2018 - £1,692,000) service fee in respect of the incubator programme and success fee of £nil (2018 - £534,000) in respect of the acquisition of Belsazar GmbH.

The auditors' remuneration of £4,000 (2018 - £4,000) 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 (2018 - £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 (2018 - £nil).

3. NET RESULT FROM SHARES IN SUBSIDIARY UNDERTAKINGS

During the year ended 30 June 2018, PSP (Sales and Distribution) Limited, a wholly owned subsidiary undertaking paid dividend in the amount of £1,057,000 to the company. Subsequent to the dividend payment the recoverable amount of the investment became lower than the carrying value held by the company, so a provision was recognized in the amount of £1,057,000 in respect of the investment value.

During the year ended 30 June 2019, the subsidiary undertaking was dissolved, therefore the cost of the investment and the provision in the amount of £114,290,000 were written off, resulting in neither a gain nor a loss to the company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. NET FINANCE INCOME AND CHARGES

	Year ended 30 June 2019 £ 000	Year ended 30 June 2018 £ 000
Net finance (charges)/income		
Interest from fellow group undertakings		
Belsazar GmbH	120	121
Other interest income	1	—
Total interest income	121	121
Finance charge to fellow group undertakings		
Diageo Finance Plc	(4)	(22)
Unwinding of discounts	(335)	—
Total interest charges	(339)	(22)
Net finance (charges)/income	(218)	99

5. TAXATION

	Year ended 30 June 2019 £ 000	Year ended 30 June 2018 (restated) £ 000
(a) Analysis of taxation for the year		
Current tax	—	—
Deferred tax	—	—
Taxation on loss on ordinary activities	—	—
(b) Factors affecting total tax for the year		
Loss on ordinary activities before taxation	(2,490)	(3,413)
Taxation on loss on ordinary activities at UK corporation tax rate of 19% (2018 - 19%)	473	648
Income not taxable	7	201
Items not deductible for tax purposes	(127)	(454)
Group relief surrendered for nil consideration	(346)	(522)
Other tax effects for reconciliation between accounting profit and tax income	(7)	127
Total tax for the year	—	—

Comparatives have been restated as a result of the revised presentation of contingent consideration and the related note disclosures. For an explanation of the effect of the restatement see 'Prior year adjustment' in the accounting policies.

The UK tax rate is 19% effective from 1 April 2017 which is applied for the year ended 30 June 2019. 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. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INVESTMENTS

Shares in group undertakings and other investments

	Subsidiaries £ 000	Associates £ 000	Other investments £ 000	Total £ 000
Cost				
At 30 June 2018 (as previously reported)	124,376	51,863	—	176,239
Restatement of contingent consideration	—	(10,691)	—	(10,691)
At 30 June 2018 (restated)	124,376	41,172	—	165,548
Additions	—	17,078	—	17,078
Disposals	(114,290)	—	—	(114,290)
Decrease in fair value of contingent consideration	(170)	—	—	(170)
At 30 June 2019	9,916	58,250	—	68,166
Provisions				
At 30 June 2018	(114,290)	(1,496)	—	(115,786)
Provided	—	(305)	—	(305)
Disposals	114,290	—	—	114,290
At 30 June 2019	—	(1,801)	—	(1,801)
Carrying amount				
At 30 June 2019	9,916	56,449	—	66,365
At 30 June 2018 (restated)	10,086	39,676	—	49,762

Comparatives have been restated as a result of the revised presentation of contingent consideration and the related note disclosures. For an explanation of the effect of the restatement see 'Prior year adjustment' in the accounting policies.

On 8 January 2019, PSP (Sales and Distribution) Limited (a wholly owned subsidiary undertaking of the company) was dissolved, therefore the cost of the investment and the provision in the amount of £114,290,000 were written off, resulting in neither a gain nor a loss to the company.

The additions in associates balance includes convertible shares invested in associates of £15,348,000 (2018 - £24,384,000). Investments in associates includes convertible shares in the total amount of £47,827,000 (2018 - £32,477,000) that are disclosed as financial instruments (see note 8).

During the year the company recognized a provision of £305,000 in respect of one of its investments in the incubator programme (2018 - £1,288,000).

The other investment represents an equity instrument, which is a non-derivative financial asset that is either designated as such upon initial recognition or not classified in any of the other financial asset categories. It is included in non-current assets. Subsequent to initial measurement, the investment is stated at fair value. The company values its other investment using unobservable inputs for the asset (Level 3). The fair value of the investment is £nil at 30 June 2019 (2018 - £nil). Gains and losses arising from the changes in fair value of the investments are recognized in the statement of comprehensive income. The result of revaluation at 30 June 2019 was £nil (2018 - £nil).

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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.

Name of investment	Notes	Registered office address	Proportion of ownership interest %*	Proportion of interest in convertible shares %	Proportion of effective interest %**
Direct holdings					
<i>Subsidiary undertakings</i>					
Belsazar GmbH		Reeperbahn 1., 20359 Hamburg, Germany	100%	—	100%
<i>Associate undertakings</i>					
Anna Seed 83 Limited	(iii)	Suites 5 & 6 Woodlands Court, Burnham Road, Beaconsfield, Buckinghamshire, HP9 2SF, United Kingdom	20%	100%	20%
Caleno Drinks Ltd		1 Orchard Road, St George, Bristol, BS5 7HS, United Kingdom	20%	100%	20%
Cambridge Distillery Limited		Cambridge Distillery, 20 High Street, Grantchester, Cambridge CB3 9NF, United Kingdom	33%	100%	33%
Conscious Drinks Limited	(v)	44 Rectory Lane, Kings Langley, WD4 8EY, United Kingdom	20%	—	20%
Del Professore Limited		17 Grosvenor Street, Mayfair, London W1K 4QG, United Kingdom	20%	100%	20%
El Bandarra S.L.		Calle General Vara del Rey 5, 1 Piso, 26003 Logroño, La Rioja, Spain	25%	100%	25%
London Botanical Drinks Limited		28 Vale Road, Claygate, Esher, KT10 0NJ, United Kingdom	20%	—	20%
Longflint Drinks Limited	(vi)	1st Floor, Colina House, Colina Mews, London, N15 3HS, United Kingdom	20%	100%	20%
Mr Black Spirits Pty Ltd.	(i)	Cabel Partners, Level 5, 1 James Place, North Sydney, NSW 2060, Australia	20%	100%	20%
New World Whisky Distillery PTY Limited		50 Bertie Street, Port Melbourne, Victoria 3207, Australia	30%	100%	30%
Nicocktails S.r.l.		Via Tortona 15, 20144, Milan, Italy	20%	—	20%

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INVESTMENTS (continued)

Name of investment	Notes	Registered office address	Proportion of ownership interest %*	Proportion of interest in convertible shares %	Proportion of effective interest %**
Direct holdings (continued)					
<i>Associate undertakings (continued)</i>					
Pekoe B.V.	(ii)	Wichersstraat 26, 1051 ML Amsterdam, The Netherlands	20%	—	20%
Seedlip Ltd	(iii)	Suites 5 & 6 Woodlands Court, Burnham Road, Beaconsfield, Buckinghamshire, HP9 2SF, United Kingdom	20%	100%	20%
Stauning Whisky Holding ApS		Stauningvej 38, 6900 Skjern, Denmark	40%	100%	40%
Tipplesworth Limited	(iv)	Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom	20%	100%	20%
Valdomino Premium Spirits, S.L.		Tomino (Pontevedra), 36750, Parroquia de Goian, Barrio de Centinela, 1, Spain	20%	—	20%
<i>Other investment undertaking</i>					
Melius Drinks Ltd		64 New Cavendish Street, London W1G 8TB, United Kingdom	7.89%	—	7.89%

- (i) On 18 October 2019, further shares were acquired in Mr Black Spirits Pty Ltd., therefore the percentage owned by Diageo increased to 45%.
- (ii) On 12 July 2019, the company divested its shares in Pekoe B.V..
- (iii) On 6 August 2019, further shares were acquired in Seedlip Limited and Anna Seed 83 Limited, therefore the percentage owned by Diageo increased to 91% and 100%, respectively.
- (iv) On 27 November 2019, further shares were acquired in Tipplesworth Limited, therefore the percentage owned by Diageo increased to 100%.
- (v) On 30 March 2020, the company divested its shares in Conscious Drinks Limited.
- (vi) On 10 July 2019, proportion of ownership interest increased from 20% to 35% due to conversion of convertible shares.

During the financial year, as part of the incubator programme, the company acquired ordinary shares for cash consideration in Anna Seed 83 Limited, Caleno Drinks Ltd, Conscious Drinks Limited and Niococktails S.r.l.. As a result of the acquisition, the company holds a 20% equity stake in each of the investments.

Additional cash consideration was also paid in the form of subscription for convertible shares to Cambridge Distillery Limited, El Bandarra, S.L., Mr Black Spirits Pty Ltd. and Seedlip Ltd.

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

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INVESTMENTS (continued)

The company also subscribed for additional shares in Stauning Whisky Holding ApS and New World Whisky Distillery Pty Limited.

For Belsazar GmbH, a contingent consideration is presented as part of the investment value (see note 7).

The investments in subsidiaries are held at cost less, where appropriate, provision for impairment in value. The investments in associates balance includes convertible shares invested in associates, which are subsequently measured at fair value through the statement of comprehensive income.

In the opinion of the directors, the investment in the company's subsidiary undertakings, associates and other investments are worth at least the amount at which they are stated in the financial statements.

7. TRADE AND OTHER RECEIVABLES

	30 June 2019		30 June 2018	
	Due within one year £ 000	Due after one year £ 000	Due within one year £ 000	Due after one year £ 000
Amounts owed by fellow group undertakings				
Belsazar GmbH	—	—	—	3,293
GrandMet Foods (UK) Limited	—	—	117,355	—
Grand Metropolitan Limited	52,240	—	—	—
Diageo Finance plc	1,614	—	449	—
	53,854	—	117,804	3,293
Other receivables	—	—	41	—
Prepayments and accrued income	372	—	30	—
	372	—	71	—
	54,226	—	117,875	3,293

On 4 December 2018, GrandMet Foods (UK) Limited novated its intercompany loan payable to the company in the amount of £117,355,000 to Grand Metropolitan Limited ("GML"). As a result of the intercompany loan novation, offset by an additional loan draw down of £17,086,000 for investment additions, amounts owed to GML decreased by £100,269,000 from £48,029,000 to amounts owed by GML in the amount of £52,240,000 for the year ended 30 June 2019.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. FINANCIAL INSTRUMENTS

Reconciliation of financial instruments

The table below sets out the company's accounting classification of each class of financial assets and liabilities.

	At cost	Fair value through profit and loss	Total	Current	Non- current
	£ 000	£ 000	£ 000	£ 000	£ 000
2019					
Shares in associates	8,410	—	8,410	—	8,410
Convertible shares at fair value through profit and loss	—	48,039	48,039	—	48,039
Trade and other receivables	54,226	—	54,226	54,226	—
Cash and cash equivalents	297	—	297	297	—
Total financial assets	62,933	48,039	110,972	54,523	56,449
Trade and other payables	(758)	(5,577)	(6,335)	(3,541)	(2,794)
Total financial liabilities	(758)	(5,577)	(6,335)	(3,541)	(2,794)
Total net financial assets	62,175	42,462	104,637	50,982	53,655
2018					
Shares in associates	6,986	—	6,986	—	6,986
Convertible shares at fair value through profit and loss	—	32,690	32,690	—	32,690
Trade and other receivables	117,875	—	117,875	117,875	—
Cash and cash equivalents	312	—	312	312	—
Total financial assets	125,173	32,690	157,863	118,187	39,676
Trade and other payables	(48,830)	(5,369)	(54,199)	(51,985)	(2,214)
Total financial liabilities	(48,830)	(5,369)	(54,199)	(51,985)	(2,214)
Total net financial assets	76,343	27,321	103,664	66,202	37,462

The convertible shares represent equity instruments, which are non-derivative financial assets that are presented as part of investments. Convertible shares are measured initially and subsequently at fair value through profit and loss. Convertible shares represent a potential equity stake at the future date of conversion, where the total amount of convertible shares can be converted to ordinary shares, therefore the net book value of convertible shares is considered to be a reasonable estimation for fair value.

The value of the combination of convertible shares not paid for and the associated assumed liability is £nil (2018 - £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. TRADE AND OTHER PAYABLES

	30 June 2019		30 June 2018 (restated)	
	Amounts falling due within one year £ 000	Amounts falling due after one year £ 000	Amounts falling due within one year £ 000	Amounts falling due after one year £ 000
Amounts owed to fellow group undertakings				
Grand Metropolitan Limited	—	—	48,029	—
Diageo Great Britain Limited	550	—	477	—
	550	—	48,506	—
Accruals and deferred income	208	—	324	—
Contingent consideration	2,783	2,794	3,155	2,214
	3,541	2,794	3,479	2,214
	3,541	2,794	51,985	2,214

Comparatives have been restated as a result of the revised presentation of contingent consideration and the related note disclosures. For an explanation of the effect of the restatement see 'Prior year adjustment' in the accounting policies.

On 4 December 2018, GrandMet Foods (UK) Limited novated its intercompany loan payable to the company in the amount of £117,355,000 to Grand Metropolitan Limited ("GML"). As a result of the intercompany loan novation, offset by an additional loan draw down of £17,086,000 for investment additions, amounts owed to GML decreased by £100,269,000 from £48,029,000 to amounts owed by GML in the amount of £52,240,000 for the year ended 30 June 2019.

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

For Belsazar GmbH part of the consideration is contingent in the amount of investments in subsidiaries in the value of £5,463,000 (2018 - £5,633,000). The contingent consideration is presented at the exchange rate of the financial year end date, 1.12 EUR/GBP (2018 - 1.13 EUR/GBP), in the amount of £5,577,000 (2018 - £5,369,000) within trade and other payables.

10. 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:

	30 June 2019 £ 000	30 June 2018 £ 000
Tax losses	10,800	10,800

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NOTES TO THE FINANCIAL STATEMENTS (continued)

11. SHARE CAPITAL

Allotted, called up and fully paid:

	30 June 2019 £ 000
15,139,256 (2018 - 15,139,256) ordinary shares of £1 each	<u>15,139</u>

12. COMMITMENTS

The company has several agreements for future earn-out payment targets with Stauning Whisky Holding ApS and New World Whisky Distillery Pty Limited in the maximum amount of £13,153,000.

13. RELATED-PARTY TRANSACTIONS

Transactions between the company and its related parties are made on terms equivalent to those that prevail in arm's length transactions.

The following transactions were carried out with related parties:

At 30 June 2019, equity contributions provided during the year to associate undertakings amounted to £16,782,000 (2018 - £24,927,000).

14. POST BALANCE SHEET EVENTS

Subsequent to year-end, the company acquired further shareholding in Seedlip Ltd, Anna Seed 83 Limited and Tipplesworth Limited, therefore the percentage owned by the company increased to 91%, 100% and 100%, respectively. As a consequence, Seedlip Ltd, Anna Seed 83 Limited and Tipplesworth Limited became subsidiaries of the company.

Subsequent to year-end, as part of the incubator programme, the company acquired ordinary shares for cash consideration in El Rayo Limited and The Southwest Fermentarium Limited. As a result of the acquisitions, the company holds 20% and 25% equity stake in the investments, respectively.

Subsequent to year-end, as part of the incubator programme, the company acquired further ordinary and convertible shares for cash consideration in Mr Black Spirits Pty Ltd. in the amount of AUD 7,606,000 (£ 4,061,000). As a result of the acquisition, the shareholding of the company increased from 20% to 45%.

Subsequent to year-end, additional consideration was paid in the form of subscription for convertible shares to certain associate undertakings of the company in the total amount of £16,752,000.

Subsequent to year-end, the company divested its ordinary shares in Pekoe B.V. and Conscious Drinks Limited.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

14. POST BALANCE SHEET EVENTS (continued)

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 company, although it is expected that the pandemic will not affect the ability of the group to operate as a going concern. On 9 April 2020 Diageo plc, the ultimate parent of the Company, issued an announcement relating to the impact of the COVID-19 outbreak. The announcement emphasised that the group has a strong balance sheet and is taking actions to maintain good liquidity of the group and will invest prudently to ensure that it is strongly positioned for a recovery in consumer demand. The directors are therefore comfortable that the group is able to provide support for a period of at least 12 months from the date of the signed financial statements, should it be required.

15. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking of the company is *Grand Metropolitan Limited*, a company incorporated and registered in England.

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