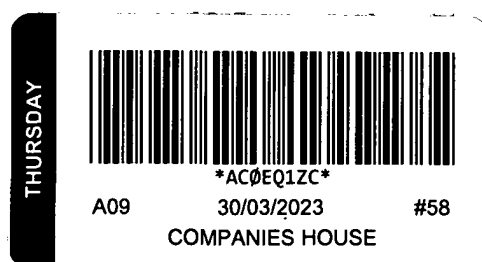


Grand Metropolitan Estates Limited
Directors' report and financial statements
30 June 2022

Registered number: 00367551



Grand Metropolitan Estates Limited
Registered number: 00367551
Year ended 30 June 2022

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Grand Metropolitan Estates Limited
Registered number: 00367551
Year ended 30 June 2022

DIRECTORS' REPORT

The directors are pleased to submit their director's report, together with the audited financial statements for the year ended 30 June 2022.

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 and business review

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.

The company is incorporated and domiciled as a private company limited by shares in England, United Kingdom. The registered address changed from Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom to 16 Great Marlborough Street, London, W1F 7HS, United Kingdom on 21 March 2022.

The company generated an operating profit of £323,000 (2021 - £1,142,000) in the year from property management activities. The company also has interest bearing intercompany loan receivables from fellow group undertakings. The interest received on intercompany loans was £14,614,000 (2021 - £13,969,000).

During the financial year ended 30 June 2022, there were no significant changes to the nature or performance of the business.

The directors foresee no changes in the company's activities.

Going concern

The company is expected to continue to generate profit on 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 a period of at least 12 months from the date the financial statements are approved and signed. 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 2022 are shown on page 11.

The profit for the year transferred to reserves was £14,721,000 (2021 - £14,903,000).

Dividends paid during the year ended 30 June 2022 and 30 June 2021 were £29,000,000 and £19,000,000 respectively.

Grand Metropolitan Estates Limited
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Year ended 30 June 2022

DIRECTORS' REPORT (continued)

Proposed dividend

The directors have proposed a final ordinary dividend in respect of the year ended 30 June 2022 of £6,985,000. This has not been included as a liability as it was approved after the date of the balance sheet.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

J M C Edmunds

D Keresztesi (resigned 8 November 2021)

K E Major

A Mahler (appointed 8 November 2021)

R T Twomey (resigned 30 July 2021)

Directors' remuneration

None of the directors received any remuneration during the year in respect of their services as directors of the company (2021 - £nil). The directors were paid by fellow group undertakings, and no cost was recharged to 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.

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 2022 on page 97 at www.diageo.com, which does not form part of this report.

Principal risks and uncertainties facing the company as at 30 June 2022

The principal risks identified by the group are disclosed on page 45 to 48 of Diageo plc's 2021 Annual Report. The most relevant of the group risks to this entity are the ones we have selected and articulated below, together with specific considerations relating to the company's operations and environment. 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. The directors consider that the following risks might impact the performance and the solvency or liquidity of the company through its intercompany financing structure.

Grand Metropolitan Estates Limited
Registered number: 00367551
Year ended 30 June 2022

DIRECTORS' REPORT (continued)

Principal risks and uncertainties facing the company as at 30 June 2022 (continued)

Pandemic and business interruption

A significant interruption to business due to external events, such as a public health threat, pandemic, war or natural hazard, could restrict access to Diageo's products, that would negatively affect the operations and brands, or pose a threat to the safety of employees; any of which could have a negative impact on the group's commercial and financial performance.

To mitigate these challenges the group operates global crisis management and business continuity management programmes, to enhance the capability to react effectively to a crisis and minimise damage and disruption.

The directors believe that the risk mitigation actions taken by the group in relation to the recent Covid-19 pandemic and associated business interruption have been agile and effective and that the group will maintain adequate liquidity and be strongly positioned for further growth and a resilient and sustainable business. Further information on the group's risk management measures in relation to Covid-19 are disclosed on page 43 of Diageo plc's 2022 Annual Report and on pages 55-56 of Diageo plc's interim results for the six months ended 31 December 2022.

Geopolitical and macroeconomic volatility

Failure to react quickly enough to changing economic and/or political conditions, e.g., inflationary pressures, currency instability, global trade tensions, heightened political protectionism, changes to customs duties and tariffs, and/or eroded consumer confidence, may impact on the freedom to operate in a market and could adversely impact financial performance. The global recovery from Covid-19 is continuing, but momentum has slowed and there is a risk of imbalanced recovery across geographies. The Russian invasion of Ukraine has caused significant volatility in the region and beyond.

The group monitors key business drivers and performance, to prepare for rapid changes in the external environment and there is an enhanced group-level strategic analysis and scenario planning to strengthen market strategies and risk management.

The group has continued to improve long-term forecasting and planning capabilities, to better assess and respond to long-term opportunities and risks. The group has introduced a new strategic planning and performance function with a stronger governance model for financial and non-financial decision-making, which will enable closer monitoring of external volatility/risk and multi-country investment strategy with a central hedging and currency monitoring to manage volatility.

Cyber and IT resilience

Cyber-attacks are becoming more prevalent, and there is an increased dependency on third-party IT services and solutions. As geopolitical tensions are growing, there is a rise in more sophisticated cyber threats affecting all organisations, therefore the risk of a cyber-attack is heightened.

The group has strong enterprise-wide cyber risk management processes and policies and next generation security technologies to tackle advanced attacks. There is an IT disaster recovery and business continuity testing across the key systems. The group continue to enhance and deploy next-generation security technologies to tackle advanced attacks.

Grand Metropolitan Estates Limited
Registered number: 00367551
Year ended 30 June 2022

DIRECTORS' REPORT (continued)

Principal risks and uncertainties facing the company as at 30 June 2022 (continued)

Climate risk

Physical and transition climate change risks, including water stress, extreme weather events, temperature rises and increased regulation, may result in increased volatility in the supply of raw materials, production costs, capacity constraints and higher costs of compliance. In addition, the failure to meet sustainability goals could result in loss of licence to operate, financial loss and reputational damage amongst customers, consumers, investors and other stakeholders.

The group conducted a detailed climate change risk assessment (CCRA) and scenario analysis to evaluate short- and long-term impacts from physical and transition risks.

The group operates a cross-functional Climate Risk Steering Group that sets the strategy for ongoing climate risk assessment, and manages associated opportunities and risks, while continuing to develop the approach to climate change risk reporting. CCRA review found that, with respect to the group, risks related to wildfires, storm winds, high temperature, water stress, rising sea level hazards are projected to significantly increase in the future. Results of the CCRA were shared with the business to assess the results and recommendations, incorporate these risks to the market risk register, and to develop mitigation plans and document these within the existing risk management process. The Climate Risk Steering Group tracks climate risk mitigation efforts.

Further information on the group's risk management measures in relation to climate change is disclosed on page 47-56 of Diageo plc's 2022 Annual Report and on pages 55-56 of Diageo plc's interim results for the six months ended 31 December 2022.

Independent auditors

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

Disclosure of information to 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.

On behalf of the Board

Ashli Mahler

A Mahler

Director

16 Great Marlborough Street
London
W1F 7HS

27 March 2023

Grand Metropolitan Estates Limited
Registered number: 00367551
Year ended 30 June 2022

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 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 also 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 2022 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, including 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 2022; the statement of comprehensive income, and 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2022 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006 and the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework” and applicable law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results, and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Discussions with the directors, management, internal legal counsel, including inquiry regarding known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing relevant board of directors meeting minutes;
- Challenging assumptions and judgements made by management in their significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In particular, in relation to the recoverability of amounts owed by fellow group undertakings and right of use assets, the measurement of lease liabilities and in determine the amount of the future obligation in respect of clauses within certain lease contracts; and ☐
- As in all of our audits we also addressed the risk of management override of internal controls, including testing journals, and evaluated whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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: prepare financial statements in accordance with the small companies regime; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Prashant Bagree

Prashant Bagree (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 March 2023

Grand Metropolitan Estates Limited
Registered number: 00367551
Year ended 30 June 2022

STATEMENT OF COMPREHENSIVE INCOME

		Year ended 30 June 2022	Year ended 30 June 2021
	Notes	£ 000	£ 000
Turnover	2	449	1,976
Operating costs	3	(126)	(834)
Operating profit		<u>323</u>	<u>1,142</u>
Net finance income	4	<u>14,408</u>	<u>13,753</u>
Profit before taxation on ordinary activities		<u>14,731</u>	<u>14,895</u>
Taxation on profit on ordinary activities	5	<u>(10)</u>	<u>8</u>
Profit for the financial year and total comprehensive income for the year		<u><u>14,721</u></u>	<u><u>14,903</u></u>

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 2022

BALANCE SHEET

	Notes	30 June 2022 £ 000	30 June 2021 £ 000
Non-current assets			
Property, plant and equipment	6	9,562	9,782
Investments in joint ventures	8	—	—
Deferred tax assets	12	48	58
		<u>9,610</u>	<u>9,840</u>
Current assets			
Trade and other receivables	9	428,488	443,841
Total assets		<u>438,098</u>	<u>453,681</u>
Current liabilities			
Trade and other payables	10	(267,369)	(268,508)
Lease liabilities	7	(154)	(151)
		<u>(267,523)</u>	<u>(268,659)</u>
Non-current liabilities			
Provisions	11	(1,855)	(1,855)
Lease liabilities	7	(7,835)	(8,003)
		<u>(9,690)</u>	<u>(9,858)</u>
Total liabilities		<u>(277,213)</u>	<u>(278,517)</u>
Net assets		<u>160,885</u>	<u>175,164</u>
Equity			
Called up share capital	13	143,980	143,980
Other reserves		41	41
Retained earnings		16,864	31,143
Total equity		<u>160,885</u>	<u>175,164</u>

The accounts have been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime.

The accounting policies and other notes on the page 14 to 27 form part of the financial statements.

These financial statements on pages 11 to 27 were approved by the Board on 27 March 2023 and were signed on its behalf by:

Alex Mahler

.....
A Mahler

Director

Grand Metropolitan Estates Limited
Registered number: 00367551
Year ended 30 June 2022

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 2020	<u>143,980</u>	<u>41</u>	<u>35,240</u>	<u>179,261</u>
Profit for the financial year and total comprehensive income for the year	—	—	14,903	14,903
Dividends to shareholders	—	—	(19,000)	(19,000)
Balance at 30 June 2021	143,980	41	31,143	175,164
Profit for the financial year and total comprehensive income for the year	—	—	14,721	14,721
Dividends to shareholders	—	—	(29,000)	(29,000)
Balance at 30 June 2022	<u>143,980</u>	<u>41</u>	<u>16,864</u>	<u>160,885</u>

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

Grand Metropolitan Estates Limited
Registered number: 00367551
Year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (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;
 - paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
 - 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'.

Grand Metropolitan Estates Limited
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Year ended 30 June 2022

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.

The company has taken advantage of the exemption by virtue of section 400 under Companies Act 2006, from the requirement to prepare consolidated financial statements, as it and its subsidiaries are included in the consolidated financial statements of its ultimate parent, Diageo plc.

These financial statements are separate financial statements.

New accounting standards and interpretations

The following amendments to the accounting standards, issued by the IASB which have been endorsed by the UK and EU, have been adopted by the group and therefore by the company from 1 July 2020 with no impact on the company's results, financial position or disclosures:

- Amendments to References to the Conceptual Framework in IFRSs;
- Amendments to IFRS 3 - Definition of a Business;
- Amendments to IAS 1 and IAS 8 - Definition of Material;
- Amendments to IFRS 16 - Covid-19 - Related Rent Concessions;
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform (phase 1);
- Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement.

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

- IFRS 17 – Insurance contracts
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform (phase 2)

Grand Metropolitan Estates Limited
Registered number: 00367551
Year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Functional and presentational currency

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

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

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.

Finance income/costs

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

Property, plant and equipment

Property, plant and equipment is 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 :

Land and buildings	10 - 50 years
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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 is 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.

Grand Metropolitan Estates Limited
Registered number: 00367551
Year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Leases

Where the company is the lessee, all leases are recognised on the balance sheet as right-of-use assets and depreciated on a straight-line basis with the charge recognised in cost of sales. The liability, recognised as part of net borrowings, is measured at a discounted value and any interest is charged to finance charges.

The company recognises services associated with a lease as other operating expenses. Payments associated with leases where the value of the asset when it is new is lower than \$5,000 (leases of low value assets) and leases with a lease term of twelve months or less (short term leases) are recognised as other operating expenses.

A judgement in calculating the lease liability at initial recognition includes determining the lease term where extension or termination options exist. In such instances any economic incentive to retain or end a lease are considered and extension periods are only included when it is considered reasonably certain that an option to extend a lease will be exercised.

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.

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.

Grand Metropolitan Estates Limited
Registered number: 00367551
Year ended 30 June 2022

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.

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.

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.

Grand Metropolitan Estates Limited
Registered number: 00367551
Year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Dividend

The interim dividend is included in the financial statements in the year in which it is approved by the directors, and the final dividend in the year in which it is approved by shareholders.

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 clauses within certain lease contracts involves management judgement and estimates for the amount expected to be paid.
- **Taxation:** The evaluation of deferred tax assets recoverability requires judgements to be made regarding the availability of future taxable income. The directors believe that the company will generate sufficient future taxable income.
- **Lease accounting:** The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the company's incremental borrowing rate is used, being the rate that the company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Grand Metropolitan Estates Limited
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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 England, United Kingdom, so turnover is rent received.

3. OPERATING COSTS

	Year ended 30 June 2022 £ 000	Year ended 30 June 2021 £ 000
Operating costs		
Depreciation	220	1,033
Accelerated depreciation (a)	—	260
Other operating (income)/cost	(94)	208
Property related provision releases (b)	—	(667)
	<u>126</u>	<u>834</u>

(a) The useful life of assets related to the Golden Square property were amended in the year ended in 30 June 2019, and accelerated depreciation was charged in the following years. As a result of the year ended in 30 June 2021, the assets that have been assigned to the new tenant in 5 March 2021, had been depreciated to the value of £nil in the company's books at 5 March 2021.

(b) As a result of a dilapidation provision release of £252,000 and a provision release in respect of an onerous contract of £415,000 during the year ended in 30 June 2021, property related provisions have a value of £nil in the company's books at 30 June 2022.

The auditors' remuneration of £5,500 (2021 - £5,500) 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 (2021 - £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 (2021 - £nil).

4. NET FINANCE INCOME

	Year ended 30 June 2022 £ 000	Year ended 30 June 2021 £ 000
Interest income		
Interest income from group undertakings	14,614	13,969
Total interest income	<u>14,614</u>	<u>13,969</u>
Interest on lease liabilities	(206)	(216)
Net finance income	<u>14,408</u>	<u>13,753</u>

Grand Metropolitan Estates Limited
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Year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 30 June 2022 £ 000	Year ended 30 June 2021 £ 000
(a) Analysis of taxation credit for the year		
Current tax	—	—
Deferred tax		
Current year	(8)	(6)
Deferred tax in respect of changes in tax rates or laws	(2)	14
Total deferred tax credit	(10)	8
Taxation on profit on ordinary activities	(10)	8
(b) Factors affecting total tax credit for the year		
Profit on ordinary activities before taxation	14,731	14,895
Taxation on profit on ordinary activities at UK corporation tax rate of 19% (2021 - 19%)	(2,799)	(2,830)
Expenses not deductible	—	(296)
Group relief received/(surrendered) for nil consideration	(247)	1,045
Deferred tax in respect of changes in tax rates or laws	(2)	14
Other tax effects for reconciliation between accounting profit and tax income	3,038	2,075
Total tax credit for the year	(10)	8

The UK corporation tax rate for the year ended 30 June 2022 is 19% which has been effective since 1 April 2017. Legislation increasing the corporation tax rate to 25% with effect from 1 April 2023 was substantively enacted on 24 May 2021. Deferred taxes at 30 June 2022 have been measured using this enacted tax rate and reflected in these financial statements.

Grand Metropolitan Estates Limited
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Year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £ 000
Cost	
At 30 June 2021	10,942
At 30 June 2022	10,942
Depreciation	
At 30 June 2021	(1,160)
Depreciation charge	(220)
At 30 June 2022	(1,380)
Net book value	
At 30 June 2022	9,562
At 30 June 2021	9,782

The net book value of land and buildings comprises:

	30 June 2022	30 June 2021
	£ 000	£ 000
Freehold-land and buildings	2,534	2,534
Long leasehold	7,028	7,248
	<u>9,562</u>	<u>9,782</u>

Where the company is the lessee, all leases are recognised on the balance sheet as right of use assets and depreciated on a straight-line basis with the charge recognised in cost of sales.

Grand Metropolitan Estates Limited
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Year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. LEASES

(a) Movements on leases

	Land and buildings £ 000
Movement of right-of-use assets	
At 30 June 2021	7,248
Depreciation	<u>(220)</u>
At 30 June 2022	<u>7,028</u>

The company leases various offices. Rental contracts are typically made for long term with variable periods.

	Land and buildings £ 000
Movement of lease liabilities	
At 30 June 2021	(8,154)
Disposal	—
Payments	371
Interest expense	<u>(206)</u>
At 30 June 2022	<u>(7,989)</u>
Current	(154)
Non-current	(7,835)

(b) Amounts recognised in the statement of comprehensive income

Other operating expenses associated with leases of low value assets and short term leases were £nil (2021 - £nil) in the year ended 30 June 2022. Other operating expenses also includes depreciation charge of £220,000 (2021 - £1,209,000) for the right-of-use assets.

The total cash outflow for leases in the year ended 30 June 2022 was £371,000 (2021 - £823,000).

Interest on lease liabilities of £206,000 (2021 - £216,000) were charged to finance charges in the year ended 30 June 2022.

Grand Metropolitan Estates Limited
Registered number: 00367551
Year ended 30 June 2022

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 (2021 - £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				
<i>Joint venture undertakings</i>				
Trafalgar Metropolitan Homes Limited		Persimmon House, Fulford, York, YO19 4FE, England	50%	50%

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

9. TRADE AND OTHER RECEIVABLES

	30 June 2022 £ 000	30 June 2021 £ 000
Trade receivables	221	158
Amounts owed by fellow group undertakings		
Diageo Finance plc	426,919	443,211
Diageo Brands B.V.	76	76
Diageo Scotland Limited	35	—
Justerini & Brooks, Limited	271	271
Diageo Ireland	41	41
Diageo North America, Inc.	69	69
R & A Bailey & Co Unlimited Company	15	15
Diageo Great Britain Limited	841	—
	428,488	443,841

All amounts fall due within one year. The amounts owed by Diageo Finance plc include £176,919,000 (2021 - £193,211,000) which bears interest at floating rates and £250,000,000 (2021 - £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 in respect of recharged facilities costs.

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

**Effective percentage of shares held by the company

Grand Metropolitan Estates Limited
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Year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. TRADE AND OTHER PAYABLES

	30 June 2022	30 June 2021
	£ 000	£ 000
Amounts owed to fellow group undertakings		
Diageo plc	2,404	2,320
Grand Metropolitan Limited	264,509	264,509
Diageo Great Britain Limited	—	802
Diageo Scotland Limited	—	281
Other payables	450	466
Accruals and deferred income	6	130
	<u>267,369</u>	<u>268,508</u>

Amounts owed to Diageo plc include £251,000 (2021 - £240,000) which bears interest at floating rates, is unsecured and repayable on demand.

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

11. PROVISIONS

	Dilapidation provision	Onerous contract	Total
	£ 000	£ 000	£ 000
At 30 June 2021	1,770	85	1,855
Provided	—	—	—
Released	—	—	—
At 30 June 2022	<u>1,770</u>	<u>85</u>	<u>1,855</u>
Current liabilities	—	—	—
Non-current liabilities	<u>1,770</u>	<u>85</u>	<u>1,855</u>

The dilapidation provision is expected to be utilised by 30 June 2068. Onerous contract provision is the estimated non-lease element for one of the company's lease contracts, where the related element was assessed to be onerous in the prior year.

Grand Metropolitan Estates Limited
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Year ended 30 June 2022

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
At 30 June 2020	50
Recognised in statement of comprehensive income	<u>8</u>
At 30 June 2021	58
Recognised in statement of comprehensive income	<u>(10)</u>
At 30 June 2022	<u>48</u>

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:

	30 June 2022		30 June 2021	
	Gross Amount	Tax Affected	Gross Amount	Tax Affected
	£ 000	£ 000	£ 000	£ 000
Capital losses	<u>90,034</u>	<u>22,509</u>	<u>89,088</u>	<u>22,272</u>

13. CALLED UP SHARE CAPITAL

Allotted, called up and fully paid:

	30 June 2022 £ 000
143,979,570 (2021 - 143,979,570) ordinary shares of £1 each	<u>143,980</u>

Grand Metropolitan Estates Limited
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Year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

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

The ultimate parent undertaking of the company is Diageo plc which is the ultimate controlling party of the group. The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Diageo plc. Diageo plc is incorporated and registered in England, United Kingdom. The consolidated financial statements of Diageo plc can be obtained from the registered office at Diageo, 16 Great Marlborough Street, London, W1F 7HS, United Kingdom.