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# **S & B Production Limited**

## **Financial statements 30 June 2016**

Registered number: NI 042257

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**S & B Production Limited**  
**Registered number: NI 042257**  
**Year ended 30 June 2016**

## **Directors and other information**

### **Directors**

Mr. M. Hailes  
Ms. K. Haynes  
Ms. L. K. Geremia

### **Registered office**

Third Floor Capital House  
3 Upper Queen Street  
Belfast  
Northern Ireland

### **Company Secretary**

Mrs. A. Kenealy

### **Auditors**

PricewaterhouseCoopers  
Chartered Accountants  
One Spencer Dock  
North Wall Quay  
Dublin 1

## **Strategic Report**

The directors have pleasure to present their strategic report for the year ended 30 June 2016.

### **Activities**

S&B Production Limited (“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 2016*

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 2016, entirely dependent on the respective demands of the Diageo subsidiary with whom it trades.

The company’s activities are remunerated on a cost-plus basis resulting in turnover dependent on the operating costs incurred during the financial year.

#### *Financial and other key performance indicators*

Turnover, which is solely made up of toll manufacturing income decreased by 9%. Operating costs decreased by 9% in line with turnover.

#### *Principal risks and uncertainties facing the company as at 30 June 2016*

The company believes the following to be the principal risks and uncertainties it has to face. If any of these risks occur, the company’s business, financial condition and results of operations could suffer.

The majority of the company’s transactions are with fellow members of the Diageo group, therefore 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 risk management*

The company’s funding, liquidity and exposure to foreign exchange rate risk are similar to those facing the Diageo 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.

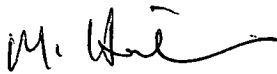
**S & B Production Limited**  
**Registered number: NI 042257**  
**Year ended 30 June 2016**

**Strategic Report (*continued*)**

*Liquidity risk*

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

By order of the board

A handwritten signature in black ink, appearing to read 'M. Hailes', with a long horizontal flourish extending to the right.

M. Hailes  
Director

20 December 2016

## **Directors' Report**

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2016.

### **Going concern**

The company's business activities, together with the factors likely to affect its future development and position, are set out in the strategic report on pages 3 to 4. The company is expected to continue to generate positive cash flow for its own account in the foreseeable future. The company participates in the group's centralised treasury arrangements and the parent and fellow group undertakings are expected to provide financial support for the foreseeable future. The company is not reliant on external third party financing. The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Diageo group to continue as a going concern. On the basis of their assessment, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future as a fellow group undertaking has agreed to provide financial support for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **Financial**

The results for the year ended 30 June 2016 are shown on page 10.

The profit for the year transferred to reserves is £405,000 (2015 - loss of £444,000).

No dividend was paid during the year (2015 - £nil).

The transition to FRS 101 decreased the loss for the financial year reported in the year ended 30 June 2015 from £527,000 to £444,000 as deferred tax liability had to be recognised on the temporary difference arising between the net book value of industrial building assets and their tax written down value.

### **Directors**

The directors who held office during the year were as follows:

Mr. M. Hailes	
Mr. K. Haynes	(appointed on 24 November 2015)
Mr. L. K. Geremia	(appointed on 18 April 2016)
Mr. G. L. Kerr	(resigned on 18 April 2016)

### **Secretary**

The secretaries who held office during the year were as follows:

Mrs. A. Kenealy	
Ms. C. McDonnell	(resigned 21 June 2016)

## **Directors' Report (continued)**

### **Directors' remuneration**

Details of the directors' emoluments are detailed in note 5 of these 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.

### **Post balance sheet events**

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

### **Auditor**

Following an audit tender conducted during last year, PricewaterhouseCoopers LLP were selected as auditors for the Diageo group. Accordingly, PricewaterhouseCoopers were appointed to replace KPMG as auditors of the company for the year ended 30 June 2016.

### **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.

By order of the board



M. Hailes  
Director

20 December 2016

## **Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements**

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice and FRS101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing 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
- notify its shareholder in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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 are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the assets and liabilities, financial position and profit or loss 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.





## ***Independent auditors' report to the members of S & B Production Limited***

### **Report on the financial statements**

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#### **Our opinion**

In our opinion, S & B Production Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its profit for the year then ended;
  - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
  - have been prepared in accordance with the requirements of the Companies Act 2006.
- 

#### **What we have audited**

The financial statements, included within the Financial Statements (the "Financial Statements"), comprise:

- the balance sheet as at 30 June 2016;
- the income statement and 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 summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Financial Statements, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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#### **Opinion on other matter prescribed by the Companies Act 2006**

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In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## ***Independent auditors' report to the members of S & B Production Limited - continued***

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### **Other matters on which we are required to report by exception**

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#### **Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

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#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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

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#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities in respect of the strategic reports, the directors' report and the financial statements set out on page 7, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.



## ***Independent auditors' report to the members of S & B Production Limited - continued***

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### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). 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 company's 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

A handwritten signature in black ink, appearing to read 'Paul O'Connor'.

**Paul O'Connor**  
**for and on behalf of PricewaterhouseCoopers**  
**Chartered Accountants and Statutory Auditors**  
**Dublin**

**20 December 2016**

## **INCOME STATEMENT**

		<b>Year ended 30 June 2016</b>	<b>Year ended 30 June 2015 (restated)</b>
	<i>Notes</i>	<b>£'000</b>	<b>£'000</b>
<b>Turnover</b>	2	7,279	8,027
Cost of sales	3	(6,990)	(7,860)
Other operating income	3	57	217
<b>Operating profit</b>		<b>346</b>	<b>384</b>
Net finance charges	6	(7)	(6)
<b>Profit before taxation on ordinary activities</b>		<b>339</b>	<b>378</b>
Taxation on profit on ordinary activities	7	66	(822)
<b>Profit/(loss) for the financial year</b>		<b>405</b>	<b>(444)</b>

Figures for the year ended 30 June 2015 have been restated following the adoption of FRS 101. See note 1 and note 19 to the financial statements.

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

**STATEMENT OF COMPREHENSIVE INCOME**

	<b>Year ended 30 June 2016</b>	<b>Year ended 30 June 2015 (restated)</b>
	<b>£'000</b>	<b>£'000</b>
<b>Other comprehensive income/(expense):</b>		
<b>Items that may be recycled subsequently to the income statement</b>		
Effective portion of changes in fair value of cash flow hedges		
- gains/(losses) taken to other comprehensive income	38	2
- recycled to income statement	(38)	(2)
Tax on effective portion of changes in fair value of cash flow hedges	-	-
<b>Other comprehensive income for the year, net of tax</b>	<b>-</b>	<b>-</b>
Profit/(loss) for the year	405	(444)
<b>Total comprehensive income/(expense) for the year</b>	<b>405</b>	<b>(444)</b>

Figures for the year ended 30 June 2015 have been restated following the adoption of FRS 101. See note 1 and note 19 to the financial statements.

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

## **BALANCE SHEET**

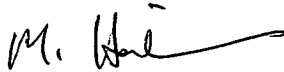
		<b>30 June 2016</b>	<b>30 June 2015</b>
	<i>Notes</i>	<b>£'000</b>	<b>(restated)</b> <b>£'000</b>
<b>Fixed assets</b>			
Property, plant and equipment	8	<b>26,122</b>	<b>27,328</b>
		<hr/>	<hr/>
<b>Current assets: due within one year</b>			
Inventories	9	404	105
Trade and other receivables	10	170	438
Other financial assets	11	37	-
		<hr/>	<hr/>
		<b>611</b>	<b>543</b>
<b>Creditors: amounts falling due within one</b>			
Trade and other creditors	13	(2,971)	(4,370)
Provisions	14	(7)	(7)
Other financial liabilities	11	-	(1)
		<hr/>	<hr/>
		<b>(2,978)</b>	<b>(4,378)</b>
<b>Net current liabilities</b>		<b>(2,367)</b>	<b>(3,835)</b>
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>23,755</b>	<b>23,493</b>
<b>Creditors: amounts falling due after more than one year</b>			
Deferred income	13	(453)	(529)
Deferred tax liabilities	15	(2,728)	(2,795)
		<hr/>	<hr/>
<b>Net assets</b>		<b>20,574</b>	<b>20,169</b>
		<hr/>	<hr/>
<b>Equity</b>			
Called up share capital	16	20,032	20,032
Retained earnings		542	137
		<hr/>	<hr/>
<b>Total equity</b>		<b>20,574</b>	<b>20,169</b>
		<hr/>	<hr/>

**S & B Production Limited**  
**Registered number: NI 042257**  
**Year ended 30 June 2016**

Figures for the year ended 30 June 2015 have been restated following the adoption of FRS 101. See note 1 and note 19 to the financial statements.

The accounting policies and other notes on pages 15 to 37 form part of the financial statements.

These financial statements on page 10 to 37 were approved by the board of directors on 20/12/16 and were signed on its behalf by:



M Hailes  
*Director*

**STATEMENT OF CHANGES IN EQUITY**  
attributable to shareholders of the company

	<b>Share capital</b> <b>£'000</b>	<b>Retained earnings</b> <b>£'000</b>	<b>Total equity</b> <b>£'000</b>
<b>Balance at 30 June 2014 as previously reported</b>	<b>20,032</b>	<b>3,255</b>	<b>23,287</b>
Adoption of FRS 101	-	(2,674)	(2,674)
Balance at 30 June 2014 (restated)	<u>20,032</u>	<u>581</u>	<u>20,613</u>
Loss for the financial year	-	(444)	(444)
Other comprehensive (expense)/income for the year	-	-	-
<b>Total comprehensive expense for the year</b>	<b>-</b>	<b>(444)</b>	<b>(444)</b>
	<hr/>	<hr/>	<hr/>
<b>Balance at 30 June 2015 (restated)</b>	<b>20,032</b>	<b>137</b>	<b>20,169</b>
Profit for the financial year	-	405	405
Other comprehensive (expense)/income for the year	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>405</b>	<b>405</b>
	<hr/>	<hr/>	<hr/>
<b>Balance at 30 June 2016</b>	<b>20,032</b>	<b>542</b>	<b>20,574</b>
	<hr/>	<hr/>	<hr/>

Figures for the year ended 30 June 2015 have been restated following the adoption of FRS 101. See note 1 and note 19 to the financial statements.

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.

#### **Basis of preparation**

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

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

#### **Transition to FRS 101**

The company has applied FRS 101 for the first time for the year ended 30 June 2016 with comparative information for the year ended 30 June 2015 also prepared under FRS 101. The accounting policies applicable to the company from 1 July 2014 are set out below. This involved preparation of an opening FRS 101 balance sheet as at 1 July 2014, which is the company's date of transition to FRS 101 reporting.

The FRS 101 figures have been prepared in accordance with IFRS standards and interpretations as in force at 30 June 2016. In preparing the comparative information and the opening FRS 101 balance sheet, the company has adjusted amounts reported previously in financial statements prepared in accordance with its former basis of accounting under UK GAAP.

An explanation of how the transition to FRS 101 has affected the company's financial position and financial performance is set out in note 18 to the financial statements.

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 company has taken advantage of the following exemption from the requirements of IFRS 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 and tangible fixed assets;
- An additional balance sheet at 1 July 2014;
- Disclosures in respect of capital management;
- Disclosures in respect of the compensation of Key Management Personnel.

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:

- The disclosures required by IFRS 7 Financial Instruments Disclosures;
- The disclosures required by IFRS 13 Fair Value Measurement;

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

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

#### **Functional and presentational currency**

These financial statements are presented in sterling (£), which is the company's functional currency. All financial information presented in sterling has been rounded to the nearest thousand.

#### **Going concern**

The financial statements have been prepared on a going concern basis as a fellow group undertaking has agreed to provide financial support for the foreseeable future.

#### **Turnover**

Turnover comprise revenue from the sale of goods. The turnover is attributable to the production of standard cases of Baileys Irish cream liqueur on behalf of R&A Bailey & Co.

#### **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 leave in employees are charged to operating profit as incurred. The assets and liabilities of the pension plans are reported by the sponsoring employer, Diageo plc.

#### **Government grants**

Government grants are not recognised until there is reasonable assurance that the company will comply with the conditions pursuant to which they have been granted and that the grants will be received. Government grants in respect of property, plant and equipment are treated as deferred income, and are credited to the income statement on the same basis as the related tangible fixed assets are depreciated.

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. If hedged forward, the impact of hedging is recognised, where permitted, under hedge accounting (refer to accounting policy for derivative financial instruments).

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the financial year end exchange rates and these foreign exchange differences are recognised in the income statement.

#### **Financial assets and liabilities**

**Trade receivables** Trade receivables are non-interest bearing and are stated at their nominal amount that is usually the original invoiced amount less provisions made for bad and doubtful receivables. Estimated irrecoverable amounts are based on the ageing of the receivable balances and historical experience. Individual trade receivables are provided against when management deems them not to be collectable

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

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

**Trade creditors** Trade creditors are non-interest bearing and are stated at their nominal value.

**Amounts owed to and from other group companies** are reported at initial cost, subject to impairment, as they are repayable on demand.

#### **Derivative financial instruments**

Derivative financial instruments are carried at fair value using a discounted cash flow technique based on market data applied consistently for similar type of instruments. Gains and losses on derivative that do not qualify for hedge accounting treatment are taken to the income statement as they arise.

The company designates and documents certain derivatives as hedging instruments against highly probable forecast transactions (cash flow hedges). The effectiveness of such hedges is assessed at inception and at least on a quarterly basis, using prospective and retrospective testing. Methods used for testing effectiveness include dollar offset, critical terms, regression analysis and hypothetical derivative method.

**Cash flow hedges** are used to hedge the foreign currency risk of highly probable future foreign currency cash flows, as well as the cash flow risk from changes in exchange rates. The effective portion of the gain or loss on the hedges is recognised in the other comprehensive income, while any ineffective part is recognised in the income statement. Amounts recorded in the other comprehensive income are recycled to the income statement in the same period in which the underlying foreign currency affects the income statement.

Derivative financial instruments are presented in the financial statements as 'Intra-group derivative assets/(liabilities)' as these transactions are entered into by Diageo Finance plc, a fellow group undertaking, and subsequently passed to the company.

#### **Property, plant and equipment**

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

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	20 to 40 years
Plant and equipment	5 to 20 years
Fixtures and fittings	5 to 10 years

#### **Leases**

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

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

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

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated at the weighted average cost incurred in acquiring inventories.

#### **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. Interests and penalties on tax liabilities are provided 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 and is based on the expected manner of recovery 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.

Tax benefits are not recognised unless it is probable that the tax positions are sustainable. Once considered to be probable, management reviews each material tax benefit 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.

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

### 2. TURNOVER

The turnover and profit on ordinary activities before taxation are attributable to the production of standard cases of Baileys Irish cream liqueur on behalf of R&A Bailey & Co.

The geographical analysis of turnover by destination is given below:

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Republic of Ireland	<u>7,279</u>	<u>8,027</u>

#### Analysis of turnover by class of business

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Toll manufacturing of cream liqueurs	<u>7,279</u>	<u>8,027</u>

### 3. OPERATING COSTS

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Cost of sales	6,990	7,860
Other operating income	(57)	(217)
	<u>6,933</u>	<u>7,643</u>
Raw materials and consumables	803	942
Staff costs (note 4)	2,166	2,179
Depreciation, amortisation and impairment	1,696	2,124
Other external charges (a)	2,325	2,615
Net foreign exchange gains	(3)	(141)
Loss on sale of fixed assets	22	-
Government grants amortised	(76)	(76)
	<u>6,933</u>	<u>7,643</u>

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

### 3. OPERATING COSTS (*continued*)

- (a) Other external charges include: repair and maintenance costs of £1,182,000 (2015 - £1,430,000) operating lease rentals for plant and machinery of £150,512 (2015 - £152,558).

The auditors remuneration of £17,000 was paid on behalf of the Company by a fellow group undertaking (2015 - £18,068). There were no fees payable to the auditors in respect of non-audit services (2015 - nil).

### 4. EMPLOYEES

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

	Year ended 30 June 2016	Year ended 30 June 2015
Production	40	40
Administration	7	5
	<u>47</u>	<u>45</u>

The average number of the company , including part time employees, for the year was 47 (2015: 45).

The aggregate remuneration of all employees comprised:

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Wages and salaries	1,566	1,585
Employer's social security costs	164	143
Employer's pension costs	436	451
	<u>2,166</u>	<u>2,179</u>

### 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 £435,928 to the schemes in respect of its employees in the year ended 30 June 2016 (2015 - £451,059). 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*)

### 5. DIRECTORS' REMUNERATION

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Directors' remuneration (excluding pension contributions)	74	74
Company contributions to money purchase pension schemes	11	11
	<hr/>	<hr/>
	85	85
	<hr/>	<hr/>

The aggregate remuneration of the highest paid director was £74,000 (2015 - 85,000). The highest paid director is a member of a UK defined benefit scheme under which his accrued annual pension at the year-end was £17,000 (2015 - £17,000). The lump sum equivalent of the highest paid director's pension entitlement at the year end was £17,000 (2015 - £17,000).

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

	Year ended 30 June 2016	Year ended 30 June 2015
The number of directors who exercised share options was	-	1
	<hr/>	<hr/>
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	-	-
	<hr/>	<hr/>
The number of directors in respect of whose retirement benefits were accrued for under defined benefit schemes	1	1
	<hr/>	<hr/>

### 6. NET FINANCE CHARGE

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Interest charge to fellow group undertakings	(7)	(6)
	<hr/>	<hr/>
<b>Net finance charge</b>	<b>(7)</b>	<b>(6)</b>
	<hr/>	<hr/>

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

### 7. TAXATION

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
<b>(a) Analysis of taxation charge/(credit) for the year</b>		
<b>Current tax:</b>		
Overseas corporation tax	1	-
<b>Total current tax</b>	<u>1</u>	<u>-</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(32)	(77)
Changes in tax rates	(35)	4
Adjustments in respect of prior years	-	895
<b>Taxation on profit on ordinary activities</b>	<u>(66)</u>	<u>822</u>
<b>(b) Factors affecting total tax (credit) /charge for the year</b>		
Profit on ordinary activities before taxation	339	378
Taxation on profit on ordinary activities at UK corporation tax rate of 20 % (2015 – 20.75 %)	68	78
Expenses not deductible for tax purposes	72	89
Accelerated capital allowances and other timing differences	(82)	(85)
Group relief received for nil consideration	(78)	(159)
Overseas corporation tax	1	-
Changes in tax rates	(35)	4
Adjustments in respect of prior years	-	895
Share options	(12)	-
<b>Total tax (credit)/charge for the year</b>	<u>(66)</u>	<u>822</u>

The UK tax rate reduced from 21% to 20% on 1 April 2015. In November 2015 a reduction to 19% was substantively enacted (effective from 1 April 2017), whilst a further reduction to 17% (effective from 1 April 2020) was substantively enacted in September 2016. The net deferred liability (note 14) will reduce as a consequence of these rate changes.



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

### 8. FIXED ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £'000	Plant and equipment £'000	Fixtures and Fittings £'000	Assets under construction £'000	Total £'000
<b>Cost</b>					
At 30 June 2015	21,779	26,693	92	667	49,231
Additions	47	46	-	419	512
Disposals	-	(56)	-	-	(56)
Transfers	119	549	-	(668)	-
<b>At 30 June 2016</b>	<b>21,945</b>	<b>27,232</b>	<b>92</b>	<b>418</b>	<b>49,687</b>
<b>Depreciation</b>					
At 30 June 2015	4,593	17,224	86	-	21,903
Depreciation charge	361	1,335	-	-	1,696
Disposals	-	(34)	-	-	(34)
<b>At 30 June 2016</b>	<b>4,954</b>	<b>18,525</b>	<b>86</b>	<b>-</b>	<b>23,565</b>
<b>Net book value</b>					
<b>At 30 June 2016</b>	<b>16,991</b>	<b>8,707</b>	<b>6</b>	<b>418</b>	<b>26,122</b>
At 30 June 2015	17,186	9,469	6	667	27,328

Included within the net book value of freehold properties is £2,066,432 (2015 - £2,066,432) in respect of land on which no depreciation is charged.

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

### 9. INVENTORIES

	<b>30 June 2016</b>	<b>30 June 2015</b>
	<b>£'000</b>	<b>£'000</b>
Engineering spares	404	105
	<u>          </u>	<u>          </u>

Inventories are disclosed net of provisions of £349,000 (2015 - £507,000) for obsolescence.

### 10. TRADE AND OTHER RECEIVABLES

	<b>30 June 2016</b>	<b>30 June 2015</b>
	<b>Due within one year</b>	<b>Due within one year</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed by fellow group undertakings	6	148
Other receivables	128	154
Prepayments and accrued income	36	136
	<u>          </u>	<u>          </u>
	170	438
	<u>          </u>	<u>          </u>

All amounts falling due within one year.

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

### 11. OTHER FINANCIAL ASSETS AND LIABILITIES

	Non-current assets £'000	Current assets £'000	Current liabilities £'000	Non-current liabilities £'000
<b>2016</b>				
<b>Intra-group derivative assets/(liabilities)</b>				
Designated as cash flow hedge	-	-	-	-
Designated as fair value hedge	-	-	-	-
Not designated in a hedge relationship	-	37	-	-
	<u>-</u>	<u>37</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>37</u>	<u>-</u>	<u>-</u>

	Non-current assets £'000	Current assets £'000	Current liabilities £'000	Non-current liabilities £'000
<b>2015</b>				
<b>Intra-group derivative assets/(liabilities)</b>				
Designated as cash flow hedge	-	-	1	-
Designated as fair value hedge	-	-	-	-
Not designated in a hedge relationship	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>

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

### 12. 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. 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. The company expects hedges entered into to continue to be effective and therefore does not expect the impact of ineffectiveness on the income statement to be material.

#### *Transaction exposure hedging*

The group's policy is to hedge up to 24 months forecast transactional foreign currency risk on the net US dollar exposure of the group targeting 75% coverage for the current financial year and up to 18 months for other currency pairs.

#### (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 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 2016 £[000]	30 June 2015 £[000]
Derivative assets	37	-
Derivative liabilities	-	1
	<hr/>	<hr/>
<b>Valuation techniques based on observable market input</b>	<b>37</b>	<b>1</b>
	<hr/>	<hr/>

There were no transfers between levels during the two years ended 30 June 2016 and 30 June 2015.

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

### 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (*continued*)

#### (c) Results of hedging instruments

In respect of cash flow hedging instruments, a gain of £38,000 (2015 – £2,000 gain; 2014 – £3,000 loss) has been recognised in other comprehensive income due to changes in fair value. A gain of £38,000 has been transferred out of comprehensive income to other operating income (2015 – £2,000 gain; 2014 – £3,000 loss). For cash flow hedges of forecast transactions at 30 June 2016, based on year end interest and foreign exchange rates, there is expected to be a result to the income statement of £nil in 2017 and a result of £nil million in 2018.

### 13. TRADE AND OTHER CREDITORS

	30 June 2016		30 June 2015	
	£'000	£'000	£'000	£'000
	Due within one year	Due after one year	Due within one year	Due after one year
Trade creditors	639	-	615	-
Amounts owed to fellow group undertakings	1,461	-	2,829	-
Accruals and deferred income	795	-	850	-
Government grants	76	453	76	529
	<hr/>	<hr/>	<hr/>	<hr/>
	2,971	453	4,370	529
	<hr/>	<hr/>	<hr/>	<hr/>

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

### 14. PROVISIONS

	Other £'000	Total £'000
At 30 June 2015	7	7
Charged during the year	23	23
Released	(23)	(23)
	<hr/>	<hr/>
At 30 June 2016	7	7
	<hr/>	<hr/>
Current liabilities	7	7
Non-current liabilities	-	-
	<hr/>	<hr/>
	7	7
	<hr/>	<hr/>

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

**15. DEFERRED TAX LIABILITY/(ASSET)**

	Property, plant and equipment £'000	Tax losses £'000	Other temporary differences £'000	<b>Total £'000</b>
Balanace at 30 June 2014	2,110	-	(137)	1,973
Recognised in statement of comprehensive income	806	-	16	822
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2015	2,916	-	(121)	2,795
Recognised in statement of comprehensive income	(83)	-	16	(67)
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred tax liability/(asset) at 30 June 2016	2,833	-	(105)	2,728
	<hr/>	<hr/>	<hr/>	<hr/>

Deferred tax on other temporary differences includes items such as capital grants received and derivatives.

**16. SHARE CAPITAL**

	<b>30 June 2016 £'000</b>
<i>Allotted, called up and fully paid</i>	
20,031,648 ordinary shares of £1 each	20,032
	<hr/>

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

### **17. COMMITMENTS**

#### **Capital commitments**

Commitments for expenditure on property, plant and equipment not provided for in these financial statements are estimated at £41,000 (2015 - £93,000).

#### **Operating lease commitments**

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

	<b>30 June 2016</b>			<b>30 June 2015</b>		
	<b>Plant &amp; Machinery £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>	<b>Plant &amp; Machinery £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
Payments falling due:						
Within one year	61	-	61	82	-	82
Between one and two years	54	-	54	62	-	62
Between two and three years	41	-	41	57	-	57
Between three and four years	15	-	15	47	-	47
Between four and five years	-	-	-	16	-	16
After five years	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	171	-	171	264	-	264
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

#### **Other purchase commitments**

At 30 June 2016 the company had purchase commitments totalling £520,000 (2015 - £833,000).

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

### **18. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING**

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

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

### **19. EXPLANATION OF TRANSITION TO FRS 101 FROM OLD UK GAAP**

As stated in note 1, these are the company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 June 2016, the comparative information presented in these financial statements for the year ended 30 June 2015 and in the preparation of an opening FRS 101 balance sheet at 1 July 2014 (the company's date of transition).

In preparing its FRS 101 balance sheet, the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting. An explanation of how the transition from previous UK GAAP to FRS 101 has affected the company's financial position and financial performance is set out in the following tables.

#### **Notes to the reconciliation from old UK GAAP to FRS 101**

**(a) Hedge accounting**

Under FRS101, derivatives are measured at fair value, therefore these fair values are recognised in the opening balances as other financial assets/liabilities.

**(b) Tax effect of Industrial buildings**

Under IFRS, deferred tax liability had to be recognised on the temporary difference arising between the net book value and the tax written down value of industrial building assets.



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

### **19. EXPLANATION OF TRANSITION TO FRS 101 FROM OLD UK GAAP (*continued*)**

#### **Reconciliation of shareholders' equity as at 1 July 2014:**

	Under UK GAAP £000	Hedge accounting £000	Tax effect of Industrial buildings £000	Total impact of transition to FRS 101 £000	Under FRS 101 £000
<b>Fixed assets</b>					
Property, plant and equipment	28,541			-	28,541
<b>Current assets: due after one year</b>					
Deferred tax asset	698	1		1	699
<b>Current assets: due within one year</b>					
Inventories	99			-	99
Trade receivables from related parties	541			-	541
Other receivables	303			-	303
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	30,182	1		1	30,183
<b>Creditors: amounts falling due within one year</b>					
Trade creditors due to related parties	(5,065)				(5,065)
Trade and other creditors	(664)				(664)
Accruals and deferred income	(486)				(486)
Government grant	(76)				(76)
Other financial liabilities	0	(3)		(3)	(3)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net current assets/(liabilities)</b>	(4,650)	(2)		(2)	(4,652)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total assets less current liabilities</b>	23,891	(2)		(2)	23,889

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

**19. EXPLANATION OF TRANSITION TO FRS 101 FROM OLD UK GAAP (*continued*)**

**Creditors: amounts falling due  
after more than one year**

Deferred tax liabilities	0		(2,672)	(2,672)	(2,672)
Government grant	(604)			-	(604)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net assets</b>	<b>23,287</b>	<b>(2)</b>	<b>(2,672)</b>	<b>(2,674)</b>	<b>20,613</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**Reconciliation of shareholders' equity as at 1 July 2014:**

	Under UK GAAP £000	Hedge accounting £000	Tax effect of Industrial buildings £000	Total impact of transition to FRS 101 £000	Under FRS 101 £000
<b>Equity</b>					
Called up share capital	20,032				20,032
Other reserves	0				0
Retained earnings	3,255	(2)	(2,672)	(2,674)	581
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total equity</b>	<b>23,287</b>	<b>(2)</b>	<b>(2,672)</b>	<b>(2,674)</b>	<b>20,613</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

### 19. EXPLANATION OF TRANSITION TO FRS 101 FROM OLD UK GAAP (*continued*)

#### Reconciliation of shareholders' equity as at 30 June 2015:

	Under UK GAAP £000	Hedge accounting £000	Tax effect of Industrial buildings £000	Total impact of transition to FRS 101 £000	Under FRS 101 £000
<b>Fixed assets</b>					
Property, plant and equipment	27,328			-	27,328
<b>Current assets: due within one year</b>					
Inventories	105			-	105
Trade receivables from related parties	148			-	148
Other receivables	290			-	290
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	27,871			-	27,871
<b>Creditors: amounts falling due within one year</b>					
Trade creditors due to related parties	(2,829)			-	(2,829)
Trade creditors	(622)			-	(622)
Accruals and deferred income	(850)			-	(850)
Government grant	(76)			-	(76)
Other financial liabilities	0	(1)		(1)	(1)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net current assets/(liabilities)</b>	(3,834)	(1)		(1)	(3,835)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total assets less current liabilities</b>	23,494	(1)		(1)	23,493

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

**19. EXPLANATION OF TRANSITION TO FRS 101 FROM OLD UK GAAP (*continued*)**

**Creditors: amounts falling due  
after more than one year**

Deferred tax liabilities	(205)		(2,590)	(2,590)	(2,795)
Government grant	(529)			-	(529)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net assets</b>	<b>22,760</b>	<b>(1)</b>	<b>(2,590)</b>	<b>(2,591)</b>	<b>20,169</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**Reconciliation of shareholders' equity as at 30 June 2015:**

	Under UK GAAP £000	Hedge accounting £000	Tax effect of Industrial buildings £000	Total impact of transition to FRS 101 £000	Under FRS 101 £000
<b>Equity</b>					
Called up share capital	20,032				20,032
Other reserves	0				0
Retained earnings	2,728	(1)	(2,590)	(2,591)	137
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total equity</b>	<b>22,760</b>	<b>(1)</b>	<b>(2,590)</b>	<b>(2,591)</b>	<b>20,169</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

**19. EXPLANATION OF TRANSITION TO FRS 101 FROM OLD UK GAAP *(continued)***

**Reconciliation of comprehensive income as at 30 June 2015:**

	Under UK GAAP £000	Hedge accounting £000	Tax effect of Industrial buildings £000	Total impact of transition to FRS 101 £000	Under FRS 101 £000
<b>Turnover</b>	8,027			-	8,027
	_____	_____	_____	_____	_____
<b>Net sales</b>	8,027			-	8,027
Cost of sales	(7,860)				(7,860)
	_____	_____	_____	_____	_____
<b>Gross profit</b>	167				167
Other operating income	215	2		2	217
	_____	_____	_____	_____	_____
<b>Operating profit</b>	382	2		2	384
Finance charges	(6)				(6)
	_____	_____	_____	_____	_____
<b>Profit before taxation on ordinary activities</b>	376	2		2	378
Taxation	(903)	(1)	82	81	(822)
	_____	_____	_____	_____	_____
<b>Loss for the year and total comprehensive expense</b>	(527)	1	82	83	(444)

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

**19. EXPLANATION OF TRANSITION TO FRS 101 FROM OLD UK GAAP (*continued*)**

Other comprehensive income/(expense)	Under UK GAAP £000	Hedge accounting £000	Tax effect of Industrial buildings £000	Total impact of transition to FRS 101 £000	Under FRS 101 £000
Effective portion of changes in fair value of cash flow hedges					
- gains/(losses) taken to other comprehensive income	-	2	-	-	-
- recycled to income statement	-	(2)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other comprehensive income for the year, net of tax</b>	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total comprehensive income/(expense) for the year</b>	(527)	1	82	83	(444)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>