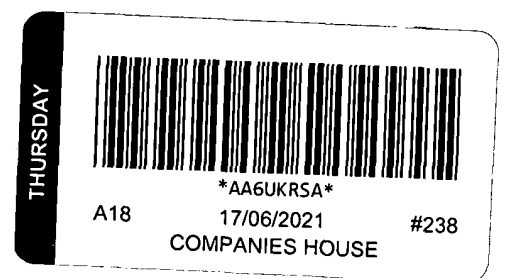


**Grand Metropolitan Estates Limited**  
**Directors' report and financial statements**  
**30 June 2020**

Registered number: 00367551



**Grand Metropolitan Estates Limited**  
**Registered number: 00367551**  
**Year ended 30 June 2020**

<b>CONTENTS</b>	<b>PAGE</b>
DIRECTORS' REPORT	2
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS	6
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRAND METROPOLITAN ESTATES LIMITED	7
STATEMENT OF COMPREHENSIVE INCOME	9
BALANCE SHEET	10
STATEMENT OF CHANGES IN EQUITY	11
NOTES TO THE FINANCIAL STATEMENTS	12

**Grand Metropolitan Estates Limited**

**Registered number: 00367551**

**Year ended 30 June 2020**

**DIRECTORS' REPORT**

The directors are pleased to submit their director's report, together with the audited financial statements for the year ended 30 June 2020.

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

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 generated an operating profit of £1,029,000 (2019 - loss of £1,752,000) in the year from property management activities. The company also has interest bearing intercompany loan receivables from fellow group undertakings. The interest on intercompany loan was £14,896,000 (2019 - £14,909,000).

During the financial year ended 30 June 2020, there were no significant changes to the nature or performance of the business. On 4 December 2019, the company sold a property in Plymouth which was previously held as long leasehold property for a total cash consideration of £120,000 with no gain or loss on the sale.

The company adopted IFRS 16 from 1 July 2019, by applying the modified retrospective method, meaning that the figures as at, and for the years ended 30 June 2018 and 2019 have not been restated. 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 corresponding lease liability is measured at a discounted value and any interest is charged to finance charges. Property, plant and equipment increased by £7,399,000 to £11,075,000 from £3,676,000 mainly as a consequence of the adoption of IFRS 16 from 30 June 2019 to 30 June 2020. Lease liabilities payable within one year have been recognised as current liabilities in the amount of £1,055,000 at 30 June 2020. Lease liabilities payable after one year have been recognised as non-current liabilities in the amount of £9,166,000 at 30 June 2020. Information in respect of the adoption of IFRS 16 is included in Note 7.

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

**Grand Metropolitan Estates Limited**  
**Registered number: 00367551**  
**Year ended 30 June 2020**

## **DIRECTORS' REPORT (continued)**

### **Going concern**

The company is expected to continue to generate profit for its own account and to remain in a positive net asset position for the foreseeable future. The company participates in the group's centralised treasury arrangements. The company is not reliant on external third-party financing. The directors have no reason to believe that a material uncertainty exists that may cast significant doubt on the company's ability 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 for this period. In arriving at this conclusion, the directors have also considered the potential impact that the Covid-19 pandemic may have on the company and believe that it would not have an impact on the company's ability to continue as a going concern. 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 2020 are shown on page 9.

The profit for the year transferred to reserves was £15,971,000 (2019 - £13,158,000).

Dividends paid during the year ended 30 June 2020 and 30 June 2019 were £9,000,000 and £14,000,000 respectively.

### **Proposed dividend**

The directors have proposed a final ordinary dividend in respect of the year ended 30 June 2020 of £19,000,000.

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

### **Directors**

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

G Kovacs	(resigned 1 September 2020)
J M C Edmunds	
D Keresztesi	(appointed 11 September 2020)
R T Twomey	
K E Major	

### **Directors' remuneration**

None of the directors received any remuneration during the year in respect of their services as directors of the company (2019 - £nil).

**Grand Metropolitan Estates Limited**  
**Registered number: 00367551**  
**Year ended 30 June 2020**

## **DIRECTORS' REPORT (continued)**

### **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 2020 on page 79 at [www.diageo.com](http://www.diageo.com), which does not form part of this report.

### **Principal risks and uncertainties facing the company as at 30 June 2020**

The company believes the following to be the principal risks and uncertainties it faces. If any of these risks occur, the company's business, financial condition and operational results could suffer. As the company forms part of the group's financial operations, the financial risk management measures used by management to analyse the development, performance and position of the company's business are mainly similar to those facing the group as a whole and are managed by the group's treasury department.

#### **Covid-19**

At the beginning of calendar year 2020 a new coronavirus, referred to as 'Covid-19', emerged and has been classified as a pandemic due to its spread across the world. Given the global nature of the Covid-19 pandemic, and the uncertainty as to the severity and duration of the impact across multiple markets, it is difficult to accurately assess the impact the virus will have on the future financial performance of the group and the company. The directors have assessed that the key impacts on the company would be in respect of Covid 19 on remote working and ability to access IT systems, along with a potentially heightened cyber risk. The global economic outlook remains uncertain currently, as the pandemic has created volatility in the short term as a result of the social restrictions implemented across the world. The impact of the virus on economic conditions over the medium-term (one to three years) is highly uncertain, in sharp contrast to the stable and growing GDP performance across most markets experienced in recent years. As a result, significant volatility is likely to continue or increase as markets face challenging economic conditions and higher levels of unemployment leading to reduced consumer spending.

To mitigate these challenges the group regularly gathers data and obtains insights which enable management to assess conditions in the markets where the group operates and to amend forecasts and investment decisions appropriately. The directors believe that the risk mitigation actions taken in relation to the pandemic have been agile and effective and that the group will maintain adequate liquidity and be strongly positioned for a recovery in consumer demand. Further information on the group's risk management measures in relation to Covid-19 are disclosed on pages 38-39 of Diageo plc's 2020 Annual Report ("Annual Report") and on page 61 of Diageo plc's interim results for the six months ended 31 December 2020.

**Grand Metropolitan Estates Limited**

**Registered number: 00367551**

**Year ended 30 June 2020**

**DIRECTORS' REPORT (continued)**

**Principal risks and uncertainties facing the company as at 30 June 2020 (continued)**

**Brexit**

The European Union and the United Kingdom have now signed the EU-UK Trade and Cooperation Agreement which provisionally came into force on 1 January 2021. We remain of the view that the direct financial impact to the group or the company will not be material. A cross-functional working group is in place that meets on a regular basis to identify and assess the consequences of Brexit, with all major functions within our business represented, including the function of raising external funding. The group will monitor the implications of the Agreement 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. Further information on the group's risk management measures in relation to Brexit are disclosed on page 39 of Annual Report.

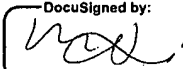
**Independent auditors**

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

DocuSigned by:  
  
785A6C0D182D48F...

D Keresztesi

Director

Lakeside Drive  
Park Royal  
London  
NW10 7HQ

14 June 2021

**Grand Metropolitan Estates Limited**

**Registered number: 00367551**

**Year ended 30 June 2020**

**Statement of directors' responsibilities in respect of the directors' report and 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 2020 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 2020; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

---

### **Basis for opinion**

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

### **Independence**

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

---

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

---

### **Reporting on other information**

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.



## *Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 30 June 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

---

## **Responsibilities for the financial statements and the audit**

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://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:

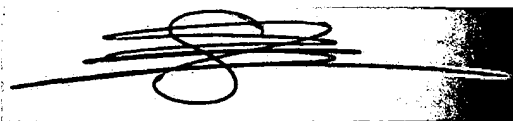
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified 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  
14 June 2021

**Grand Metropolitan Estates Limited**  
**Registered number: 00367551**  
**Year ended 30 June 2020**

**STATEMENT OF COMPREHENSIVE INCOME**

		<b>Year ended 30 June 2020</b>	<b>Year ended 30 June 2019</b>
	<b>Notes</b>	<b>£ 000</b>	<b>£ 000</b>
Turnover	2	2,885	2,212
Operating costs	3	(1,856)	(4,264)
<b>Gross profit/(loss)</b>		<b>1,029</b>	<b>(2,052)</b>
Profit on the sale of land		—	300
<b>Operating profit/(loss)</b>		<b>1,029</b>	<b>(1,752)</b>
Net finance income	4	14,896	14,909
<b>Profit before taxation on ordinary activities</b>		<b>15,925</b>	<b>13,157</b>
Taxation on profit on ordinary activities	5	46	1
<b>Profit for the financial year and total comprehensive income for the year</b>		<b>15,971</b>	<b>13,158</b>

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.

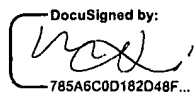
**Grand Metropolitan Estates Limited**  
**Registered number: 00367551**  
**Year ended 30 June 2020**

**BALANCE SHEET**

	Notes	30 June 2020 £ 000	30 June 2019 £ 000
<b>Non-current assets</b>			
Property, plant and equipment	6	11,075	3,676
Investments in joint ventures	8	—	—
Deferred tax assets	12	50	4
		<u>11,125</u>	<u>3,680</u>
<b>Current assets</b>			
Trade and other receivables	9	448,034	441,660
<b>Total assets</b>		<u>459,159</u>	<u>445,340</u>
<b>Current liabilities</b>			
Trade and other payables	10	(267,155)	(268,068)
Provisions	11	—	(2)
Lease liabilities	7	(1,055)	—
		<u>(268,210)</u>	<u>(268,070)</u>
<b>Non-current liabilities</b>			
Provisions	11	(2,522)	(4,980)
Lease liabilities	7	(9,166)	—
		<u>(11,688)</u>	<u>(4,980)</u>
<b>Total liabilities</b>		<u>(279,898)</u>	<u>(273,050)</u>
<b>Net assets</b>		<u>179,261</u>	<u>172,290</u>
<b>Equity</b>			
Called up share capital	13	143,980	143,980
Other reserves		41	41
Retained earnings		35,240	28,269
<b>Total equity</b>		<u>179,261</u>	<u>172,290</u>

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

These financial statements on pages 9 to 27 were approved by the Board on 14 June 2021 and were signed on its behalf by:

DocuSigned by:  
  
785A6C0D182D48F...

D Keresztesi

Director

**Grand Metropolitan Estates Limited**  
**Registered number: 00367551**  
**Year ended 30 June 2020**

**STATEMENT OF CHANGES IN EQUITY**  
**ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY**

	<b>Share capital £ 000</b>	<b>Other reserves £ 000</b>	<b>Retained earnings £ 000</b>	<b>Total £ 000</b>
<b>Balance at 30 June 2018</b>	<u>143,980</u>	<u>41</u>	<u>29,111</u>	<u>173,132</u>
Profit for the financial year and total comprehensive income for the year	—	—	13,158	13,158
Dividends to shareholders	<u>—</u>	<u>—</u>	<u>(14,000)</u>	<u>(14,000)</u>
<b>Balance at 30 June 2019</b>	143,980	41	28,269	172,290
Profit for the financial year and total comprehensive income for the year	—	—	15,971	15,971
Dividends to shareholders	<u>—</u>	<u>—</u>	<u>(9,000)</u>	<u>(9,000)</u>
<b>Balance at 30 June 2020</b>	<u>143,980</u>	<u>41</u>	<u>35,240</u>	<u>179,261</u>

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

**Grand Metropolitan Estates Limited**  
**Registered number: 00367551**  
**Year ended 30 June 2020**

## **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 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'.

**Grand Metropolitan Estates Limited**  
**Registered number: 00367551**  
**Year ended 30 June 2020**

## **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 EU, have been adopted by the group and therefore by the company from 1 July 2019 with no impact on the company's results, financial position or disclosures:

- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures;
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation;
- Improvements to IFRS 3 and IFRS 11 – Business combinations and Joint arrangements – Accounting for previously held interests;
- Improvements to IAS 12 – Income taxes – Accounting for income tax consequences of payments on financial instruments that are classified as equity;
- Improvements to IAS 23 – Borrowing costs on completed qualifying assets.

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 1)

**Grand Metropolitan Estates Limited**  
**Registered number: 00367551**  
**Year ended 30 June 2020**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **1. ACCOUNTING POLICIES (continued)**

#### **New accounting standards and interpretations (continued)**

**IFRS 16 – Leases:** The company adopted IFRS 16 from 1 July 2019, by applying the modified retrospective method, meaning that the figures as at, and for the years ended 30 June 2018 and 2019 have not been restated. IFRS 16 replaced existing lease guidance including IAS 17 – Leases, IFRIC 4, SIC 15 and SIC 27. Information in respect of the adoption of IFRS 16 is included in Note 7.

#### **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 :

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 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 2020**

## **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.

For the years ended 30 June 2019 and 2018, operating lease payments were recognised in the income statement 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.

#### **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 2020**

## **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 2020**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **1. ACCOUNTING POLICIES (continued)**

#### **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 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**  
**Registered number: 00367551**  
**Year ended 30 June 2020**

**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 2020 £ 000	Year ended 30 June 2019 £ 000
<b>Operating costs</b>		
Operating lease charges	—	1,215
Depreciation	1,531	236
Accelerated depreciation	348	362
Other operating charges	185	951
Property related (releases)/provisions	(208)	1,500
	<u>1,856</u>	<u>4,264</u>

Property related provisions include vacant property provision releases of £nil (2019 - £635,000), dilapidation provision provided of £252,000 (2019 - £125,000) and provision releases in respect of an onerous contract of £460,000 (2019 - £2,260,000 as recognised).

The auditors' remuneration of £5,000 (2019 - £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 (2019 - £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 (2019 - £nil).

**4. NET FINANCE INCOME**

	Year ended 30 June 2020 £ 000	Year ended 30 June 2019 £ 000
<b>Interest income</b>		
Interest income from group undertakings	15,129	14,961
<b>Total interest income</b>	15,129	14,961
Other finance charges	—	(52)
Interest on lease liabilities	(233)	—
<b>Net finance income</b>	<u>14,896</u>	<u>14,909</u>

**Grand Metropolitan Estates Limited**  
**Registered number: 00367551**  
**Year ended 30 June 2020**

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 30 June 2020 £ 000	Year ended 30 June 2019 £ 000
<b>(a) Analysis of taxation credit for the year</b>		
<b>Current tax</b>	—	—
<b>Deferred tax</b>		
Current year	46	1
<b>Total deferred tax credit</b>	46	1
<b>Taxation on profit on ordinary activities</b>	46	1
<b>(b) Factors affecting total tax credit for the year</b>		
Profit on ordinary activities before taxation	15,925	13,158
Taxation on profit on ordinary activities at UK corporation tax rate of 19% (2019 - 19%)	(3,026)	(2,500)
Expenses not deductible	(50)	(133)
Income not taxable	8	—
Group relief surrendered for nil consideration	(223)	(192)
Other tax effects for reconciliation between accounting profit and tax income	3,337	2,826
<b>Total tax credit for the year</b>	46	1

The UK tax rate is 19% effective from 1 April 2017 which is applied for the year ended 30 June 2020. In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

Deferred taxes at 30 June 2020 have been measured using these enacted tax rates (19%) and reflected in these financial statements.

The amount of other tax effect for reconciliation between accounting profit and tax expense consists of transfer pricing adjustments in respect of the intercompany loan relationship.

**Grand Metropolitan Estates Limited**  
**Registered number: 00367551**  
**Year ended 30 June 2020**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**6. PROPERTY, PLANT AND EQUIPMENT**

	<b>Land and buildings £ 000</b>	<b>Fixtures and fittings £ 000</b>	<b>Hardware £ 000</b>	<b>Total £ 000</b>
<b>Cost</b>				
At 30 June 2019	5,116	292	326	5,734
<i>Recognition of right-of-use asset on adoption of IFRS 16</i> Note 7	<u>9,304</u>	<u>—</u>	<u>—</u>	<u>9,304</u>
Adjusted balance at 1 July 2019	14,420	292	326	15,038
Addition	94	—	—	94
Disposal	(120)	—	—	(120)
Write off	(150)	—	—	(150)
<b>At 30 June 2020</b>	<b><u>14,244</u></b>	<b><u>292</u></b>	<b><u>326</u></b>	<b><u>14,862</u></b>
<b>Depreciation</b>				
At 30 June 2019 (restated)	(1,714)	(155)	(189)	(2,058)
Depreciation charge	(1,454)	(31)	(46)	(1,531)
Accelerated depreciation	(235)	(46)	(67)	(348)
Write off	150	—	—	150
<b>At 30 June 2020</b>	<b><u>(3,253)</u></b>	<b><u>(232)</u></b>	<b><u>(302)</u></b>	<b><u>(3,787)</u></b>
<b>Net book value</b>				
<b>At 30 June 2020</b>	<b><u>10,991</u></b>	<b><u>60</u></b>	<b><u>24</u></b>	<b><u>11,075</u></b>
At 30 June 2019 (restated)	<u>3,402</u>	<u>137</u>	<u>137</u>	<u>3,676</u>

The accumulated depreciation and the net book value amounts at 30 June 2019 have been restated as the accelerated depreciation charge of £112,000 recognised in respect of land and building was partly reallocated to fixtures and fittings (£46,000) and hardware (£66,000). The re-allocation of accelerated depreciation changed the net book value of the assets at 30 June 2019; the amount of land and building changed from £3,290,000 to £3,402,000, the amount of fixtures and fittings changed from £183,000 to £137,000 and the amount of hardware changed from £203,000 to £137,000.

The net book value of land and buildings comprises:

	<b>30 June 2020 £ 000</b>	<b>30 June 2019* £ 000</b>
Freehold-land and buildings	2,534	2,768
Long leasehold	<u>8,457</u>	<u>634</u>
	<b><u>10,991</u></b>	<b><u>3,402</u></b>

**Grand Metropolitan Estates Limited**  
**Registered number: 00367551**  
**Year ended 30 June 2020**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **6. PROPERTY, PLANT AND EQUIPMENT (continued)**

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.

On 4 December 2019, the company sold a property in Plymouth which was previously held as long leasehold property for a total cash consideration of £120,000 with no gain or loss on the sale.

### **7. LEASES**

#### **(a) Adoption of IFRS 16**

Under the new standard, outstanding lease liabilities have been recognised at 1 July 2019, for leases previously classified as operating leases, at the present value of the future lease payments over their reasonably certain lease term. Right-of-use assets have been recognised equal to the net present value of the lease liabilities, adjusted for the amount of any prepaid or accrued lease payment and provisions in respect of vacant properties and onerous leases. There was no impact on retained earnings as at 1 July 2019. The interest rate used to discount the future payments in the calculation of the lease liability is the incremental borrowing rate at 1 July 2019 taking into account the currency and duration of the lease. The weighted average incremental borrowing rate applied across all operating leases capitalised on 1 July 2019 was 2.1%.

The company has decided to reduce the complexity of implementation by taking advantage of a number of practical expedients on transition on 1 July 2019 namely:

- a. to not capitalise leases which expire within a year of 1 July 2019;
- b. to apply a single discount rate to portfolios of leases with similar characteristics; and
- c. to adjust the right-of-use asset by the amount of any provision for onerous leases recognised immediately before the date of initial application.

The company has not capitalised leases on transition where the value of the asset when it is new is lower than \$5,000 (low value assets).

**Grand Metropolitan Estates Limited**  
**Registered number: 00367551**  
**Year ended 30 June 2020**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**7. LEASES (continued)**

The impact of the adoption of IFRS 16 on affected lines of the balance sheet at 1 July 2019 is as follows:

	<b>30 June 2019</b>	<b>IFRS 16</b>	<b>1 July 2019</b>
	<b>£ 000</b>	<b>Impact</b>	<b>£ 000</b>
		<b>£ 000</b>	<b>£ 000</b>
<b>Non-current assets</b>			
Property, plant and equipment	3,676	9,304	12,980
<b>Current assets</b>			
Trade and other receivables	441,660	(294)	441,366
<b>Current liabilities</b>			
Lease liabilities	—	(826)	(826)
Provisions	(2)	2	—
<b>Non-current liabilities</b>			
Lease liabilities	—	(10,436)	(10,436)
Provisions	(4,980)	2,250	(2,730)

As a result of the adoption of IFRS 16 the total assets increased by £9,010,000 from £445,340,000 to £454,346,000 and the total liabilities increased by £9,010,000 from £273,050,000 to £282,060,000 on 1 July 2019. The leases (previously classified as operating leases) which have been recognised at adoption are principally in respect of office buildings. There is no impact on deferred tax balances.

The adoption of IFRS 16 had no impact on operating profit and net finance income.

A reconciliation of differences between the operating lease commitments at 1 July 2019, is as follows:

	<b>£ 000</b>
<b>Operating lease commitments at 30 June 2019 (as previously reported)</b>	<b>(19,873)</b>
Restatement	2,506
<b>Operating lease commitments at 30 June 2019</b>	<b>(17,367)</b>
Impact of discounting	6,105
<b>Total additional lease liabilities recognised on adoption of IFRS 16</b>	<b>(11,262)</b>
<b>Total lease liabilities at 1 July 2019</b>	<b>(11,262)</b>
Total lease liabilities at 1 July 2019 - current	(826)
Total lease liabilities at 1 July 2019 - non-current	(10,436)

Operating lease commitments at 30 June 2019 included the lease commitment in respect of one of the properties for 6 years instead of 3 years, therefore the operating lease commitments at 30 June 2019 had to be restated by £2,506,000.

**Grand Metropolitan Estates Limited**  
**Registered number: 00367551**  
**Year ended 30 June 2020**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**7. LEASES (continued)**

**(b) Movements on leases**

	<b>Land and buildings £ 000</b>
<b>Movement of right-of-use assets</b>	
At 30 June 2019	—
Recognition of right-of-use assets	9,304
Addition	94
Depreciation	(941)
<b>At 30 June 2020</b>	<b><u>8,457</u></b>

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

	<b>Land and buildings £ 000</b>
<b>Movement of lease liabilities</b>	
At 30 June 2019	—
IFRS 16 transition	(11,262)
Remeasurement	(1)
Payments	1,275
Interest expense	(233)
<b>At 30 June 2020</b>	<b><u>(10,221)</u></b>
Current	(1,055)
Non-current	(9,166)



**Grand Metropolitan Estates Limited**  
**Registered number: 00367551**  
**Year ended 30 June 2020**

## 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 (2019 - £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 %**
<b>Direct holdings</b>				
<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 2020 £ 000	30 June 2019 £ 000
Trade receivables	224	556
Amounts owed by fellow group undertakings		
Diageo Finance plc	446,838	440,138
Diageo Brands B.V.	123	127
Diageo Scotland Limited	56	57
Justerini & Brooks, Limited	503	503
Diageo Ireland	67	58
Diageo North America, Inc.	113	111
R & A Bailey & Co	24	22
Prepayments and accrued income	86	88
	<b>448,034</b>	<b>441,660</b>

All amounts fall due within one year. The amounts owed by Diageo Finance plc include £196,838,000 (2019 - £190,138,000) which bears interest at floating rates and £250,000,000 (2019 - £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 owned by the immediate shareholder(s) of the subsidiary

\*\*Effective percentage of shares held owned by the company

**Grand Metropolitan Estates Limited**  
**Registered number: 00367551**  
**Year ended 30 June 2020**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**10. TRADE AND OTHER PAYABLES**

	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Amounts owed to fellow group undertakings		
Diageo plc	2,176	2,772
Grand Metropolitan Limited	264,509	264,509
Diageo Great Britain Limited	293	455
Other payables	177	78
Accruals and deferred income	—	254
	<b>267,155</b>	<b>268,068</b>

Amounts owed to Diageo plc include £226,000 (2019 - £212,000) 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**

	<b>Dilapidation provision £ 000</b>	<b>Vacant property provision £ 000</b>	<b>Onerous contract £ 000</b>	<b>Total £ 000</b>
<b>At 30 June 2019</b>	<b>1,770</b>	<b>952</b>	<b>2,260</b>	<b>4,982</b>
<i>Effect of adoption of IFRS 16</i>	—	(952)	(1,300)	(2,252)
<i>Adjusted balance at 1 July 2019</i>	<i>1,770</i>	—	<i>960</i>	<i>2,730</i>
Provided	252	—	—	252
Released	—	—	(460)	(460)
<b>At 30 June 2020</b>	<b>2,022</b>	<b>—</b>	<b>500</b>	<b>2,522</b>
Current liabilities	—	—	—	—
Non-current liabilities	2,022	—	500	2,522

The vacant property provision represented 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 was 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. 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. The lease element of the existing onerous contract provision has been incorporated into the right-of-use assets value at 1 July 2019.

**Grand Metropolitan Estates Limited**  
**Registered number: 00367551**  
**Year ended 30 June 2020**

**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:

	<b>Property, plant and equipment £ 000</b>
At 30 June 2018	3
Recognised in statement of comprehensive income	1
At 30 June 2019	4
Recognised in statement of comprehensive income	46
<b>At 30 June 2020</b>	<b>50</b>

**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:

	<b>Capital losses</b>	
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Deferred tax assets	16,927	15,084

**13. CALLED UP SHARE CAPITAL**

*Allotted, called up and fully paid:*

	<b>30 June 2020 £ 000</b>
143,979,570 (2019 - 143,979,570) ordinary shares of £1 each	143,980

**14. POST BALANCE SHEET EVENTS**

On 5 March 2021, the company agreed with a third party to assign the current lease agreement in respect of the Golden Square property for the remaining lease term.

**Grand Metropolitan Estates Limited**  
**Registered number: 00367551**  
**Year ended 30 June 2020**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**15. 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, Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom.