Grand Metropolitan Estates Limited

Directors' report and financial statements

30 June 2019

Registered number: 00367551

Grand Metropolitan Estates Limited
Registered number: 00367551
Year ended 30 June 2019

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DIRECTORS' REPORT

The directors are pleased to submit their director's 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 principal activity of the company is the holding and management of property interests for the Diageo group ("the group"). The company manages long freehold and leasehold properties held in its own name or by other group companies. The properties are sub-let to other group companies or to third parties through external agents.

During the financial year ended 30 June 2019, the were no significant changes to the nature or performance of the business or the property portfolio.

The directors foresee no changes in the company's 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.

Going concern

The company is expected to continue to generate profit for its own account and 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.

Financial

The result for the year ended 30 June 2019 are shown on page 8.

The profit for the year transferred to reserves was £13,158,000 (2018 - £14,757,000).

Dividends paid during the year ended 30 June 2019 and 30 June 2018 were £14,000,000 and £13,600,000 respectively.

Proposed dividend

The directors have proposed a final ordinary dividend in respect of the year ended 30 June 2019 of £9,000,000.

This has not been included as a liability as it was not approved before the balance sheet date.

DIRECTORS' REPORT (continued)

Directors

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

G Kovacs	(appointed 1 August 2018)
J M C Edmunds	
D F Harlock	(resigned 1 August 2018)
R T Twomey	
K E Major	(appointed 1 August 2018)
A Mahler	(resigned 1 August 2018)

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.

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 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 the company 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.

DIRECTORS' REPORT (continued)

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

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 the group's 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 take 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

....

G Kovacs
Director

Lakeside Drive
Park Royal
London
NW10 7HQ

10 March 2020

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 Grand Metropolitan Estates Limited

Report on the audit of the financial statements

Opinion

In our opinion, Grand Metropolitan Estates 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 profit 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

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 of the United Kingdom's withdrawal from the European Union 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 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 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.

Steve Reid (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
10 March 2020

Grand Metropolitan Estates Limited
Registered number: 00367551
Year ended 30 June 2019

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 30 June 2019 £ 000	Year ended 30 June 2018 £ 000
Turnover	2	2,212	2,343
Operating costs	3	(4,264)	(1,956)
Gross (loss)/profit		(2,052)	387
Profit on the sale of land	4	300	—
Operating (loss)/profit		(1,752)	387
Net finance income	5	14,909	14,380
Profit before taxation on ordinary activities		13,157	14,767
Taxation on profit on ordinary activities	6	1	(10)
Profit for the financial year and total comprehensive income for the year		13,158	14,757

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

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

Grand Metropolitan Estates Limited
Registered number: 00367551
Year ended 30 June 2019

BALANCE SHEET

	Notes	30 June 2019 £ 000	30 June 2018 £ 000
Non-current assets			
Property, plant and equipment	7	3,676	4,154
Investments in joint ventures	8	—	—
Deferred tax assets	12	4	3
		3,680	4,157
Current assets			
Trade and other receivables	9	441,660	440,182
Total assets		445,340	444,339
Current liabilities			
Trade and other payables	10	(268,068)	(267,727)
Provisions	11	(2)	(129)
		(268,070)	(267,856)
Non-current liabilities			
Provisions	11	(4,980)	(3,351)
Total liabilities		(273,050)	(271,207)
Net assets		172,290	173,132
Equity			
Called up share capital	13	143,980	143,980
Other reserves		41	41
Retained earnings		28,269	29,111
Total equity		172,290	173,132

The accounting policies and other notes on the page 11 to 24 form part of the financial statements.

These financial statements on pages 8 to 24 were approved by the Board on 10 March 2020 and were signed on its behalf by:

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G Kovacs

Director

STATEMENT OF CHANGES IN EQUITY

ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

	Share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
Balance at 30 June 2017	143,980	41	27,954	171,975
Profit for the year	—	—	14,757	14,757
Dividends to shareholders	—	—	(13,600)	(13,600)
Balance at 30 June 2018	143,980	41	29,111	173,132
Profit for the year	—	—	13,158	13,158
Dividends to shareholders	—	—	(14,000)	(14,000)
Balance at 30 June 2019	143,980	41	28,269	172,290

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:

- Paragraph 38 of IAS 1, 'Presentation of financial statements' - comparative information requirements in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
  - (iii) paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).

- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures)

- IAS 7, 'Statement of cash flows'.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

New accounting standards and interpretations (continued)

The following standard, issued by the IASB and endorsed by the EU, has not yet been adopted by the company:

IFRS 16 - Leases (effective in the year ending 30 June 2020) sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. It eliminates the classification of leases as either operating leases or finance leases currently required under IAS 17 and introduces a single lessee accounting model where the lessee is required to recognise assets and liabilities for all material leases. All leases will be recognised on the balance sheet as right of use assets and depreciated on a straight line basis. The liability, recognised as part of net borrowings, will be measured at a discounted value and any interest will be charged to finance charges in the statement of comprehensive income. Therefore, the charge to the statement of comprehensive income for the operating lease payment will be replaced with depreciation on the right of use asset and the interest charge inherent in the lease.

IFRS 16 is expected to have a material impact on the company's results and financial position from the year ending 30 June 2020.

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.

Turnover

Turnover comprises revenue from rents receivable and includes amounts receivable from external companies and other group companies, net of value added tax. The revenue is recognised in the period in which the services are rendered.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Finance income/costs

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

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation.

Land and buildings are stated at cost less depreciation.

Freehold land is not depreciated.

Leasehold property, plant and equipment are depreciated on a straight-line basis to estimated residual values over the lower of the unexpired period of the lease or their expected useful lives, as follows :

Hardware	9 - 10 years
Fixtures and fittings	9 - 10 years
Land and buildings	9 - 10 years

In case of any indicator to revise the remaining useful lives of property plant and equipment, accelerated depreciation is recognised. Reviews are carried out if there is some indication that impairment may have occurred, to ensure that property, plant and equipment are not carried at above their recoverable amounts.

Profit or loss on the sale of a property is the difference between the disposal proceeds and the net book value at the date of sale.

Leases

Where the company has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Other leases are treated as operating leases, with payments and receipts recorded in the statement of comprehensive income on a straight-line basis over the life of the lease.

Investments in joint ventures

Investments in joint ventures are stated at historical cost less impairment provisions for any permanent decrease in value. The carrying amounts of the company's investments are reviewed at each reporting date to determine whether there is an indication of impairment. If such an indication exists, then the asset's recoverable amount is estimated. Losses are recognised in the statement of comprehensive income and to reflect an impairment against the carrying value. When 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

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.

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.

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

Provisions

Provisions are liabilities of uncertain timing or amount. A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are calculated on a discounted basis, where the effect is material to the original undiscounted provision. The carrying amounts of provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate by the directors.

The company entered into long lease agreements that include tenant repair clauses at the end of the lease term.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

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.

Dividend paid

Both interim and final dividends are included in the financial statements in the year in which it is approved by the directors.

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 equal to the related actual results. The company's directors are of the opinion that there are no estimates and assumptions that have a significant risk of casting material adjustment to the carrying value of the assets and liabilities for the company within the next financial year due to the nature of the business.

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:

- Provisions: As part of the assessment to determine the amount of the future obligation in respect of the long-term operating lease contract involves management judgement and estimates for the amount expected to be paid.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. TURNOVER

The turnover and profit on ordinary activities before taxation are attributable to one class business, that of property management, all of which is carried out in the United Kingdom, so turnover is rent received.

3. OPERATING COSTS

	Year ended 30 June 2019 £ 000	Year ended 30 June 2018 £ 000
Operating costs		
Operating lease charges	1,215	1,212
Depreciation	236	236
Accelerated depreciation	362	—
Other operating charges	951	907
Property related provisions/(releases)	1,500	(289)
Other operating income	—	(110)
	4,264	1,956

Property related provisions include vacant property provisions release of £635,000 (2018 - £262,000), dilapidation provision release of £125,000 (2018 - £27,000) and provisions recognized in respect of an onerous contract of £2,260,000 (2018 - £nil).

The auditors' remuneration of £5,000 (2018 - £5,000) 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).

4. PROFIT ON THE SALE OF LAND

On 20 March 2019, the company sold its land adjoining Bath Road, Heathrow to a third party for a consideration of £300,000. The carrying value of the land was £nil and therefore the full amount has been recognised as a profit on disposal.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. NET FINANCE INCOME

	Year ended 30 June 2019 £ 000	Year ended 30 June 2018 £ 000
Interest income		
Bank interest	—	192
Interest income from group undertakings	14,961	14,231
Total interest income	14,961	14,423
Other finance charges	(52)	(43)
Net finance income	14,909	14,380

6. TAXATION

	Year ended 30 June 2019 £ 000	Year ended 30 June 2018 £ 000
(a) Analysis of taxation credit/(charge) for the year		
Current tax	—	—
Deferred tax		
Current year	1	(11)
Deferred tax expense relating to changes in tax rates or laws	—	1
Total deferred tax credit/(charge)	1	(10)
Taxation on profit on ordinary activities	1	(10)

(b) Factors affecting total tax credit/(charge) for the year

	Year ended 30 June 2019 £ 000	Year ended 30 June 2018 £ 000
Profit on ordinary activities before taxation	13,158	14,767
Taxation on profit on ordinary activities at UK corporation tax rate of 19% (2018 - 19%)	(2,500)	(2,806)
Expenses not deductible	(133)	(60)
Group relief (surrendered)/received for nil consideration	(192)	1,831
Deferred tax expense relating to changes in tax rates or laws	—	1
Other tax effects for reconciliation between accounting profit and tax income	2,826	1,024
Total tax credit/(charge) for the year	1	(10)

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. TAXATION (continued)

The UK tax rate is 19% effective from 1 April 2017 which is applied for year ended 30 June 2019. A further reduction to 17% (effective from 1 April 2020) was enacted in September 2016. Deferred taxes at 30 June 2019 have been measured using these enacted tax rates (17%) and reflected in these financial statements.

The amount of other tax effects for reconciliation between accounting profit and tax expense consists of transfer pricing adjustments regarding intercompany loan relationships.

7. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Fixtures and fittings	Hardware	Total
	£ 000	**£ 000**	**£ 000**	**£ 000**
Cost				
At 30 June 2018	4,996	292	326	5,614
Addition	450	—	—	450
Write off	(330)	—	—	(330)
At 30 June 2019	5,116	292	326	5,734
Depreciation				
At 30 June 2018	(1,267)	(78)	(115)	(1,460)
Depreciation charge	(170)	(31)	(35)	(236)
Accelerated depreciation	(362)	—	—	(362)
Transfer	(27)	—	27	—
At 30 June 2019	(1,826)	(109)	(123)	(2,058)
Net book value				
At 30 June 2019	3,290	183	203	3,676
At 30 June 2018	3,729	214	211	4,154

The net book value of land and buildings comprises:

	30 June 2019	30 June 2018
	£ 000	**£ 000**
Freehold-land and buildings	2,656	2,536
Long leasehold	634	1,193
	3,290	3,729

On 28 June 2019, the company acquired a property at 93 Cornwall Street, Plymouth PL1 1NX which was previously held as long leasehold property for a total cash consideration of £450,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. INVESTMENTS

Shares in group undertakings and other investments

The company has a shareholding in Trafalgar Metropolitan Homes Limited at a cost of £nil (2018 - £nil).

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 subsidiary	Notes	Registered office address	Proportion of ownership interest %*	Proportion of effective interest %**
Direct holdings				
Joint venture undertakings				
Trafalgar Metropolitan Homes Limited		Goldsworth House, The Goldsworth Park Centre, Woking, Surrey, GU21 3LF, England	50%	50%

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

**Effective percentage of shares held owned by the company

The investment in joint venture is held at cost less, where appropriate, provision for impairment in value.

9. TRADE AND OTHER RECEIVABLES

	30 June 2019 £ 000	30 June 2018 £ 000
Trade receivables	556	517
Amounts owed by fellow group undertakings		
Diageo Finance plc	440,138	438,685
Diageo Brands B.V.	127	135
Diageo Scotland Limited	57	61
Justerini & Brooks, Limited	503	448
Diageo Ireland	58	62
Diageo North America, Inc.	111	118
R & A Bailey & Co	22	23
Prepayments and accrued income	88	133
	441,660	440,182

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. TRADE AND OTHER RECEIVABLES (continued)

All amounts fall due within one year.

The amounts owed by Diageo Finance plc include £190,138,000 (2018 - £188,685,000) which bears interest at floating rates and £250,000,000 (2018 - £250,000,000) which bears interest at a fixed rate of 5.4%. All amounts are unsecured and repayable on demand. Amounts owed by other fellow group undertakings are unsecured, interest free and repayable on demand.

10. TRADE AND OTHER PAYABLES

	30 June 2019 £ 000	30 June 2018 £ 000
Amounts owed to fellow group undertakings		
Diageo plc	2,772	2,254
Grand Metropolitan Limited	264,509	263,141
GrandMet Foods (UK) Limited	—	1,368
Diageo Great Britain Limited	455	534
Other payables	78	35
Accruals and deferred income	254	395
	268,068	267,727

Amounts owed to Diageo plc include £212,000 (2018 - £202,000) which bears interest at floating rates, unsecured and repayable on demand.

All other amounts owed to fellow group undertakings are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. PROVISIONS

	Dilapidation provision £ 000	Vacant property provision £ 000	Onerous contract £ 000	Total £ 000
At 30 June 2018	1,895	1,585	—	3,480
Released during the year	(125)	(635)	—	(760)
Utilised during the year	—	(6)	—	(6)
Unwinding of discounts	—	52	—	52
Decrease in existing provisions	—	(44)	—	(44)
Provided during the year	—	—	2,260	2,260
At 30 June 2019	**1,770**	**952**	**2,260**	**4,982**
Current liabilities	—	2	—	2
Non-current liabilities	1,770	950	2,260	4,980

The vacant property provision represents the estimated discounted rental shortfall in respect of long leased properties not in a sub-lease arrangement for the whole life of the head-lease contract. The vacant property provision is expected to be incorporated into the value of the right of use asset on 1 July 2019, as a result of the adoption of IFRS 16.

The dilapidation provision is expected to be utilised by 30 June 2068.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. DEFERRED TAX ASSETS

The amounts of deferred tax accounted for in the balance sheet comprises the following net deferred tax assets:

	Property, plant and equipment £ 000	Other temporary differences £ 000	Total £ 000
At 30 June 2017	9	4	13
Recognised in statement of comprehensive income	(6)	(4)	(10)
At 30 June 2018	3	—	3
Recognised in statement of comprehensive income	1	—	1
At 30 June 2019	4	—	4

Capital losses

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:

	Capital losses 30 June 2019 £ 000	Capital losses 30 June 2018 £ 000
Deferred tax assets	15,084	15,175

13. SHARE CAPITAL

Allotted, called up and fully paid:

	30 June 2019 £ 000
143,979,570 (2018 - 143,979,570) ordinary shares of £1 each	143,980

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. COMMITMENTS

Operating lease commitments

The minimum lease rentals to be paid under non-cancellable leases, principally in respect of properties, are as follows:

	30 June 2019 Land and buildings £ 000	30 June 2018 Land and buildings £ 000
Payments falling due:		
Within one year	1,265	1,310
Between one and two years	1,265	1,310
Between two and three years	1,265	1,310
Between three and four years	1,265	1,310
Between four and five years	1,265	1,310
After five years	13,548	15,050
	19,873	21,600

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.