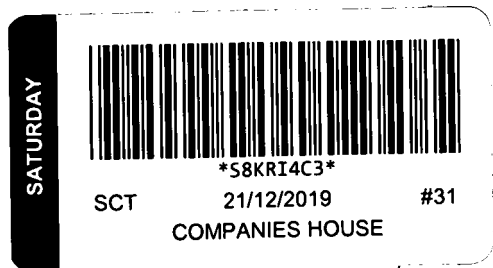


Zepf Technologies UK Limited
Directors' report and financial statements

30 June 2019

Registered number: SC002816



Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2019

CONTENTS	PAGES
DIRECTORS' REPORT	3
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS	6
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ZEPF TECHNOLOGIES UK LIMITED	7
STATEMENT OF COMPREHENSIVE INCOME	9
BALANCE SHEET	10
STATEMENT OF CHANGES IN EQUITY	11
NOTES TO THE FINANCIAL STATEMENTS	12

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2019

DIRECTORS' REPORT

The directors are pleased to submit their director's report, together with the audited financial statements for the year ended 30 June 2019.

The company is incorporated and domiciled as a private company limited by shares in the United Kingdom. The registered address is Edinburgh Park, 5 Lochside Way, Edinburgh, EH12 9DT.

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

Activities

The company is engaged in manufacturing container handling change part systems mainly for rotary packaging machines for liquid filling, capping and labelling. The company also provides engineering services in respect of product development to its parent company, Diageo Scotland Limited and third party customers.

Going concern

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

Financial

The results for the year ended 30 June 2019 are shown on page 9.

The profit for the year transferred to reserves was £696,000 (2018 - £1,326,000).

Dividends paid during the year ended 30 June 2019 and 30 June 2018 were £1,000,000 and £nil, respectively.

Directors

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

A Donaldson (appointed 25 July 2018 and resigned 1 November 2019)
J M C Edmunds
Y Elliott (appointed 28 September 2018 and resigned 13 November 2018)
D F Harlock (resigned 1 August 2018)
K L Haynes (resigned 28 September 2018)
A Mahler (resigned 1 August 2018)
K E Major (appointed 1 August 2018)
L Milburn (appointed 1 November 2019)

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2019

DIRECTORS' REPORT (continued)

Directors' remuneration

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

Directors' indemnity

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

Internal control and risk management over financial reporting

The company operates under the financial reporting processes and controls of the group. Diageo Plc's internal control and risk management systems including its financial reporting process of Diageo plc, which include those of the company, are discussed in the Group's Annual Report 2019 on pages 75 at www.diageo.com, which does not form part of this report.

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

There continues to be uncertainty with respect to the process surrounding the United Kingdom's proposed exit from the European Union, and in relation to the political environment more generally in the United Kingdom. We continue to believe that, in the event of either a negotiated exit or no-deal scenario, the direct financial impact to the company will not be material. The full implications of Brexit will not be understood until future tariffs, trade, regulatory, tax, and other free trade agreements to be entered into by the United Kingdom are established. Furthermore, the company could experience changes to laws and regulations post Brexit, in areas such as employment, environment, supply chain logistics, data protection, and health and safety.

Auditors

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

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2019

DIRECTORS' REPORT (continued)

Disclosure of information to the auditors

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

By order of the board



J M C Edmunds
Director

Edinburgh Park
5 Lochside Way
Edinburgh
EH12 9DT

17 December 2019

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2019

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual 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 Zepf Technologies UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Zepf Technologies UK Limited's financial statements:

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

We have audited the financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 30 June 2019; the statement of comprehensive income 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

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

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

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

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

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

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

Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the directors' report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Matthew Kaye (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors, Edinburgh
17 December 2019

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2019

STATEMENT OF COMPREHENSIVE INCOME

		Year ended	Year ended
		30 June 2019	30 June 2018
	Notes	£ 000	£ 000
Turnover	2	3,524	4,596
Cost of sales	3	<u>(2,504)</u>	<u>(2,964)</u>
Gross profit		1,020	1,632
Operating costs	3	<u>(372)</u>	<u>(322)</u>
Operating profit		648	1,310
Net finance income	5	<u>50</u>	<u>19</u>
Profit before taxation on ordinary activities		698	1,329
Tax on profit	6	<u>(2)</u>	<u>(3)</u>
Profit for the financial year and total comprehensive income for the year		<u>696</u>	<u>1,326</u>

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

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

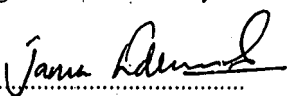
Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2019

BALANCE SHEET

	Notes	30 June 2019 £ 000	30 June 2018 £ 000
Non-current assets			
Property, plant and equipment	7	34	22
Deferred tax assets	12	7	5
		<u>41</u>	<u>27</u>
Current assets			
Inventories	8	384	384
Trade and other receivables	9	838	1,878
Cash and cash equivalents		1,467	634
Total assets		<u>2,730</u>	<u>2,923</u>
Current liabilities			
Trade and other payables	10	(652)	(378)
Provisions	11	(18)	(31)
		<u>(670)</u>	<u>(409)</u>
Non-current liabilities			
Provisions	11	—	(150)
Total liabilities		<u>(670)</u>	<u>(559)</u>
Net assets		<u>2,060</u>	<u>2,364</u>
Equity			
Called up share capital	13	500	500
Retained earnings		1,560	1,864
Total equity		<u>2,060</u>	<u>2,364</u>

The accounting policies and other notes on pages 12 to 24 form part of the financial statements.

These financial statements on pages 9 to 24 were approved by the Board on 17 December 2019 and were signed on its behalf by:



J M C Edmunds

Director

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2019

STATEMENT OF CHANGES IN EQUITY

ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

	Called up share capital £ 000	Retained earnings £ 000	Total £ 000
Balance at 30 June 2017	500	538	1,038
Profit for the financial year and total comprehensive income for the year	—	1,326	1,326
Balance at 30 June 2018	<u>500</u>	<u>1,864</u>	<u>2,364</u>
Profit for the financial year and total comprehensive income for the year	—	696	696
Dividends to shareholders	—	(1,000)	(1,000)
Balance at 30 June 2019	<u>500</u>	<u>1,560</u>	<u>2,060</u>

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

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2019

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

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

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

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:

- paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38 (presentation of comparative information);
 - 38A (requirement for minimum of two primary statements, including cash flow statements)
 - 38B-D (additional comparative information);
 - 79(a)(iv) (comparative information requirements);
 - 111 (cash flow statement information);
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'
- The following paragraphs of IAS 8, 'Accounting policies, changes in accounting estimates and errors':
 - 30 (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
 - 31 (disclosures relating to the new IFRS).

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

- The following paragraphs of IAS 24 'Related party disclosures':
 - 17 (key management compensation);
 - 18A (key management services provided by a separate management entity).
- IFRS 7 Financial Instruments: Disclosures, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

New accounting standards and interpretations

The following amendments to the accounting standards, issued by the IASB which have been endorsed by the EU, have been adopted by the group and therefore by the company from 1 July 2018 with no impact on the company's results, financial position or disclosures:

- Amendments to IAS 40 - Transfers of Investment Property;
- Amendments to IFRS 2 - Classification and Measurement of Share-based payment transactions;
- Improvements to IFRS 1 - First-time Adoption of International Financial Reporting Standards: Deletion of short-term exemptions for first-time adopters;
- Amendments to IFRS 4 - Applying IFRS 9 with IFRS 4 Insurance contracts;
- IFRS 16 - Leases (effective in the year ending 30 June 2020) sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. It eliminates the classification of leases as either operating leases or finance leases currently required under IAS 17 and introduces a single lessee accounting model where the lessee is required to recognise assets and liabilities for all material leases. All material leases will be recognised on the balance sheet as right of use assets and depreciated on a straight line basis. The liability, recognised as part of net borrowings, will be measured at a discounted value and any interest will be charged to finance charges in the statement of comprehensive income. Therefore, the charge to the statement of comprehensive income for the operating lease payment will be replaced with depreciation on the right of use asset and the interest charge inherent in the lease. IFRS 16 is expected to have impact on the company's results and financial position from the year ending 30 June 2020. The impact of the adoption of IFRS 16 on the company's financial statements has not yet been fully ascertained;
- Improvements to IAS 28 - Investments in Associates and Joint Ventures: Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice;
- IFRIC 23 Uncertainty over Income Tax Treatments.

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Turnover

Turnover comprises revenue from the sale of goods and services. Revenue from the sale of goods includes excise and other duties which the company pays as principal but excludes amounts collected on behalf of third parties, such as value added tax. Turnover is recognised depending upon individual customer terms at the time of dispatch, delivery or some other specific point when the risk of loss transfers. Provision is made for returns where appropriate. Turnover is stated net of price discounts, allowances for customer loyalty and certain promotional activities and similar items. For sale of services, revenue is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Pensions and other post-employment benefits

The company operates a defined contribution pension scheme. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Finance income

Finance income is recognised in the statement of comprehensive income in the year in which it is earned.

Property, plant and equipment

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

Plant and equipment and computer hardware are depreciated on a straight-line basis to estimated residual values over their expected useful lives, and these values and lives are reviewed each year. Subject to these reviews, the estimated useful lives fall within the following ranges:

Plant and equipment	5 years
Computer hardware	5 years

Reviews are carried out if there is some indication that impairment may have occurred, to ensure that property, plant and equipment are not carried at above their recoverable amounts.

Profit or loss on the sale of a property, plant and equipment is the difference between the disposal proceeds and the net book value.

Leases

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

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2019

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes raw materials, direct labour and expenses, and an appropriate proportion of production and other overheads, but not borrowing costs. Cost is calculated at the weighted average cost incurred in acquiring inventories.

Financial assets and liabilities

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

Trade and other receivables Amounts owed by other group companies are initially measured at fair value and are subsequently reported at amortised cost. Non-interest-bearing trade receivables are stated at their nominal value as they are due on demand. Allowances for expected credit losses are made based on the risk of non-payment taking into account ageing, previous experience, economic conditions and forward-looking data. Such allowances are measured as either 12-months expected credit losses or lifetime expected credit losses depending on changes in the credit quality of the counterparty.

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

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

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

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.

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 30 June 2019 are included in profit before taxation. In prior years penalties and interest on tax liabilities were provided for in the tax charge.

Full provision for deferred tax is made for temporary differences between the carrying value of assets and liabilities for financial reporting purposes and their value for tax purposes. The amount of deferred tax reflects the expected recoverable amount and is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the basis of taxation enacted or substantively enacted by the balance sheet date. Deferred tax assets are not recognised where it is more likely than not that the asset will not be realised in the future.

Dividends paid

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

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

ACCOUNTING POLICIES (continued)

Judgements in applying accounting policies and key sources of estimation uncertainty

The directors make estimates and assumptions concerning the future of the company. The resulting accounting estimates will, by definition, seldom equate to actual results. The company's directors are of the opinion that there are no estimates and assumptions that have a significant risk of 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:

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

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. TURNOVER

For the year ended 30 June 2019 the turnover and profit before taxation are attributable to one class of business that of engineering services.

Geographical analysis of turnover

	Year ended 30 June 2019	Year ended 30 June 2018
	£ 000	£ 000
United Kingdom	1,716	2,941
Ireland	33	15
Rest of Europe	840	942
America	506	409
Asia Pacific	378	289
Rest of world	51	—
	<u>3,524</u>	<u>4,596</u>

Segmental information is provided in the consolidated financial statements of the ultimate parent company, Diageo plc.

Sales to fellow group undertakings included in turnover amounted to £631,000 (2018 - £1,016,000).

3. OPERATING COSTS

	Year ended 30 June 2019	Year ended 30 June 2018
	£ 000	£ 000
Operating costs		
Cost of sales	2,504	2,964
Other operating expenses	372	322
	<u>2,876</u>	<u>3,286</u>
Comprising:		
Raw materials and consumables (a)	768	1,020
Other external charges (b)	474	620
Staff costs	1,610	1,602
Depreciation	24	44
	<u>2,876</u>	<u>3,286</u>

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. OPERATING COSTS (continued)

(a) Raw materials and consumables include an inventory write-off in the amount of £nil (2018 - £11,000).

(b) Other external charges include facilities costs of £27,000 (2018 - £34,000), maintenance and repairs of £35,000 (2018 - £32,000), operating lease rentals of land and buildings of £47,000 (2018 - £47,000) and other equipment of £26,000 (2018 - £37,000), computer system costs of £27,000 (2018 - £46,000), other staff related costs of £95,000 (2018 - £93,000) and other professional costs of £55,000 (2018 - £63,000).

The auditors' remuneration of £15,000 (2018 - £15,000) was paid on behalf of the company by a fellow group undertaking. There were no fees payable to the auditors in respect of non-audit services (2018 - £nil).

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

4. EMPLOYEES

The average number of employees on a full time basis during the year was:

	Year ended 30 June 2019	Year ended 30 June 2018
Operation and logistics	33	30
Selling and distribution	4	4
Finance and administration	4	3
	<u>41</u>	<u>37</u>
	Year ended 30 June 2019	Year ended 30 June 2018
	£ 000	£ 000
Aggregate remuneration		
Wages and salaries	1,384	1,400
Employer's social security costs	175	157
Employer's pension costs	51	45
	<u>1,610</u>	<u>1,602</u>

Retirement benefits

The company operates a defined contribution stakeholder pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £51,000 (2018 - £45,000).

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. FINANCE INCOME

	Year ended 30 June 2019 £ 000	Year ended 30 June 2018 £ 000
Interest income from fellow group undertakings		
Diageo Scotland Limited	50	19
Total finance income	<u>50</u>	<u>19</u>

6. TAX ON PROFIT

	Year ended 30 June 2019 £ 000	Year ended 30 June 2018 £ 000
(a) Analysis of taxation charge for the year		
Current tax		
Overseas corporation tax	(4)	(4)
Total current tax	<u>(4)</u>	<u>(4)</u>
Deferred tax		
Origination and reversal of timing differences	—	1
Current year	2	—
Total deferred tax	<u>2</u>	<u>1</u>
Taxation on profit	<u>(2)</u>	<u>(3)</u>
(b) Factors affecting total tax charge for the year included in equity		
Profit before taxation	696	1,329
Taxation on profit on ordinary activities at UK corporation tax rate of 19% (2018 - 19%)	(133)	(253)
Expenses not deductible for tax purposes	(2)	—
Items not deductible for tax purposes	—	(8)
Group relief received for nil consideration	132	261
Overseas corporation tax	(4)	(4)
Transfer pricing adjustments	4	—
Other tax effects for reconciliation between accounting profit and tax expense	1	1
Total tax charge for the year	<u>(2)</u>	<u>(3)</u>

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. TAX ON PROFIT (continued)

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

7. PROPERTY, PLANT AND EQUIPMENT

	Plant and equipment £ 000	Computer hardware £ 000	Total £ 000
Cost			
At 30 June 2018	193	—	193
Additions	—	36	36
At 30 June 2019	<u>193</u>	<u>36</u>	<u>229</u>
Accumulated Depreciation			
At 30 June 2018	(171)	—	(171)
Depreciation charge	(21)	(3)	(24)
At 30 June 2019	<u>(192)</u>	<u>(3)</u>	<u>(195)</u>
Carrying amount			
At 30 June 2019	<u>1</u>	<u>33</u>	<u>34</u>
At 30 June 2018	<u>22</u>	<u>—</u>	<u>22</u>

8. INVENTORIES

	30 June 2019 £ 000	30 June 2018 £ 000
Raw materials and consumables	237	227
Work in progress	147	157
	<u>384</u>	<u>384</u>

Inventories are disclosed net of provisions of £nil (2018 - £nil) for obsolescence.

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. TRADE AND OTHER RECEIVABLES

	30 June 2019	30 June 2018
	£ 000	£ 000
Trade receivables	769	955
Prepayments and accrued income	57	35
Amounts owed by fellow group undertakings	12	888
	<u>838</u>	<u>1,878</u>

The aged analysis of trade receivables is as follows:

	30 June 2019	30 June 2018
	£ 000	£ 000
Not overdue	729	1,540
Overdue 1 - 30 days	19	151
Overdue 31 - 60 days	—	41
Overdue 61 - 90 days	5	7
Overdue 91 - 180 days	28	104
	<u>781</u>	<u>1,843</u>

Amounts owed by fellow group undertakings include a loan receivable from Diageo Scotland Limited in the amount of £nil (2018 - £652,000) which are unsecured, repayable on demand and bears interest at a floating rate.

Amounts owed by other fellow group undertakings include trade receivables against Diageo Great Britain Limited in the amount of £nil (2018 - £98,000), Diageo Mexico Comercializadora S.A. de C.V. in the amount of £6,000 (2018 - £109,000) and Diageo Operations Italy S.p.A. in the amount of £6,000 (2018 - £29,000).

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. TRADE AND OTHER PAYABLES

	30 June 2019	30 June 2018
	£ 000	£ 000
Amounts owed to fellow group undertakings	144	—
Trade payables	150	189
Accruals and deferred income	117	128
Other payables	241	61
	<u>652</u>	<u>378</u>

Amounts owed by fellow group undertakings include a loan payable to Diageo Scotland Limited in the amount of £144,000 (2018 - loan receivable in the amount of £652,000) which are unsecured, repayable on demand and bears interest at a floating rate.

11. PROVISIONS

	Warranty claims £ 000	Dilapidation provision £ 000	Total £ 000
At 30 June 2018	31	150	181
Released during the year	(31)	(150)	(181)
Provision charged during the year	18	—	18
At 30 June 2019	<u>18</u>	<u>—</u>	<u>18</u>
Current liabilities	<u>18</u>	<u>—</u>	<u>18</u>

12. DEFERRED TAX ASSETS

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

	Property, plant and equipment £ 000	Other temporary differences £ 000	Total £ 000
At 30 June 2017	3	1	4
Recognised in the statement of comprehensive income	1	—	1
At 30 June 2018	<u>4</u>	<u>1</u>	<u>5</u>
Recognised in the statement of comprehensive income	1	1	2
At 30 June 2019	<u>5</u>	<u>2</u>	<u>7</u>

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. CALLED UP SHARE CAPITAL

Allotted, called up and fully paid:

30 June 2019
£ 000

500,000 (2018 - 500,000) ordinary shares of £1 each

500

14. COMMITMENTS

Operating lease commitments

The minimum lease rentals to be paid under non-cancellable leases are as follows:

	30 June 2019			30 June 2018		
	Land and buildings £ 000	Other £ 000	Total £ 000	Land and buildings £ 000	Other £ 000	Total £ 000
Annual payments under lease expiring as at 30 June:						
Within one year	35	25	60	47	24	71
Between one and two years	100	19	119	—	8	8
Between two and three years	109	9	118	—	1	1
Between three and four years	109	—	109	—	—	—
Between four and five years	109	—	109	—	—	—
After five years	571	—	571	—	—	—
	<u>1,033</u>	<u>53</u>	<u>1,086</u>	<u>47</u>	<u>33</u>	<u>80</u>

The company leases land and buildings and various other equipment under non-cancellable operating lease agreements. The majority of lease agreements are renewable at the end of the lease period at market rate.

15. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking of the company is Diageo Scotland Limited, a company incorporated and registered in Scotland.

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