

S & B Production Limited

Directors' report and
financial statements

Year ended 30 June 2009

Registered number NI 42257

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S & B Production Limited

Directors' report and financial statements

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S & B Production Limited

Directors and other information

Directors

Mr R Bee
Mr M Hailes

Registered office

c/o Arthur Cox N Ireland
Capital House
3 Upper Queen Street
Belfast
BT1 6PU

Company secretary

Ms C Gilleece

Auditor

KPMG
Chartered Accountants
1 Stokes Place
St Stephen's Green
Dublin 2

Company registration number

NI 42257

S & B Production Limited

Directors' report

The directors present their annual report together with the audited financial statements for the year ended 30 June 2009

Principal activities and review of the business

The company provides production services to the drinks industry

Business Review

Development and performance of the business of the company during the financial year and position of the company as at 30 June 2009

The development and performance of the business of the company (being a toll manufacturer for the production of standard cases of Baileys cream liqueur on behalf of R & A Bailey & Co trading as Diageo Baileys Global Supply) was, for the year ended 30 June 2009, entirely dependent on the respective demands of the Diageo subsidiary with whom it trades

During the year the company increased the volume it produced (3.5m to 3.6m cases). Associated overhead costs increased by 14% due to a number of non-recurring costs on engineering spares, which were partially offset by a reduction in staff costs, lower maintenance costs and a lower depreciation charge due to a change in the useful asset lives

Principal risks and uncertainties facing the company as at 30 June 2009

The principal risks and uncertainties facing the company, as a member of the Diageo group, coincide with those facing the group as a whole. These are disclosed in the accounts of Diageo plc which are available as indicated in note 17 to the accounts

In so far as the company is concerned, since all of its transactions are with fellow members of the Diageo group, the risk of non-performance by counterparties to transactions of the company is considered remote. The company's present activities are remunerated on a cost-plus basis and are therefore not considered to expose the company to significant risks and uncertainties

Financial and other key performance indicators

The directors do not consider the publication of the analysis using key performance indicators is necessary for an understanding of the development, performance or position of the business of the company. In addition, the directors do not consider that there are any factors by reference to which any meaningful analysis of the development, performance or position of the business of the company could be carried out

The principal key performance indicators that are used to assess the performance of the Diageo group as a whole are described in the Operating and Financial Review contained within the annual report of Diageo plc

S & B Production Limited

Directors' report *(continued)*

Results and dividends

The results for the year are set out on page 9. The directors do not recommend the payment of a dividend.

Directors and secretary

The directors who held office during the year and subsequent to the year end unless otherwise indicated were

Mr R. Bee (appointed 1 July 2009)
Mr D. Gosnell (resigned 30 June 2009)
Mr K. Gowing (resigned 1 August 2008)
Mr M. Hailes (appointed 21 October 2009)
Mr J. Miller (appointed 1 August 2008, resigned 21 October 2009)
Ms C. O'Flynn (appointed 1 July 2009, resigned 7 October 2009)
Mr D. Pimm (resigned 31 July 2009)

The Secretary who held office during the year was Ms C. Gilleece

The Articles of Association of the company do not require the directors to retire by rotation.

Charitable and political donations

The company did not make any charitable donation during the year (2008 £1,000). No political contributions were made during the year.

Creditors payment policy

The company's current policy concerning the payment of its creditors is to

- (i) settle the terms of payment with suppliers when agreeing the terms of each transaction,
- (ii) ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts, and
- (iii) pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments for revenue and capital items without exception.

Post balance sheet events

There have been no significant events affecting the company since the year end.

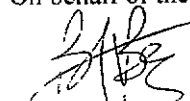
Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG will therefore continue in office.

On behalf of the board


Director

10 December 2009

S & B Production Limited

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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.

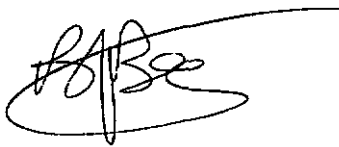
In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law, the directors are also responsible for preparing a Directors' Report that complies with that law.

On behalf of the board

A handwritten signature in black ink, appearing to be 'H. Bae', written over a horizontal line.

Director



KPMG
Chartered Accountants
1 Stokes Place
St Stephen's Green
Dublin 2
Ireland

Independent auditor's report to the members of S & B Production Limited

We have audited the financial statements of S & B Production Limited for the year ended 30 June 2009 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the *Directors' Responsibilities Statement* set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. Further details of the scope of an audit of financial statements are provided on the Auditing Practices Board's website at <http://www.apb.org.uk/apb/scope>.

Independent auditor's report to the members of S & B Production Limited
(continued)

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2009 and of its profit for the year then ended.
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

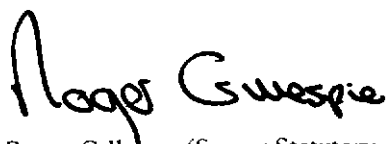
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Roger Gillespie (Senior Statutory Auditor)
For and on behalf of KPMG, Statutory Auditor
1 Stokes Place
St Stephen's Green
Dublin 2
Ireland

10 December 2009

S & B Production Limited

Statement of accounting policies *for the year ended 30 June 2009*

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 financial statements are prepared in accordance with generally accepted accounting principles under the historical cost convention and, comply with financial reporting standards of the Accounting Standards Board, as promulgated by the Institute of Chartered Accountants in Ireland

Tangible fixed assets

Tangible fixed assets are stated at original cost less accumulated depreciation. No depreciation is provided on freehold land. The charge for depreciation is calculated to write down the cost of other tangible fixed assets to their estimated residual values by equal annual instalments on a straight line basis over their expected useful lives using the following rates

Buildings	2%
Plant & equipment	6.67% – 20%
Fixtures and fittings	20%
IT equipment	20%

Leased assets

Tangible fixed assets acquired under finance leases are included in the balance sheet at their equivalent capital value and are depreciated over the shorter of the lease term and their useful lives. The corresponding liabilities are recorded as a creditor and the interest element of the finance lease rentals is charged to the profit and loss account on an annuity basis. Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Foreign currencies

Trading activities denominated in foreign currencies are recorded in pounds sterling at planned exchange rates which are not materially different from actual rates. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at the period end or at the rate of exchange in a related forward exchange contract where such a contract exists. Any gain or loss arising from a change in exchange rates is dealt with in the profit and loss account.

S & B Production Limited

Statement of accounting policies *(continued)* *for the year ended 30 June 2009*

Taxation

Current tax is provided on the company's taxable profits at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statement.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Cash flow statement

As the company is a wholly owned subsidiary of a company which is preparing a consolidated cash flow statement, it is availing of the exemption under FRS 1 *Cash flow Statements* not to prepare a cash flow statement.

Pension

Pension benefits are funded by payments to a trustee administered fund. The cost of providing pensions is charged to the profit and loss account on a systematic basis, with pension surpluses and deficits arising allocated over the expected remaining service lives of current employees. Differences between the amounts charged in the profit and loss account and payments made to the pension fund are treated as assets or liabilities.

The employees of the company are members of the Diageo UK pension fund. The assets and liabilities of the Diageo UK pension fund cannot be separately identified or attributed to S&B Production Limited. The disclosures required by FRS 17 *Retirement benefits* for the Diageo UK pension fund are included in the consolidated financial statements of Diageo plc, which are publicly available.

Share based payments

The ultimate parent Diageo plc operates a number of share-based incentive schemes (awards of shares and options). Where the ultimate parent's shares or options over the company's shares are granted to a subsidiary undertaking's employees, an expense should be recorded in the profit and loss account, with a corresponding credit to reserves. This charge is measured at the fair value of the share or share option at the date of grant (for awards granted after 7 November 2002), 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 model, 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.

S & B Production Limited

Profit and loss account for the year ended 30 June 2009

	Notes	2009 STG£	2008 STG£
Turnover	<i>1</i>	7,035,763	6,175,309
Operating costs		(6,700,662)	(5,881,495)
		<hr/>	<hr/>
Operating profit		335,101	293,814
Interest payable		(65,759)	(15,206)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	<i>2</i>	269,342	278,608
Taxation on profit on ordinary activities	<i>4</i>	799,845	(104,000)
		<hr/>	<hr/>
Profit for the financial year		1,069,187	174,608
		<hr/>	<hr/>

The company had no recognised gains or losses during the financial year or the preceding financial year other than those dealt with in the profit and loss account

On behalf of the board


Director

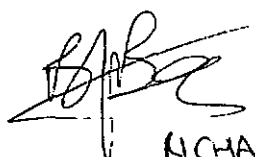
S & B Production Limited

Balance sheet

at 30 June 2009

	Notes	2009 STG£	2008 STG£
Fixed assets	5	32,498,633	33,919,936
Current assets			
Stock	6	585,842	555,653
Debtors	7	145,676	540,384
Cash at bank and in hand		-	27,668
		731,518	1,123,705
Creditors: amounts falling due within one year	8	(11,082,073)	(13,075,537)
Net current liabilities		(10,350,555)	(11,951,832)
Total assets less current liabilities		22,148,078	21,968,104
Creditors: amounts falling due after more than one year	9	(982,311)	(1,133,437)
Provisions for liabilities and charges	10	(1,355,155)	(2,155,000)
Net assets		19,810,612	18,679,667
Capital and reserves			
Share capital	11	20,031,648	20,031,648
Capital contributions	12	298,657	236,899
Profit and loss account	13	(519,693)	(1,588,880)
Shareholders' funds - equity	14	19,810,612	18,679,667

On behalf of the board


 Director **RICHARD BEE**

S & B Production Limited

Notes

1 Turnover

The entire turnover arises from the production of standard cases of Baileys cream liqueur on behalf of R & A Bailey & Co trading as Diageo Baileys Global Supply in the Republic of Ireland

2 Statutory and other disclosures	2009 STG£	2008 STG£
Directors' remuneration	-	-
Auditor's remuneration	18,068	18,865
Depreciation	1,683,315	1,873,970
Government grants amortised	(75,563)	(75,563)
	<hr/>	<hr/>

3 Staff numbers and costs

The average number of persons employed by the company (including executive directors) during the year was 41 (2008 38)

The aggregate remuneration costs of these employees were

	2009 STG£	2008 STG£
Wages and salaries	1,235,603	1,297,482
Social security costs	114,659	86,487
Share based payments	61,758	71,899
Other pension costs (note 15)	207,260	171,054
	<hr/>	<hr/>
	1,619,280	1,626,922
	<hr/>	<hr/>

Share based payments

The fair value of share options or share grants is measured at grant date, based on the binomial or Monte Carlo model, and is recognised as a cost in the profit and loss account over the vesting period of the option or share grant with a corresponding adjustment to reserves. Full details of the valuation and accounting for share options schemes and policies are contained in note 32 of Diageo plc's annual report for the year ended 30 June 2009

S & B Production Limited

Notes (continued)

4 Taxation on profit on ordinary activities

(i) Analysis of credit/(charge) in year	2009 STG£	2008 STG£
<i>Current tax</i>		
Corporation tax on profits for the year	-	-
<i>Total current tax</i>		
<i>Deferred tax</i>		
Current year	799,845	(98,000)
Prior year adjustment	-	(6,000)
Tax credit/(charge) on profit on ordinary activities	799,845	(104,000)

(ii) Factors affecting tax charge for year

The tax assessed for the year is reconciled to the standard rate of corporation tax in the United Kingdom. The differences are explained below

	2009 STG£	2008 STG£
Profit on ordinary activities before taxation	269,342	278,608
Profit on ordinary activities multiplied by standard rate of corporation tax of 28% (2008 29.5%)	75,416	82,189
<i>Effects of</i>		
Income not taxable	(36,673)	(106,189)
Group relief (received)/surrendered for nil consideration	(381,597)	128,000
Accelerated capital allowances and other timing differences	342,854	(104,000)
Current tax charge for year	-	-

(iii) Factors that may affect future tax charges

There are no factors affecting the tax charge in future years

S & B Production Limited

Notes (continued)

5 Tangible fixed assets

	Land STG£	Buildings STG£	Plant & equipment STG£	Fixtures & fittings STG£	IT equipment STG£	Assets in course of construction STG£	Total STG£
<i>Cost</i>							
At 30 June 2008	2,066,431	18,704,126	21,490,180	82,966	587,219	1,288,709	44,219,631
Additions	-	-	-	-	-	262,012	262,012
Transfer	-	-	(1,714)	-	-	1,714	-
At 30 June 2009	2,066,431	18,704,126	21,488,466	82,966	587,219	1,552,435	44,481,643
<i>Depreciation</i>							
At 1 July 2008	-	1,839,239	8,025,485	80,200	354,771	-	10,299,695
Charge for the year	-	374,083	1,233,066	2,766	73,400	-	1,683,315
At 30 June 2009	-	2,213,322	9,258,551	82,966	428,171	-	11,983,010
<i>Net book amounts</i>							
At 30 June 2009	2,066,431	16,490,804	12,229,915	-	159,048	1,552,435	32,498,633
At 30 June 2008	2,066,431	16,864,887	13,464,695	2,766	232,448	1,288,709	33,919,936

S & B Production Limited

Notes (continued)

6 Stock

Stock on hand represents engineering spares

7 Debtors

	2009 STG£	2008 STG£
Trade debtors	63,471	54,058
Other debtors	82,205	486,326
	<hr/>	<hr/>
	145,676	540,384
	<hr/>	<hr/>

8 Creditors: amounts falling due within one year

	2009 STG£	2008 STG£
Trade creditors	51,695	206,766
Other creditors	356,801	125,082
Accruals and deferred income	639,793	1,053,402
Amounts owed to group undertakings	9,847,668	11,675,686
VAT Payable	92,149	14,601
Government grant	75,563	-
Bank overdrafts	18,404	-
	<hr/>	<hr/>
	11,082,073	13,075,537
	<hr/>	<hr/>

9 Creditors: amounts falling due after more than one year

	2009 STG£	2008 STG£
<i>Government grants</i>		
At beginning of year	1,133,437	1,209,000
Amortised during the year	(75,563)	(75,563)
Reclassification between creditors due after one and within one year	(75,563)	-
	<hr/>	<hr/>
At end of year	982,311	1,133,437
	<hr/>	<hr/>
<i>Shown under</i>		
Creditors amounts falling due within one year	75,563	-
Creditors amounts falling due after more than one year	982,311	1,133,437
	<hr/>	<hr/>

S & B Production Limited

Notes (continued)

10 Provisions for liabilities and charges

	2009 STG£	2008 STG£
<i>Deferred taxation</i>		
At beginning of year	2,155,000	2,057,000
(Credited)/charged to profit and loss account during the year	(799,845)	98,000
	<hr/> 1,355,155 <hr/>	<hr/> 2,155,000 <hr/>

The deferred tax liability is made up as follows

	2009 STG£	2008 STG£
Accelerated tax depreciation	1,666,839	2,221,000
Other timing differences	(311,684)	(66,000)
	<hr/> 1,355,155 <hr/>	<hr/> 2,155,000 <hr/>
At end of year		

11 Share capital

	2009 STG£	2008 STG£
<i>Authorised, allotted, called up and fully paid</i>		
20,031,648 ordinary shares of £1 each	20,031,648	20,031,648
	<hr/>	<hr/>

The entire shareholders' funds consists of equity interests

S & B Production Limited

Notes (continued)

12 Capital contribution to share based incentive schemes

	2009 STG£	2008 STG£
At beginning of the year	236,899	165,000
Capital contribution during the year	61,758	71,899
At end of year	298,657	236,899

13 Profit and loss account

	2009 STG£	2008 STG£
Profit and loss account at beginning of year	(1,588,880)	(1,763,488)
Profit for the financial year	1,069,187	174,608
Profit and loss account at end of year	(519,693)	(1,588,880)

14 Reconciliation of movement in shareholders' funds

	2009 STG£	2008 STG£
Shareholders' funds at beginning of year	18,679,667	18,433,160
Total recognised gains and losses for the year	1,069,187	174,608
Capital contribution during the year	61,758	71,899
Shareholders' funds at end of year	19,810,612	18,679,667

S & B Production Limited

Notes *(continued)*

15 Pension scheme

The company is a member of a group pension scheme, which is operated by its ultimate parent undertaking, Diageo plc. The scheme is a defined benefit pension scheme, and is administered by trustees and maintained independently of the finance of Diageo plc and its subsidiaries.

The company has accounted for contributions to the pension scheme as if it was a defined contribution scheme under the multi-employer provisions of FRS 17 *Retirement benefits*, due to the fact that the underlying assets and liabilities attributable to individual employees cannot be identified on a consistent and reasonable basis.

16 Contingent liability

Under a grant agreement with the Industrial Development Board for Northern Ireland, S&B Production Limited has received grants amounting to £1,511,252 (2008 £1,511,252), which may be revoked, cancelled or abated in certain circumstances.

17 Ultimate parent company

The company is a wholly owned subsidiary of Diageo Great Britain Limited, a company registered in the United Kingdom. The ultimate holding company is Diageo plc, a company incorporated in Great Britain and registered in England. The group into which the results of the company are consolidated is that headed by Diageo plc. The consolidated financial statements of this group are available to the public and may be obtained from The Secretary, Diageo plc, Lakeside Drive, Park Royal, London NW10 7HQ.

18 Related party transactions

The company has availed of the exemption available in FRS 8 *Related party disclosures* from disclosing transactions with group undertakings. Details on the availability of the group consolidated financial statements are given in note 17.

19 Approval of financial statements

The board of directors approved these financial statements on 10 December 2009.