

Diageo DV Limited
Directors' report and financial statements
30 June 2018

Registered number: 14172



Diageo DV Limited
Registered number: 14172
Year ended 30 June 2018

CONTENTS	PAGES
DIRECTORS' REPORT	2 - 4
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS	5
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIAGEO DV LIMITED	6 - 8
STATEMENT OF COMPREHENSIVE INCOME	9
BALANCE SHEET	10
STATEMENT OF CHANGES IN EQUITY	11
NOTES TO THE FINANCIAL STATEMENTS	12 - 26

Diageo DV Limited
Registered number: 14172
Year ended 30 June 2018

DIRECTORS' REPORT

The directors have pleasure in submitting their directors' report and financial statements, together with the audited financial statements for the year ended 30 June 2018.

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 Tipplesworth Limited, Pekoe B.V, London Botanical Drinks Limited and El Bandarra S.L. As a result of the acquisition, the company holds a 20% equity stake in Tipplesworth Limited and Pekoe B.V, London Botanical Drinks Limited and a 25% equity stake in El Bandarra S.L. The company also increased its existing investment in Cambridge Distillery Ltd.

Additional cash consideration was also paid in the form of subscription for preference shares to Longflint Drinks Ltd, Del Professore Limited and Seedlip Limited. The company also subscribed for additional shares in Stauning Whisky Holding ApS, New World Whisky Distillery Pty Limited, and for Mr Black Spirits Pty Ltd.

On 14 March 2018, the company acquired further 25,000 shares, representing 80% of shareholding of Belsazar GmbH for consideration of £4,453,000 (€5,000,000) and further earn-out payments. These payments are based on Belsazar GmbH achieving agreed targets.

Going concern

The company is expected to remain in a positive net asset position for the foreseeable future. The company participates in the group's centralised treasury arrangements. The company is not reliant on external third party financing. The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern. On the basis of their assessment, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for 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: 14172
Year ended 30 June 2018

DIRECTORS' REPORT (continued)

Financial

The results for the year ended 30 June 2018 are shown on page 9.

The loss for the year transferred from reserves is £3,447,000 (2017 - loss of £1,185,000).

No dividend was paid during the year (2017 - £nil) and there is no dividend proposed to be distributed to the shareholders in regards to the financial year (2017 - £nil).

Directors

The directors who held office during the year were as follows:

E A Brown (appointed 13 December 2017)

C Diezhandino

J M C Edmunds (appointed 9 March 2018)

I A Hockney

J J Nicholls (resigned 9 March 2018)

S C Saller

The following directors were appointed after the year end:

T M Clarke (appointed 24 August 2018)

G Kovacs (appointed 1 August 2018)

K E Major (appointed 1 August 2018)

The following directors resigned after the year end:

D F Harlock (resigned 1 August 2018)

A Mahler (resigned 1 August 2018)

The following director was appointed during the year and resigned after the year end:

D B Gates (appointed 18 July 2017 and resigned 1 October 2018)

Directors' remuneration

None of the directors received any remuneration during the year in respect of their services as directors of the company (2017 - £nil).

Secretary

On 18 July 2017, C E Matthews resigned as secretary of the company.

On 18 July 2017, J M Guttridge was appointed, and on 20 April 2018, resigned as secretary of the company.

Directors' indemnity

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

Diageo DV Limited
Registered number: 14172
Year ended 30 June 2018

DIRECTORS' REPORT (continued)

Post balance sheet events

Subsequent to year-end, as part of the incubator programme, the company acquired ordinary shares for cash consideration in Niococktails S.r.l and Caleno Drinks Limited. As a result of the acquisitions, the company holds 20% equity stake in each of the investments.

Subsequent to year-end, additional consideration was paid in the form of subscription for preference shares to certain associate undertakings of the company in the total amount of £12,440,000.

On 4 December 2018, Grandmet Foods (UK) Limited novated its intercompany loan in the amount of £117,355,000 to Grand Metropolitan Limited.

On 8 January 2019, PSP (Sales and Distribution) Limited, the wholly owned subsidiary of the company, was dissolved.

Internal control and risk management over financial reporting

The company operates under the financial reporting processes and controls of the Diageo group ("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 2018 on pages 66 to 67 at www.diageo.com, which does not form part of this report.

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


.....
G Kovacs
Director

Lakeside Drive
Park Royal
London
NW10 7HQ

12 March 2019

Diageo DV Limited
Registered number: 14172
Year ended 30 June 2018

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 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.

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.

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 2018 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 2018; 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

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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 2018 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 set out on page 5, 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
12 March 2019

Diageo DV Limited
Registered number: 14172
Year ended 30 June 2018

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 30 June 2018 £ 000	Year ended 30 June 2017 £ 000
Operating costs	2	(2,258)	(972)
Net result from shares in subsidiary undertakings	3, 6	-	-
Provision against associate undertakings	6	<u>(1,288)</u>	<u>(228)</u>
Operating loss		(3,546)	(1,200)
Net finance income	4	<u>99</u>	<u>15</u>
Loss before taxation on ordinary activities		(3,447)	(1,185)
Taxation on loss on ordinary activities	5	<u>-</u>	<u>-</u>
Loss for the financial year and total comprehensive expense for the year		<u>(3,447)</u>	<u>(1,185)</u>

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.

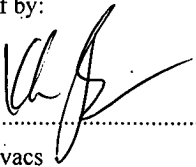
Diageo DV Limited
Registered number: 14172
Year ended 30 June 2018

BALANCE SHEET

	Note	30 June 2018 £ 000	30 June 2017 £ 000
Non-current assets			
Investments in subsidiaries	6	10,086	1,057
Investments in associates	6	50,367	28,338
Other investments	6	-	-
Trade and other receivables	7	3,293	2,470
		<u>63,746</u>	<u>31,865</u>
Current assets			
Trade and other receivables	7	117,875	118,128
Cash and cash equivalents		312	338
		<u>118,187</u>	<u>118,466</u>
Total assets		<u>181,933</u>	<u>150,331</u>
Current liabilities			
Trade and other payables	8	(57,157)	(28,105)
Non-current liabilities			
Other payables	8	(11,629)	(5,632)
		<u>(68,786)</u>	<u>(33,737)</u>
Total liabilities		<u>(68,786)</u>	<u>(33,737)</u>
Net assets		<u>113,147</u>	<u>116,594</u>
Equity			
Called up share capital	10	15,139	15,139
Share premium		772	772
Other reserves		2,937	2,937
Retained earnings		94,299	97,746
		<u>113,147</u>	<u>116,594</u>
Total equity		<u>113,147</u>	<u>116,594</u>

The accounting policies and other notes on pages 12 to 26 form part of the financial statements.

These financial statements on pages 9 to 26 were approved by the Board on 12 March 2019 and were signed on its behalf by:



 G Kovacs
 Director

Diageo DV Limited
Registered number: 14172
Year ended 30 June 2018

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 2016	15,139	772	2,937	98,931	117,779
Loss for the year	-	-	-	(1,185)	(1,185)
Balance at 30 June 2017	15,139	772	2,937	97,746	116,594
Loss for the year	-	-	-	(3,447)	(3,447)
Balance at 30 June 2018	15,139	772	2,937	94,299	113,147

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

Diageo DV Limited
Registered number: 14172
Year ended 30 June 2018

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 stated 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 company has taken advantage of the following exemptions from the requirements of IFRS in the preparation of these financial statements, in accordance with FRS 101:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital and investments;
- disclosures in respect of transactions with wholly owned subsidiaries;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Diageo plc include equivalent disclosures, the company has also utilised exemptions available under FRS 101 in respect of the following disclosures:

- the disclosures required by *IFRS 7 Financial Instruments Disclosures*;

The company has taken advantage of the exemption under IAS 27, 'Consolidated and separate financial statements', 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.

Diageo DV Limited
Registered number: 14172
Year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

New accounting policies

The following standard, issued by the IASB and endorsed by the EU, has been early adopted by the company from 1 July 2017:

IFRS 9 - Financial instruments replaces IAS 39 (Financial instruments - Recognition and measurement) and addresses the classification and measurement of financial instruments, introduces new principles for hedge accounting and a new forward-looking impairment model for financial assets, and fair value measurement for unquoted equity instruments ("Other investments"). Previously, under IAS 39, there was an exemption which allowed to use measuring unquoted equity instruments at cost less impairment provisions for any permanent decrease in value, however, IFRS 9 eliminated this exemption. All classes of financial assets and financial liabilities had as at 1 July 2017 the same carrying values under IFRS 9 as they had under IAS 39. The new impairment model under IFRS 9 requires the recognition of allowances for doubtful debt based on expected credit losses (ECL), rather than incurred credit losses as under IAS 39. The adoption of the ECL approach did not result in any additional impairment loss for trade and other receivables as at 1 July 2017.

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 costs

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

Diageo DV Limited
Registered number: 14172
Year ended 30 June 2018

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 and reflected in an allowance against the carrying value. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income. 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, 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 and reflected in an allowance against the carrying value. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

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 associate.

Financial assets and liabilities

Financial assets and liabilities are initially recorded at fair value including, where permitted by IFRS 9, any directly attributable transaction costs. For those financial assets that are not subsequently held at fair value, the company assesses whether there is evidence of impairment at each balance sheet date. The company classifies its financial assets and liabilities into the following categories: financial assets and liabilities at amortised cost, financial assets and liabilities at fair value through profit and loss and financial assets at fair value through other comprehensive income. Where financial assets or liabilities are eligible to be carried at either amortised cost or fair value the company does not apply the fair value option.

Diageo DV Limited
Registered number: 14172
Year ended 30 June 2018

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. Allowance for expected credit losses are made based on the risk of non-payment taking into account ageing, previous experience, economic conditions and forward-looking data. Such allowance 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 comprise cash in hand and deposits which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less at acquisition, including money market deposits, commercial paper and 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. In accordance with 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 Amounts owed to other group companies are initially measured at fair value and are subsequently reported at amortised cost. Non-interest bearing trade payables are stated at their nominal value as they are due on demand.

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 for the year ended 30 June 2018 are included in profit before taxation. In prior years penalties and interest on tax liabilities were provided for in the tax charge.

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.

Diageo DV Limited
Registered number: 14172
Year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Dividends received

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

- Investment in subsidiaries, associates: A critical accounting judgement, specific to the company, is the assessment that recoverable amount of the company's investment in subsidiaries and associates is greater than the carrying amount.
- Other investments: A critical accounting judgement, specific to the company, is the determination of the fair value of the company's other investments.
- 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.

Diageo DV Limited
Registered number: 14172
Year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. OPERATING COSTS

	Year ended 30 June 2018 £ 000	Year ended 30 June 2017 £ 000
Other operating expenses	<u>2,258</u>	<u>972</u>

Other operating expenses include a foreign exchange loss of £80,000 (2017 - £408,000) in respect of the contingent consideration (see note 8), foreign exchange gain of £50,000 (2017 - £196,000) in respect of the convertible loans, £1,692,000 (2017- £760,000) service fee in respect of the incubator programme and success fee of £534,000 (2017 - £nil) in respect of acquisition of Belsazar GmbH.

The auditors' remuneration of £4,000 (2017 - £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 (2017 - £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 (2017 - £nil), as the directors are paid by fellow group undertakings.

3. NET RESULT FROM SHARES IN SUBSIDIARY UNDERTAKINGS

During the year ended 30 June 2018 it was decided that PSP (Sales and Distribution) Limited (a wholly owned subsidiary undertaking of the company) is planned to be dissolved. The 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.

Diageo DV Limited
Registered number: 14172
Year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. NET FINANCE INCOME

	Year ended 30 June 2018 £ 000	Year ended 30 June 2017 £ 000
Net interest		
Interest income from fellow group undertakings		
Belsazar GmbH	121	80
Total interest income	121	80
Interest charge to fellow group undertakings		
Diageo Finance plc	(22)	(65)
Total interest charges	(22)	(65)
Net finance income	99	15

5. TAXATION

	Year ended 30 June 2018 £ 000	Year ended 30 June 2017 £ 000
(a) Analysis of taxation for the year		
Current tax	-	-
Deferred tax	-	-
Taxation on loss on ordinary activities	-	-

Diageo DV Limited
Registered number: 14172
Year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. TAXATION (continued)

	Year ended 30 June 2018 £ 000	Year ended 30 June 2017 £ 000
(b) Factors affecting total tax for the year		
Loss on ordinary activities before taxation	<u>(3,447)</u>	<u>(1,185)</u>
Taxation on loss on ordinary activities at UK corporation tax rate of 19% (2017 - 19.75%)	655	234
Income not taxables	201	-
Items not deductible for tax purposes	(461)	(46)
Group relief surrendered for nil consideration	(522)	(230)
Other tax effects for reconciliation between accounting profit and tax expense	<u>127</u>	<u>42</u>
Total tax for the year	<u>-</u>	<u>-</u>

The UK tax rate is 19% effective from 1 April 2017 which is applied for year ended 30 June 2018. A further reduction to 17% (effective from 1 April 2020) was enacted in September 2016. Deferred taxes at 30 June 2018 have been measured using these enacted tax rates (17%) and reflected in these financial statements.

Diageo DV Limited
Registered number: 14172
Year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INVESTMENTS

Shares in subsidiary and associate undertakings and other investments

	Subsidiaries £ 000	Associates £ 000	Total £ 000
Cost			
At 30 June 2017	114,290	29,577	143,867
Additions	9,867	23,536	33,403
Disposals	-	(802)	(802)
Transfers	219	(448)	(229)
At 30 June 2018	124,376	51,863	176,239
Provisions			
At 30 June 2017	(113,233)	(1,239)	(114,472)
Provided	(1,057)	(1,288)	(2,345)
Disposals	-	802	802
Transfers	-	229	229
At 30 June 2018	(114,290)	(1,496)	(115,786)
Carrying amount			
At 30 June 2018	10,086	50,367	60,453
At 30 June 2017	1,057	28,338	29,395
			Other investments £ 000
Fair value			
At 30 June 2017			-
Transfer from cost			229
Transfer from provisions			(229)
At 30 June 2018			-

Diageo DV Limited
Registered number: 14172
Year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INVESTMENTS (continued)

During the year the company recognized a provision of £1,288,000 in respect of its investments in the incubator programme (2017 - £228,000).

During the year ended 30 June 2018 it was decided that PSP (Sales and Distribution) Limited (a wholly owned subsidiary undertaking of the company) is planned to be dissolved. The 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 2018 the company's share was diluted from 20% to 7.89% in Melius Drinks Limited, therefore it was reclassified to other investments and valued at fair value at year end. The investment was previously fully impaired.

The other investment represent 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 2018. Gains and losses arising from the changes in fair value of the investments is recognized in the statement of comprehensive income. The gain on revaluation at 30 June 2018 was £nil.

On 14 March 2018, the company acquired further 25,000 shares, representing 80% of shareholding of Belsazar GmbH for consideration of £4,453,000 (€5,000,000) and further earn-out payments. These payments are based on Belsazar achieving agreed targets. As a consequence Belsazar GmbH became a wholly owned subsidiary of the company. The amount of the initial investment of £219,000 was transferred from investment in associate undertaking to investment in subsidiary undertaking.

In the year ended 30 June 2018, the company divested its shares in Ban Poitin Limited and The Westbourne Drinks Company Limited, the company recognised no loss on the disposal, as the value of the investments were already fully impaired.

Diageo DV Limited
Registered number: 14172
Year ended 30 June 2018

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 %
Direct holdings			
<i>Subsidiary undertakings</i>			
Belsazar GmbH		Berlin, Potsdamer Str 91, 10785 Berlin	100%
PSP (Sales and Distribution) Limited	*	Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom	100%
<i>Associates undertakings</i>			
Cambridge Distillery Ltd		Cambridge Distillery, 20 High Street, Grantchester, Cambridge, England CB3 9NF	33%
Del Professore Limited		17 Grosvenor Street, Mayfair, London, England W1K 4QG	20%
El Bandarra, S.L.		Calle General Vara del Rey 5, 1 Piso, 26003 Logrono, La Rioja, Espana	25%
Longflint Drinks Ltd		1st Floor, Colina House, Colina Mews, London, N15 3HS, United Kingdom	20%
London Botanical Drinks Limited		28 Vale Road, Claygate, Esher, United Kingdom KT10 0NJ	20%
Mr Black Spirits Pty Ltd.		14 Burra Road, Artarmon 2064, NSW, Australia	20%
New World Whisky Distillery PTY Limited		50 Bertie Street, Port Melbourne, Victoria 3207, Australia	30%
Pekoe B.V.		Wichersstraat 26, 1051 ML Amsterdam, the Netherlands	20%
Seedlip Ltd		71-75 Shelton Street, Covent Garden, London, WC2H 9JQ, United Kingdom	20%

Diageo DV Limited
Registered number: 14172
Year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INVESTMENTS (continued)

Name of investment	Notes	Registered office address	Proportion of ownership interest %
Direct holdings			
Stauning Whisky Holding ApS		Stauningvej 38, 6900 Skjern, Denmark	40%
Tipplesworth Limited		12 Church Road, Teddington, London TW11 8PB, United Kingdom	20%
Valdomino Premium Spirits, S.L.		Tomino (Pontevedra), 36750, Parroquia de Goian, Barrio de Centinela, 1, Spain	20%
<i>Other investments</i>			
Melius Drinks Ltd		64 New Cavendish Street, London W1G 8TB, United Kingdom	7.89%

* the company was dissolved on 8 January 2019

During the financial year, as part of the incubator programme, the company acquired ordinary shares for cash consideration in Tipplesworth Limited, Pekoe B.V, London Botanical Drinks Limited and El Bandarra S.L.. As a result of the acquisition, the company holds a 20% equity stake in Tipplesworth Limited and Pekoe B.V, London Botanical Drinks Limited and a 25% equity stake in El Bandarra S.L. The company also increased its existing investment in Cambridge Distillery Ltd.

In the year ended 30 June 2018, additional cash consideration was also paid in the form of subscription for preference shares to Longflint Drinks Ltd, Mr Black Spirits Pty Ltd and Del Professore Limited. The company also subscribed for additional shares in Stauning Whisky Holding ApS and for New World Whisky Distillery Pty Limited.

For New World Whisky Distillery Pty Limited, Stauning Whisky Holding ApS. and Belsazar GmbH contingent consideration is presented as part of the investment value (see note 8).

The investments in subsidiary and associate undertakings are held at cost less, where appropriate, provision for impairment in value.

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

Diageo DV Limited
Registered number: 14172
Year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. TRADE AND OTHER RECEIVABLES

	30 June 2018		30 June 2017	
	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	-	117,355	-
Diageo Finance plc	449	-	628	-
Liquor Investment LLC	-	-	15	-
	<u>117,804</u>	<u>3,293</u>	<u>117,998</u>	<u>-</u>
Amounts owed by associate undertakings				
Belsazar GmbH	-	-	109	2,470
	<u>-</u>	<u>-</u>	<u>109</u>	<u>2,470</u>
Other receivables	41	-	19	-
Prepayments and accrued income	30	-	2	-
	<u>71</u>	<u>-</u>	<u>21</u>	<u>-</u>
	<u>117,875</u>	<u>3,293</u>	<u>118,128</u>	<u>2,470</u>

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

During the year with the acquisition of the remaining shareholding in Belsazar GmbH, the loan amounts owed by associate undertaking were reclassified to amounts owed by fellow group undertakings.

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.

Diageo DV Limited
Registered number: 14172
Year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. TRADE AND OTHER PAYABLES

	30 June 2018		30 June 2017	
	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	-	18,096	-
PSP (Sales and Distribution) Limited	-	-	1,057	-
Diageo Great Britain Limited	477	-	26	-
	<u>48,506</u>	<u>-</u>	<u>19,179</u>	<u>-</u>
Accruals and deferred income	324	-	-	-
Contingent consideration (see note 6)	<u>8,327</u>	<u>11,629</u>	<u>8,926</u>	<u>5,632</u>
	<u>57,157</u>	<u>11,629</u>	<u>28,105</u>	<u>5,632</u>

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

For New World Whisky Distillery Pty Limited, Stauning Whisky Holding ApS. and Belsazar GmbH part of the consideration is contingent in the amount of investments in the value of £19,368,000. The contingent consideration is presented at the exchange rate of the financial year end date, 1.78 AUD/GBP, 8.42 DKK/GBP, and 1.13 EUR/GBP respectively, in the amount of £19,956,000 within trade and other payables. During the year ended 30 June 2018 £12,040,000 contingent consideration was paid as the agreed performance targets were achieved. The company signed a new agreement for future earn-out payment targets with one of its associate undertaking in the maximum amount of £18,000,000.

9. DEFERRED TAX ASSETS

Unrecognised deferred tax assets

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

	30 June 2018 £ 000	30 June 2017 £ 000
Tax losses	<u>10,800</u>	<u>10,800</u>

Diageo DV Limited
Registered number: 14172
Year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. SHARE CAPITAL

Allotted, called up and fully paid:

	30 June 2018 £ 000
15,139,256 (2017 - 15,139,256) ordinary shares of £1 each	<u>15,139</u>

11. POST BALANCE SHEET EVENTS

Subsequent to year-end, as part of the incubator programme, the company acquired ordinary shares for cash consideration in Niococktails S.r.l and Caleno Drinks Limited. As a result of the acquisitions, the company holds 20% equity stake in each of the investments.

Subsequent to year-end, additional consideration was paid in the form of subscription for preference shares to certain associate undertakings of the company in the total amount of £12,440,000.

On 4 December 2018, Grandmet Foods (UK) Limited novated its intercompany loan in the amount of £117,355,000 to Grand Metropolitan Limited.

On 8 January 2019, PSP (Sales and Distribution) Limited, the wholly owned subsidiary of the company, was dissolved.

12. 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 Diageo 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.