Diageo Northern Ireland Limited

Annual report and financial statements
30 June 2023

Registered number: NI 003755

Diageo Northern Ireland Limited
Registered number: NI 003755
Year ended 30 June 2023

CONTENTS

Directors and other information

Directors	Mr. R. Cowan Ms. A Shaw Ms. A. Talbot
Company secretary	Ms. L. Gleeson
Registered office	Third Floor Capital House 3 Upper Queen Street Belfast Northern Ireland
Independent auditors	PricewaterhouseCoopers Chartered accountants One Spencer Dock North Wall Quay Dublin 1
Company registration number	NI003755
Banker	Bank of America 2 King Edward Street EC1A 1HQ London, United Kingdom
Solicitor	William Fry 2 Grand Canal Square Dublin

Strategic report

The directors present their strategic report for the year ended 30 June 2023.

Principal activities

The company's activity is the sale of alcoholic and other beverages. The directors consider both the results for the year and trading prospects are satisfactory.

Business review

Development and performance of the business of the company during the financial year and position of the company as at 30 June 2023

The turnover increased by £11 million (6%), while Cost of sales also increased by £14 million (25%), which resulted in £4 million (65%) decrease in profit for the financial year. Total assets decreased by £9 million (16%), driven by an decrease in current assets, net assets decreased by £4 million (31%) due to decrease in current assets. Total liabilities decreased by £5 million (11%) driven by an decrease in current liabilities.

Financial and other key performance indicators

The principal key performance indicators used by management to operate the business are turnover and operating profit.

Turnover increased by £11 million GBP (6%) due to a 1% increase in volumes and 6% increase in sales, while the discounts and allowances also increased by 10%. The Operating profit has decreased by £4 million (70%), mainly driven by increased Cost of sales by £14 million (25%).

Principal risks and uncertainties facing the company

The principal risks identified by the group are disclosed on pages 88 to 93 of Diageo plc's 2023 Annual Report. The most relevant of the group risks to this entity are the ones we have selected and articulated below, together with specific considerations relating to the company's operations and environment. If any of these risks occur, the company's business, financial condition and operational results could suffer. As the company forms part of the group's investment holding and financing structure, the financial risk management measures used by management to analyse the development, performance and position of the company's business are mainly similar to those facing the group as a whole. The directors consider that the following risks might impact the performance and the solvency or liquidity of the company through its investments and /or intercompany financing structure

Geopolitical and macroeconomic volatility

Geopolitical forces, primarily driven by the Russia / Ukraine conflict, coupled with macro-economic stress, increase the likelihood of international and domestic tensions, disputes and conflict that might impact the business. Macroeconomic conditions include inflationary pressures, unemployment and global trade tensions. Financial volatility risk could arise from variability in financial markets, interest rate fluctuations and currency instability. Failure to react quickly enough to changing economic and/or political conditions, e.g. inflationary pressures, currency instability, global trade tensions, heightened political protectionism, changes to customs duties and tariffs, and/or eroded consumer confidence, may impact on the freedom to operate in a market and could adversely impact financial performance.
The group monitors key business drivers and performance, to prepare for rapid changes in the external environment and there is an enhanced group-level strategic analysis and scenario planning to strengthen market strategies and risk management.

Business review (continued)

Principal and financial risks and uncertainties facing the company as at 30 June 2023 (continued)

Geopolitical and macroeconomic volatility (continued)

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

Statement on Section 172 of the Companies Act 2006

Section 172 of the Companies Act 2006 requires the directors to promote the success of the Company for the benefit of the members as a whole, having regard to the interests of stakeholders in their decision making. In making decisions, the directors consider what is most likely to promote the success of the Company for its shareholders in the long term, as well as the interests of the group's stakeholders. The directors understand the importance of taking into account the views of stakeholders and the impact of the Company's activities on local communities, the environment, including climate change, and the group's reputation.

The Company is a member of the group of companies (the "group") whose ultimate holding company is Diageo plc ("Diageo"). In accordance with the requirements of UK company law, The company has included in it's Annual report and financial statements on page 9 a statement as to how the directors of the Company have had regard to the matters set out in Section 172 of the Companies Act 2006.

In order to ensure consistency in how the group operates with regard to its wider stakeholders, the group has adopted an internal Code of Business Conduct alongside a comprehensive framework of global policies and standards that are designed to ensure, amongst other things, that all companies throughout the group, including the Company, have regard to its wider stakeholders in a consistent manner.

The Company has therefore had regard to the matters set out in Section 172 of the Act in a manner that is consistent with the approach adopted by Diageo, while at the same time ensuring the directors of the Company are fulfilling their duties.

Climate risk

Physical and transition climate change risks, including water stress, extreme weather events, temperature rises and increased regulation, may result in increased volatility in the supply of raw materials, production costs, capacity constraints and higher costs of compliance. In addition, the failure to meet sustainability goals could result in loss of license to operate, financial loss and reputational damage amongst customers, consumers, investors and other stakeholders. The Company might be impacted indirectly through its intercompany financing arrangements and the future performance of the intercompany lenders and borrowers.

Business review (continued)

Climate risk (continued)

The group conducted a detailed climate change risk assessment (CCRA) and scenario analysis to evaluate short- and long-term impacts from physical and transition risks. The group operates a cross-functional Climate Risk Steering Group that sets the strategy for ongoing climate risk assessment, and manages associated opportunities and risks, while continuing to develop the approach to climate change risk reporting. CCRA review found that, with respect to the group, risks related to wildfires, storm winds, high temperature, water stress, rising sea level hazards are projected to significantly increase in the future. Results of the CCRA were shared with the business to assess the results and recommendations, incorporate these risks to the market risk register, and to develop mitigation plans and document these within the existing risk management process. The Climate Risk Steering Group tracks climate risk mitigation efforts. Any physical and/or transition climate change risks could reduce the Company's dividend income and profit in the future. Further information on the group's risk management measures in relation to climate change is disclosed on page 71-87 of Diageo plc's 2023 Annual Report.

Financial risk management

The Company's funding, liquidity and exposure to foreign exchange rate risk are similar to those facing the Diageo group ("the group") as a whole and are managed by the group's treasury department. The treasury department uses a range of financial instruments to manage these underlying risks.

Currency risk

The Company publishes its financial statements in sterling and conducts some of its business in foreign currencies. As a result, it is subject to foreign currency risk due to exchange rate movements, which will affect the Company's transactions. To manage the currency risk the Company uses certain financial instruments. Where hedge accounting is applied, hedges are documented and tested for effectiveness on an ongoing basis.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company has access to group funding.

Credit risk

The Company's credit risk is primarily attributable to fellow group undertakings. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The Company sets credit limits for, and monitors its exposure to, its counterparties via their credit ratings (where applicable).

Business review (continued)

Main activities of the Board

The activities of the Board during the year include:

- Approval of the change of Company Secretary;
- Approval of the resignation of James Davies as a Director of the Company and the appointment of Aimee Shaw as a Director;
- Approval of the financial statements for the financial year ended 30 June 2023 and the issuing of a cash dividend to its parent company; and
- Approval of the change to the authorised signatory list for the Bank of America account held by the Company

On behalf of the Board,

Aisling Talbot

Aisling Talbot
Director

Third Floor Capital House
3 Upper Queen Street
Belfast
Northern Ireland

Date: 12 December 2023

Directors' report

The directors are pleased to submit their annual report, together with the audited financial statements for the year ended 30 June 2023.

Future developments

The company does not foresee any major changes in the operation of the business.

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the business review section of the strategic report. 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 a period of at least 12 months from the date the financial statements are approved and signed. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Results and dividends

The results and end of the year positions for the year ended 30 June 2023 are shown on page 13 and 16.

The profit for the year transferred to reserves is £2,260,000 (2022 - £6,131,000).

Dividend paid during the year ended 30 June 2023 was £6,500,000 (2022 - £6,000,000).

Directors

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

Mr. R. Cowan
Ms. A. Talbot
Mr. J. Davies (resigned 21 November 2022)
Ms. A Shaw (appointed 21 November 2022)

Secretary

The secretary of the company who was in the office during the year and up to the date of signing the financial statements was:
Mrs J. Trundle (resigned 5 October 2022)
Ms. L. Gleeson (appointed 5 October 2022)

Directors' remuneration

Details of the directors' remuneration are shown in note 4 of the financial statements.

Directors' indemnity

As permitted by the Articles of Association, each of the directors has the benefit of an indemnity, which is a qualifying third-party indemnity as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the tenure of each director during the last financial year, and is currently in force.

Directors' report (continued)

Research and development

The company has not undertaken any material research and development activities during the financial year.

Political contributions

The company has not made any donations to a registered political party, other political organisations within or outside the UK or any independent election candidate during the financial year.

Post balance sheet events

There have been no significant post balance sheet events affecting the company.

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 2023 on page 115 at www.diageo.com, which does not form part of this report.

Independent auditors

Pursuant to Section 487 of the Companies Act 2006, the independent auditors, PricewaterhouseCoopers, 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.

Business relationship statement

In order to ensure consistency in how the group operates, the company has adopted an internal Code of Business Conduct alongside a comprehensive framework of global policies and standards that are designed to ensure, amongst other things, that all companies throughout the group, including the company, have regard to its wider stakeholders, including those in a business relationship with the company, in a consistent manner. Decisions taken by Directors, and by the company's executive management team, are informed by the interests of its wider stakeholders, including suppliers, customers and others in a business relationship with the company, as guided by, amongst other things, the Code of Business Conduct and framework of polices and standards, as well as reviews, reports and proposals presented to the Board or executive management team for approval.

Directors' report (continued)

Business relationship statement (continued)

All supplier related activity is managed in line with the group's Partnering with Suppliers Standard which is adhered to by the company. The company ensures that by working with suppliers, we not only deliver high-quality products marketed responsibly, but improve our collective impact, ensuring sustainable supply chains, reducing our environmental impact and making positive contributions to society.

The Board considers that it is important that the Group remains a trusted partner for suppliers, with the relationship enhanced through fair contract and payment terms and through compliance with the Group's Partnering with Suppliers Standard. Other methods used by the Company to ensure that it responds to the needs of its suppliers include direct resolution processes, access to a confidential, independent whistleblowing helpline and website, regional supplier awards, supplier financing, supplier performance measurement and reviews with two-way feedback, standards assessments through independent bodies.

In relation to the company's customers and indirectly its consumers, the Board believes that the business of the company can only be sustained by a deep understanding of its customer base, both large and small, on-trade and off-trade, digital and e-commerce, their behaviours and motivations. The Board aims to ensure the company nurtures mutually beneficial relationships that deliver joint value and the best outcome for all its customers and indirectly its consumers. Consistent with the group's processes, the company uses a variety of ways to ensure that these business relationships are maintained including through a broad portfolio of choices across categories and price points, best practice sales analytics and technology to support distributors and retail, ongoing dialogue and account management support, physical and virtual sales calls, development of joint business plans, regular business updates, training, webinars and unique offerings such as the Diageo Bar Academy, and the provision of responsible advertising tools and materials in compliance with the Diageo Marketing Code.

More details on how Diageo has cultivated its relationships with suppliers, customers and other stakeholders, please see page 110-113 of its 2023 Annual Report and Accounts.

On behalf of the Board,

Aisling Talbot

Aisling Talbot
Director

Third Floor Capital House
3 Upper Queen Street
Belfast
Northern Ireland

Date: 12 December 2023

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with the Company law.

Company law requires the directors to prepare financial statements for each financial year giving a true and fair view of the company's assets, liabilities and financial position at the end of the financial year and the profit or loss of the company for the financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (accounting standards issued by the UK Financial Reporting Council, including Financial Reporting Standard 101 *Reduced Disclosure Framework* and Company law).

Under Company law, the directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the company's assets, liabilities and financial position as at the end of the financial year and the profit or loss of the company for the financial year.
In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transactions of the company;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy; and
- enable the directors to ensure that the financial statements comply with the Companies Act 2014 and enable those financial statements to be audited.

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.

On behalf of the Board,

Aisling Talbot

Aisling Talbot
Director

Third Floor Capital House
3 Upper Queen Street
Belfast
Northern Ireland

Date: 12 December 2023

pwc

Independent auditors' report to the members of Diageo Northern Ireland Limited

Report on the audit of the financial statements

Opinion

In our opinion, Diageo Northern Ireland Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2023 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 Annual Report and Financial Statements, which comprise:

- the balance sheet as at 30 June 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements , which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 30 June 2023 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 Strategic report and 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, 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to:

- laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, including United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006 and taxation legislation; and
- those laws and regulations which do not have a direct effect on the determination of material amounts and disclosures in the financial statements but where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection and certain aspects of company legislation and we considered the extent to which non-compliance might have a material effect on the financial statements. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and the posting of fraudulent journal entries. Audit procedures performed by the engagement team included:

- Consideration of fraud risk as part of our audit planning process;
- Identification of potential risk factors through consideration of the company's business strategies and risks. This includes meetings with management as well as the those charged with governance and staff regarding their perspectives on fraud and compliance with applicable laws and regulations;
- Evaluation of the company's programs and controls designed to address fraud risk;
- Responding to the risk identified by designing appropriate audit procedures;
- Maintaining professional scepticism throughout the audit;
- Implementing specific procedures to address risks associated with the management override of controls, including close examination of journal entries and other adjustments, accounting estimates, identifying indicators of possible management bias and significant unusual transactions;
  Incorporating unpredictability into our audit process;
- Implementing specific procedures to address risks associated with non-compliance with laws and regulations; and
- Careful evaluation of the amount and quality of audit evidence obtained at all stages of the audit.

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

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

Use of this report

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

pwc

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Paul O'Connor

Paul O'Connor (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Dublin
12 December 2023

Diageo Northern Ireland Limited
Registered number: NI 003755
Year ended 30 June 2023

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Turnover	*2*	**180,016**	**169,228**
Excise duties	*3*	(77,435)	(76,874)
Net sales		**102,581**	**92,354**
Cost of sales	*3*	(73,087)	(58,627)
Gross profit		**29,494**	**33,727**
Marketing expenses	*3*	(18,512)	(17,350)
Other operating expenses	*3*	(9,179)	(10,288)
Operating profit		**1,803**	**6,089**
Net finance income	*6*	577	178
Profit before taxation on ordinary activities		**2,380**	**6,267**
Taxation on profit on ordinary activities	*7*	(120)	(136)
Profit for the financial year and total comprehensive income for the year		**2,260**	**6,131**

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

Diageo Northern Ireland Limited
Registered number: NI 003755
Year ended 30 June 2023

BALANCE SHEET

	Note	30 June 2023 £'000	30 June 2022 £'000
Non-current assets			
Property, plant and equipment	*8*	2,606	2,570
Investments	*10*	4,529	4,171
Deferred tax assets	*11*	600	717
		7,735	**7,458**
Current assets			
Inventories	*12*	6,161	5,819
Trade and other receivables	*13*	30,722	40,056
Other financial assets	*14*	—	3
Cash and cash equivalents		75	137
		36,958	**46,015**
Total assets		**44,693**	**53,473**
Current liabilities			
Trade and other creditors	*15*	(34,843)	(39,306)
Provisions	*16*	(56)	(27)
Other financial liabilities	*14*	(16)	(3)
Lease liabilities - Current	*9*	(150)	(142)
		(35,065)	**(39,478)**
Non-current liabilities			
Lease liabilities - Non-Current	*9*	(85)	(215)
		(85)	**(215)**
Total liabilities		**(35,150)**	**(39,693)**
Net assets		**9,543**	**13,780**
Equity			
Called up share capital	*17*	—	—
Other reserves		380	377
Retained earnings		9,163	13,403
Total equity		**9,543**	**13,780**

Diageo Northern Ireland Limited
Registered number: NI 003755
Year ended 30 June 2023

BALANCE SHEET (continued)

The accounting policies and other notes on pages 18 to 41 form an integral part of the financial statements.

These financial statements on pages 14 to 41 were approved by the Board of directors on 12 December 2023 and were signed on its behalf by:

Aisling Talbot

Aisling Talbot
Director

Diageo Northern Ireland Limited
Registered number: NI 003755
Year ended 30 June 2023

STATEMENT OF CHANGES IN EQUITY
ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

	Called up share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2021	—	**326**	**13,212**	**13,538**
Profit for the financial year and total comprehensive income	—	—	6,131	6,131
Dividends to shareholders	—	—	(6,000)	(6,000)
Transfers	—	—	60	60
Tax on share-based payments	—	51	—	51
Balance at 30 June 2022	—	**377**	**13,403**	**13,780**
Profit for the financial year and total comprehensive income	—	—	2,260	2,260
Dividends to shareholders	—	—	(6,500)	(6,500)
Tax on share-based payments	—	3	—	3
Balance at 30 June 2023	—	**380**	**9,163**	**9,543**

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

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently, in dealing with items which are considered material in relation to the company's financial statements.

General information

Diageo Northern Ireland Limited ("the company") is engaged in the sale of alcoholic and other beverages. The company sells alcoholic and other beverages in Northern Ireland.

The company is a private company limited by shares and is incorporated and domiciled in Northern Ireland, United Kingdom, registration number: NI 003755. The address of its registered office is Third Floor Capital House, 3 Upper Queen Street, Belfast, Northern Ireland.

The following accounting policies have been applied consistently, in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

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

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

These financial statements are prepared on a going concern basis under the historical cost convention, except that certain financial instruments are stated at their fair value.

The company is a wholly owned subsidiary of Diageo plc and is included in the consolidated financial statements of Diageo plc which are publicly available.

The 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:

- A cash flow statement and related notes;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Comparative period reconciliations for share capital, property, plant and equipment and intangible assets;
- Disclosures in respect of capital management, and
- Disclosures in respect of the compensation of key management personnel.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

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

- IFRS 2 Share-based Payments in respect of group settled share based payments;
- The disclosures required by IFRS 7 Financial Instruments Disclosures;
- The disclosures required by IFRS 13 Fair Value Measurement.

These financial statements are separate financial statements.

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.

New accounting standards and interpretations

The following amendment to the accounting standards, issued by the IASB and endorsed by the UK and EU, has been adopted by the group and therefore by the company from 1 July 2022 with no impact on the company's results, financial position or disclosures:

- Amendments to IFRS 3 Updating a Reference to the Conceptual Framework;
- Amendments to IAS 16 Property, Plant and equipment: Proceeds before Intended Use;
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract;
- Amendments to Annual Improvements 2018-2020 – IFRS 9 – Fees in the '10 per cent' Test, IFRS 16 – Lease incentive, IAS 41 – Taxation in Fair Value Measurements
- Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules

The following amendment issued by the IASB and endorsed by the UK and EU, has been adopted by the company:

- IFRS 17 – Insurance contracts (effective from the year ending 30 June 2024) is ultimately intended to replace IFRS 4.
- Amendments to IAS 12 – Income taxes (effective from the year ending 30 June 2024)

There are a number of other amendments and clarifications to IFRSs, effective in future years, which are not expected to significantly impact the company's results or financial position.

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.

Advertising

Advertising expenditure, such as advertising costs, point of sale materials and sponsorship payments, are charged to the income statement within marketing expenses when the company has the right of access to the goods or services acquired.

Share-based payments

The ultimate parent, Diageo plc, operates a number of share-based incentive schemes (awards of shares and options) and grants rights to its equity instruments to the company's employees. The company accounts for these share-based payments as cash-settled instruments. Amounts recharged by the parent in respect of the cost of providing the benefit are measured at the fair value of the share or share option at the date of grant and is recognised on a straight-line basis over the vesting period of the award. The fair value is measured on the binomial or Monte Carlo models, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Pensions and other post employment benefits

The employees of the company are members of the Diageo UK pension plans, which are defined benefit schemes.

It is not possible to allocate the assets and liabilities of the pension plans on a consistent and reasonable basis between individual companies and therefore the company accounts for the plans as defined contribution schemes. Contributions payable in respect of the pension plans in respect of current and former employees are charged to operating profit as incurred. The assets and liabilities of the pension plans are reported by the sponsoring employer, Diageo plc.

Property, plant and equipment

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

Land and buildings are stated at cost less depreciation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Assets under construction include costs incurred on all fixed assets that have not yet been completed and have not yet started to be depreciated. Assets under construction are transferred to other fixed assets categories upon completion and at that point depreciation is started in accordance with the Group Accounting Policy.

Freehold land is not depreciated. Leaseholds are depreciated over the unexpired period of the lease. Other property, plant and equipment 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:

Buildings	-	10 to 50 years
Plant and machinery	-	5 to 25 years

Reviews are carried out if there is any indication that impairment may have occurred, to ensure that fixed assets are not carried at above their recoverable amounts. Profit or loss on the sale of a property is the difference between the disposal proceeds and the net book value.

Investments

Investments are initially recorded at cost less, where appropriate, provision for impairment in value where such impairment is expected by the directors to be permanent. Income from investments is credited to the income statement. 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. Where 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

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. Maturing inventories which are retained for more than one year are classified as current assets, as they are expected to be realised in the normal operating cycle.

Financial assets and liabilities

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

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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Taxation

Current tax is based on taxable profit for the year. Taxable profit is different from accounting profit due to temporary differences between accounting and tax treatments, and due to items that are never taxable or tax deductible. Tax benefits are not recognised unless it is probable that the tax positions are sustainable. Once considered to be probable, tax benefits are reviewed each year to assess whether a provision should be taken against full recognition of the benefit on the basis of potential settlement through negotiation and/or litigation. Tax provisions are included in current liabilities. Penalties and interest on tax liabilities are included in profit before taxation. 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

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

Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

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

- 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 lessee's incremental borrowing rate is used, being the rate that the individual lessee 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. TURNOVER

The turnover and profit before taxation on ordinary activities are attributable to the distribution, marketing and selling of beer and spirits, and their onward sale to third parties and fellow group undertakings.

Geographical analysis of turnover

Turnover originated from the United Kingdom and the geographical analysis of turnover by destination is given below:

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
United Kingdom	180,016	169,228
	180,016	169,228

Analysis of turnover by class of business

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Selling of beer	122,504	114,480
Selling of spirits	57,512	54,748
	180,016	169,228

Sales to fellow group undertakings included in turnover amounted to £nil (2022 - £nil).

Contracts with customers are mainly with external customers at standard terms and conditions without revenue and cash flow uncertainties.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. OPERATING COSTS

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Excise duties	77,435	76,874
Cost of sales	73,087	58,627
Marketing expenses	18,512	17,350
Other operating expenses	9,179	10,288
	178,213	**163,139**
Comprising:		
Excise duties	77,435	76,874
Raw materials and consumables	72,168	57,851
Marketing expenses	18,512	17,350
Other external charges (a)	4,281	4,643
Staff costs (note 4)	6,635	7,012
Depreciation, amortisation and impairment	1,091	952
Losses on disposal of property	79	35
Net foreign exchange losses/(gains)	473	(296)
Other operating income (b)	(2,461)	(1,282)
	178,213	**163,139**

(a) **Other external charges include**: facilities £43,000 (2022 - £26,000); rental of land & building of £21,000 (2022 - £34,000); other lease rentals of £178,000 (2022 - £192,000); maintenance costs of £149,000 (2022 - £91,000); recharged overhead costs of £2,289,000 (2022 - £3,002,000); miscellaneous costs of £1,556,000 (2022 £1,260,000) and bad debts of £45,000 (2022 - £38,000).

(b) **Other operating income includes**: intercompany management income of £2,430,000 (2022 - £1,149,000), fixed asset addition of £nil (2022 - £36,000) and reversal of impairment of £31,000 (2022 - £97,000).

Auditors' fees in respect of services provided by the auditors was £29,000 (2022 - £22,000). There were no fees payable to the auditors in respect of non-audit services (2022 - £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. EMPLOYEES

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

	Year ended 30 June 2023	Year ended 30 June 2022
Selling and distribution	131	119
	131	119

The average number of employees of the company, including part time employees, for the year was 137 (2022 - 120).

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Wages and salaries	5,233	5,433
Employer's pension costs	741	855
Employer's social security costs	622	601
Other employment costs	39	123
	6,635	7,012

Retirement benefits

The employees of the company are members of the Diageo UK pension plans, which are defined benefit schemes.

It is not possible to allocate the assets and liabilities of the pension plans on a consistent and reasonable basis between individual companies and therefore the company accounts for the plans as defined contribution schemes. Contributions payable in respect of defined contribution plans in respect of current and former employees are charged to operating profit as incurred.The company made cash contributions of £741,000 to the schemes in respect of its employees in the year ended 30 June 2023 (2022 – £855,000). As there is no contractual agreement for allocating the surplus or deficit to participating entities, it is recognised fully by the sponsoring employer, Diageo plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. EMPLOYEES (continued)

Directors' remuneration

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Directors' remunerations (excluding pension contributions)	183	435
Company contributions to pension schemes	29	19
Amounts receivable under long term incentive schemes	—	1
	212	455

The aggregate remuneration of the highest paid director was £126,000 (2022 - £310,000). The highest paid director is a member of a defined benefit scheme under which his accrued annual pension at the year-end, including all contributions, was £7,000 (2022 - £4,000).

Some of the directors were paid by fellow group undertakings. All of the directors paid by the company are members of the Diageo Lifestyle Plan and are entitled to receive share based payments from Diageo plc.

	Year ended 30 June 2023	Year ended 30 June 2022
The number of directors who exercised share options was	—	—
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	—	1
The number of directors in respect of whose retirement benefits were accrued for under defined benefit schemes	2	1

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. EMPLOYEE SHARE COMPENSATION

A number of the employees of the company participate in a number of cash settled share plans, all of which are operated by the group, to grant options and share awards to its directors and employees.

Executive share awards are made under the Diageo 2014 Long Term Incentive Plan (DLTIP) from September 2014 onwards. Prior to that, awards were made under the Diageo Executive Long Term Incentive Plan (DELTIP) or the Performance Share Plan (PSP). Under all of these plans, conditional awards can be delivered in the form of restricted shares or share options at the market value at the time of grant.

To date, participants in the Performance shares under the DLTIP (previous PSP) have been granted only with conditional rights to receive shares, whilst under DELTIP both share awards and share options have been made.

Share awards normally vest and are released on the third anniversary of the grant date. Participants do not make a payment to receive the award at grant. Executive Directors are required to hold any vested shares awarded from 2014 for a further two-year period. Share options may normally be exercised between three and ten years after the grant date.

Performance shares under the DLTIP (previous PSP) are subject to the achievement of three equally weighted performance tests over the three-year performance period for the 2013 and 2014 grants these were; 1) a comparison of Diageo's three-year TSR with a peer group; 2) compound annual growth in organic net sales over three years; 3) total organic operating margin improvement over three years. For awards made in September 2015 or later, the third measure was replaced by one based on cumulative free cash flow over a three-year period, measured at constant exchange rates. Performance share options under the DLTIP (previously SESOP) are subject to the achievement of an earnings per share growth condition over a three-year period. Performance measures and targets are set annually by the Remuneration Committee.The vesting range is 20% or 25% (for Executive Directors and for other participants respectively) for achieving minimum performance targets, up to 100% for achieving the maximum target level. Retesting of the performance condition is not permitted.

For performance shares under the DLTIP (previous PSP) dividends are accrued on awards and are given to participants to the extent that the awards actually vest at the end of the performance period. Dividends can be paid in the form of cash or shares.

Further details of the valuation and accounting for share option schemes and policies are contained in Diageo plc's annual report for the three years ended 30 June 2023 (see note 17.F of Diageo plc's 2023 annual report on pages 180-181).

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. NET FINANCE INCOME

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
(a) Net interest		
Interest income from fellow group undertakings	609	183
Other interest income	—	1
Total interest income	**609**	**184**
Interest charge to fellow group undertakings	(28)	(1)
Interest charge from finance leases	(4)	(5)
Total interest charge	**(32)**	**(6)**
	577	**178**

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
(a) Analysis of taxation charge for the year		
Current tax		
Current tax on profits for the year	—	71
Adjustment in respect of prior years	—	—
Total current tax	—	**71**
Deferred tax		
Origination and reversal of differences	50	49
Changes in tax rates	11	16
Adjustment in respect of prior years	59	—
Total deferred tax	**120**	**65**
Taxation on profit on ordinary activities	**120**	**136**

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES (continued)

(b) Tax credit included in equity	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Current tax	—	(71)
Deferred tax	(3)	19
Total tax credit included in equity	**(3)**	**(52)**

(c) Factors affecting total tax charge for the year

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Profit before taxation on ordinary activities	**2,380**	**6,267**
Profit before taxation on ordinary activities at UK corporation tax rate of 20.50% (2022 - 19.00%)	488	1,191
Income not taxable and expenses not deductible for tax purposes	(4)	8
Fixed asset tax deduction	(20)	—
Group relief received for nil consideration	(360)	(1,072)
Share options	(54)	(7)
Changes in tax rates	11	16
Adjustment in respect of prior years	59	—
Total tax charge for the year	**120**	**136**

Factors which may affect future tax charges

The UK corporation tax rate increased from 19% to 25% on 1 April 2023 and so an average tax rate of 20.50% is applied for the year ended 30 June 2023.
Deferred taxes at 30 June 2023 have been measured using this increased tax rate and reflected in these financial statements.

8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £'000	Plant and machinery £'000	Assets under construction £'000	Total £'000
Cost				
At 1 July 2022	**1,295**	**8,067**	**21**	**9,383**
Additions	—	1,167	39	1,206
Transfers	—	21	(21)	—
Disposals	—	(1,658)	—	(1,658)
At 30 June 2023	**1,295**	**7,597**	**39**	**8,931**
Accumulated depreciation				
At 1 July 2022	(774)	(6,039)	—	(6,813)
Depreciation charge	(192)	(899)	—	(1,091)
Additions	—	—	—	—
Disposals	—	1,579	—	1,579
At 30 June 2023	**(966)**	**(5,359)**	**—**	**(6,325)**
Net book value				
At 30 June 2023	**329**	**2,238**	**39**	**2,606**
At 30 June 2022	521	2,028	21	2,570

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

9. LEASES

Movements of leases

	Plant and equipment £'000
Movement of right-of-use assets	
1 July 2022	357
Addition	27
Remeasurement	—
Disposal	—
Depreciation	(146)
30 June 2023	**238**

The company leases are principally in respect of the company's office building. Rental contracts are typically made for fixed periods of 10 years.

	Plant and equipment £'000
Movement of lease liabilities	
1 July 2022	(357)
Addition	(27)
Payments	153
Remeasurement	—
Interest expense	(4)
30 June 2023	**(235)**
Current	(150)
Non-current	(85)

Amounts recognised in the statement of profit or loss

Other operating expenses associated with leases of low value assets and short term leases were £198,000 in the year ended 30 June 2023 (2022 - £226,000).
The total cash outflow for leases in the year ended 30 June 2023 was £152,000 (2022 - £145,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. FINANCIAL ASSETS AND LIABILITIES

(a) Investments

	Trade loans
	£'000
Cost	
At 30 June 2021	6,325
New loans advanced	2,350
Repayments and redemptions	(1,343)
Loan write off	(60)
At 30 June 2022	7,272
New loans advanced	2,642
Repayments and redemptions	(1,805)
Loan written off	(670)
At 30 June 2023	**7,439**
Provisions	
At 30 June 2021	(3,161)
Released during the year	—
Release of provision against loans written off	60
At 30 June 2022	(3,101)
Released during the year	(479)
Release of provision against loans written off	670
At 30 June 2023	**(2,910)**
Net book value	
At 30 June 2023	**4,529**
At 30 June 2022	4,171

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. FINANCIAL ASSETS AND LIABILITIES (continued)

(b) Other financial assets and liabilities

	Current assets	Current liabilities
	£'000	£'000
At 30 June 2023		
Intra-group derivative assets/(liabilities)		
Not designated in a hedge relationship	—	—
	—	—

	Current assets	Current liabilities
	£'000	£'000
At 30 June 2022		
Intra-group derivative assets/(liabilities)		
Not designated in a hedge relationship	3	(3)
	3	**(3)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. DEFERRED TAX ASSETS

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

	Property, plant and equipment £'000	Other temporary differences £'000	Total £'000
At 1 July 2021	**704**	**97**	**801**
Recognised in income statement	(57)	(8)	**(65)**
Recognised in equity	—	(19)	**(19)**
At 30 June 2022	**647**	**70**	**717**
Adjustment in respect of prior years	(60)	—	**(60)**
Recognised in income statement	(90)	30	**(60)**
Recognised in equity	—	3	**3**
At 30 June 2023	**497**	**103**	**600**

Deferred tax on other temporary differences includes items such as share-based payments and derivatives.

12. INVENTORIES

	30 June 2023 £'000	30 June 2022 £'000
Raw materials and consumables	141	541
Finished goods and goods for resale	6,020	5,278
	6,161	5,819

The increase in Goods for resale is driven by white spirits following increased demand and there are higher production costs, which increases the value of finished goods and goods for resale.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. TRADE AND OTHER RECEIVABLES

	30 June 2023 Due within one year £'000	30 June 2022 Due within one year £'000
Trade receivables	17,084	15,595
Amounts owed by fellow group undertakings	12,010	24,393
Prepayments and accrued income	1,626	68
Other receivables	2	—
	30,722	40,056

The aged analysis of trade receivables is as follows:

	30 June 2023 £'000	30 June 2022 £'000
Not overdue	16,682	15,495
Overdue 61-90 days	89	74
Overdue 91-180 days	313	26
Overdue more than 180 days	—	—
	17,084	15,595

Trade and other receivables are disclosed net of impairment reversal of £31,000 (2022 - provision of £97,000 for bad and doubtful debts).

As of 30 June 2023, trade receivables of £16,682,000 (2022 - £15,495,000) were fully performing.

As of 30 June 2023, trade receivables of £402,000 (2022 - £100,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

As of 30 June 2023, trade receivables of £200,000 (2022 - £198,000) were impaired.

Accrued income primarily represents amounts receivable from customers in respect of performance obligations satisfied but not yet invoiced.

Amounts owed by group undertakings relate to normal trading balances with those undertakings and are unsecured and repayable on demand. Amounts owed by Diageo Finance plc bear interest at a floating rate.

As of 30 June 2023, amounts owed by Diageo Finance plc was £10,378,000 (2022 - £21,170,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Currency risk

The company presents its financial statements in sterling and conducts business in a few other currencies. As a result, it is subject to foreign currency risk due to exchange rate movements, which will affect the company's transactions.

(b) Fair value measurements

Fair value measurements of financial instruments are presented through the use of a three-level fair value hierarchy that prioritises the valuation techniques used in fair value calculations.
The group maintains policies and procedures to value instruments using the most relevant data available. If multiple inputs that fall into different levels of the hierarchy are used in the valuation of an instrument, the instrument is categorised on the basis of the most subjective input.

Foreign currency forwards and swaps are valued using discounted cash flow techniques. These techniques incorporate inputs at levels 1 and 2, such as foreign exchange rates and interest rates. These market inputs are used in the discounted cash flow calculation incorporating the instrument's term, notional amount and discount rate, and taking credit risk into account. As significant inputs to the valuation are observable in active markets, these instruments are categorised as level 2 in the hierarchy.

The company's financial assets and liabilities measured at fair value are categorised as follows:

	30 June 2023	**30 June 2022**
	£'000	**£'000**
Derivative assets	—	3
Derivative liabilities	(16)	(3)
Valuation techniques based on observable market input (Level 2)	**(16)**	—

There were no transfers between levels during the two years ended 30 June 2023 and 30 June 2022.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. TRADE AND OTHER CREDITORS

	30 June 2023 Due within one year £'000	30 June 2022 Due within one year £'000
Trade creditors	4,824	4,214
Amounts owed to fellow group undertakings	18,764	24,860
Accruals and deferred income	5,287	6,232
Tax and social security excluding income tax	5,968	3,998
Other creditors	—	2
	34,843	39,306

The Tax and social security excluding income tax comprises of:

	30 June 2023 £'000	30 June 2022 £'000
Customs and excise duty	(3,257)	(2,771)
Value added tax	(2,711)	(1,227)
	(5,968)	**(3,998)**

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

Trade and other payables are payable in accordance with the suppliers' usual and customary credit terms.

Tax and social insurance are repayable at various dates over the coming months in accordance with the applicable statutory provisions.

Deferred income represents amounts paid by customers in respect of performance obligations not yet satisfied.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. PROVISIONS

	Total £'000
At 30 June 2022	27
Charged during the year	49
Utilised	(7)
Released	(13)
Transfer	—
At 30 June 2023	**56**

Provisions relate to PAYE (Pay As You Earn) obligations.

17. CALLED UP SHARE CAPITAL

	30 June 2023 £	30 June 2022 £
Authorised		
100 ordinary shares of £1 each	100	100

	30 June 2023 £	30 June 2022 £
Allotted, called up and fully paid		
100 ordinary shares of £1 each	100	100

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. RELATED-PARTY TRANSACTIONS

The following transactions were carried out with related parties:

(a) Sale of goods and services

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Fellow subsidiaries:		
Ketel One Worldwide B.V.	206	35
	206	**35**

(b) Purchase of goods and services

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Fellow subsidiaries:		
Ketel One Worldwide B.V.	227	187
	227	**187**

(c) Year-end balances arising from sales/purchases of goods and services

	30 June 2023 £'000	30 June 2022 £'000
Trade creditors due to/receivables due from related parties:		
Ketel One Worldwide B.V.	(21)	(186)
	(21)	**(186)**

19. COMMITMENTS

Capital commitments
Commitments for expenditure on property, plant and equipment not provided for in these financial statements are estimated at £nil (2022 - £nil).

Other purchase commitments
At 30 June 2023 the company had purchase commitments originating from purchase orders totaling £5,908,000 (2022 - £2,619,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

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