S & B Production Limited

Annual report and financial statements

year ended 30 June 2023

Registered number: NI 042257

S & B Production Limited
Registered number: NI 042257
Year ended 30 June 2023

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S & B Production Limited
Registered number: NI 042257
Year ended 30 June 2023

Directors and other information

Director	Mr. A. Crowe Mr. G. Domoszlai
Registered office	Third Floor Capital House 3 Upper Queen Street Belfast Northern Ireland
Company secretary	Mrs. L. Gleeson
Independent auditors	PricewaterhouseCoopers Chartered Accountants One Spencer Dock North Wall Quay Dublin 1
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

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 2023.

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 Unlimited Company (trading as Diageo Baileys Global Supply) was, for the year ended 30 June 2023, 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

For the year ended 30 June 2023, turnover, which is solely made up of toll manufacturing income, grew by 7% compared to prior year, as well as operating costs.
The company recorded a profit of £625,000 (2022 - profit of £751,000) for the financial year which has been transferred to reserves. Equity at the 30 June 2023 amounted to £21,395,000 (2022 - £20,769,000).
During the financial year, net assets have increased by 3% or £623,000, from £20,769,000 to £21,395,000, as a result of increase in assets by 4% or £1,014,000, from £26,569,000 to £27,583,000, and increase in fixed assets of 9% from £22,002,000 to £24,004,00 partially offset by decrease in trade and other receivables of 25%, from 3,911,000 to 2,948,000. The lower liabilities are driven by the decrease in trade and other creditors of 4% or £112,000, from £2,697,000 to £2,585,000.

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

The principal risks identified by the group are disclosed on page 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 financial operations, the financial risk management measures used by management to analyse the development, performance and position of the company's business are mainly similar to those facing the group as a whole. The directors consider that the following risks might impact the performance and the solvency or liquidity of the company through its 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.

Strategic report *(continued)*

Geopolitical and macroeconomic volatility (continued)

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.

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 introduced a new strategic planning and performance function with a stronger governance model for financial and non-financial decision-making, which will enable closer monitoring of external volatility/risk and multi-country investment strategy with a central hedging and currency monitoring to manage volatility.

During the year ended 30 June 2023, the group introduced advanced analytics to scenario plan volume ranges over a longer time period, allowing better mitigation against changes in the external landscape. Scenario-planning has been embedded into Executive and Board meetings and integrated into the strategic planning cycle. Inflation has remained high and has reduced more slowly than expected in many countries. High levels of inflation are expected to continue in the short to medium term. Foreign exchange volatility has increased across several markets. There are dedicated cross-functional steering groups to manage acute issues including inflation and foreign exchange volatility.

Cyber and IT resilience

Cyber-attacks are becoming more prevalent, and there is an increased dependency on third-party IT services and solutions. As geopolitical tensions are growing, there is a rise in more sophisticated cyber threats affecting all organisations, therefore the risk of a cyber-attack is heightened.

The group has strong enterprise-wide cyber risk management processes and policies and next generation security technologies to tackle advanced attacks. There is an IT and Operations Technology ("OT") disaster recovery and business continuity testing across the key systems. The group continues to enhance and deploy next generation security technologies to tackle advanced attacks and upgrade the enterprise resource planning system and associated processes to ensure they remain resilient.

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 licence to operate, financial loss and reputational damage amongst customers, consumers, investors and other stakeholders.

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 to acute weather events, high temperature, water stress, rising sea level hazards are projected to significantly increase in the future and cause interruption to operations, however they are unlikely to have a significant financial impact on the group.

Strategic report *(continued)*

Climate risk (continued)

Resource-scarcity issues have been identified and mitigated, especially within agricultural ingredient sourcing, and manufacturing, water and energy. Physical risk exposures have been identified for sites assessed in North America and Scotland, Africa, Mexico, India, Turkey Latin America and Caribbean, Asia Pacific, and Europe, and being built into site and category risk footprints. 'Society 2030: Spirit of Progress' ambition was launched in 2022 that continued to deliver against key targets and longer-term goals. (Details are disclosed on pages 57-60 of Diageo plc's Annual Report). Water blueprint was defined and operationalised in water-stressed locations. Communication programmes are in place to share impact, strengthen reputation and support advocacy platform. Carbon pricing is being assessed as an internal mechanism to drive deeper understanding of the impact of energy choices. The group TCFD modelling and mitigation plans incorporate the risk of a 4-5°C climate change scenario, which may arise as a result of collective climate action failure.

The group have further increased resource dedicated to the mitigation of climate impact within our sustainability, sourcing, and finance teams.

Further information on the group's risk assessment and risk management measures in relation to climate change is disclosed on pages 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.

The directors consider the principal risks and uncertainties the company faces to be:

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 exchange rate risk due to exchange rate movements, which will affect the company's transactions.

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 its trade receivables from 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).

Strategic report *(continued)*

Business review *(continued)*

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.

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 Lucie Milburn as a Director of the company and the appointment of Doug Gill as a Director;
- Approval of the resignation of Doug Gill as a Director of the company and the appointment of Gabor Domoszlai as a Director; and
- Approval of the financial statements for the financial year ended 30 June 2023.

On behalf of the Board,

Aidan Crowe
Director

Third Floor Capital House
3 Upper Queen Street
Belfast
Northern Ireland

Date: 11 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.

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 2-6. The company is a toll manufacturer of standard cases of Baileys cream liqueur on behalf of R & A Bailey & Co Unlimited Company, the production was 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. Based on that, the company is expected to continue to generate profit on its own account and to remain in a positive net asset position for the foreseeable future. The company participates in the group's centralised treasury arrangements. The 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 for the year ended 30 June 2023 are shown on page 14.

The company recorded a profit of £625,000 (2022 - profit of £751,000) for the financial year which has been transferred to reserves. Equity at the 30 June 2023 amounted to £21,395,000 (2022 - £20,769,000).
During the financial year, net assets have increased by 3% or £623,000, from £20,769,000 to £21,395,000, as a result of increase in assets by 4% or £1,014,000, from £26,569,000 to £27,583,000, and increase in fixed assets of 9% from £22,002,000 to £24,004,00 partially offset by decrease in trade and other receivables of 25%, from 3,911,000 to 2,948,000. The lower liabilities are driven by the decrease in trade and other creditors of 4% or £112,000, from £2,697,000 to £2,585,000.
Dividend paid during the year ended 30 June 2023 was £nil (2022 - £2,241,000).

Future developments

The directors' objective is to maintain and, if possible, increase the level of turnover and operating profit in the coming years.

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. A. D. Gill (appointed 20 September 2022 and resigned 17 February 2023)
Mr. D. V. Varian (resigned 30 September 2023)
Ms. L. Milburn (resigned on 20 September 2022)
Mr. G. Domoszlai (appointed 17 February 2023)
Mr. A. Crowe (appointed 30 September 2023)

Directors' Report *(continued)*

Secretary

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

Mrs. J. Trundle (resigned 30 September 2022)
Mrs. L. Gleeson (from 30 September 2022)

Directors' remuneration

Details of the directors' remuneration are shown in note 5 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.

Political contributions

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

Research and development

The company has not undertaken any research and development activities 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. The internal control and risk management systems over the financial reporting process of Diageo plc, which include those of the company, are discussed in the Group Annual Report 2023 on page 115 at www.diageo.com, which does not form part of this report.

Independent auditors

The statutory auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed at the Annual General Meeting.

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 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.

Directors' Report *(continued)*

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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,

Aidan Crowe
Director

Third Floor Capital House
3 Upper Queen Street, Belfast
Northern Ireland

Date: 11 December 2023

pwc

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

Report on the audit of the financial statements

Opinion

In our opinion, S & B Production 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 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 and Financial Statements 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, health & safety legislation, food safety & hygiene legislation, 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.

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
11 December 2023

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Turnover	2	**10,588**	**9,848**
Cost of sales	3	(9,880)	(9,252)
Gross profit		**708**	**596**
Other operating income	3	31	90
Operating profit		**739**	**686**
Net finance charges	6	(15)	(1)
Profit before taxation on ordinary activities		**724**	**685**
Taxation (charge)/credit on profit on ordinary activities	7	(100)	66
Profit for the financial year and total comprehensive income for the year		**624**	**751**

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

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

S & B Production Limited
Registered number: NI 042257
As at 30 June 2023

BALANCE SHEET

	Note	30 June 2023 £'000	30 June 2022 £'000
Non - current assets			
Property, plant and equipment	*8*	**24,004**	**22,002**
Current assets			
Inventories	*10*	631	656
Trade and other receivables	*11*	3,234	3,911
		3,865	**4,567**
Total assets		**27,869**	**26,569**
Current liabilities			
Trade and other creditors	*12*	(2,870)	(2,697)
Lease liabilities - Current	*9*	(145)	(2)
		(3,015)	**(2,699)**
Non - current liabilities			
Deferred income	*12*	—	—
Deferred tax liabilities	*13*	(3,200)	(3,101)
Lease liabilities - Non-Current	*9*	(260)	—
		(3,460)	**(3,101)**
Total liabilities		**(6,475)**	**(5,800)**
Net assets		**21,394**	**20,769**
Equity			
Called up share capital	*14*	20,032	20,032
Retained earnings		1,362	737
Total equity		**21,394**	**20,769**

The accounting policies and other notes on pages 17 to 31 form part of the financial statements.

These financial statements on page 14 to 31 were approved by the Board of directors on 11 December 2023 and were signed on its behalf by:

Aidan Crowe
Director

S & B Production Limited
Registered number: NI 042257
Year ended 30 June 2023

STATEMENT OF CHANGES IN EQUITY

ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

	Called up share capital £'000	**Retained earnings £'000**	**Total equity £'000**
Balance at 1 July 2021	**20,032**	**2,241**	**22,273**
Profit for the financial year and total comprehensive income	—	751	751
Dividend paid during the financial year	0	-2,241	**-2,241**
Other prior year related items	0	-14	**-14**
Balance at 30 June 2022	**20,032**	**737**	**20,769**
Profit for the financial year and total comprehensive income	—	624	624
Balance at 30 June 2023	**20,032**	**1,362**	**21,394**

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

S & B Production Limited ("the company") provides production services in the beverage industry. The company is a toll manufacturer of the production of Baileys cream liqueur on behalf of R & A Bailey & Co Unlimited Company trading as Diageo Baileys Global Supply.

The company is incorporated as a private company limited by shares in Northern Ireland, United Kingdom, under the register number NI042257.

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.

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 preparation of financial statements in conformity with FRS 101 requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the 'Critical accounting estimates and assumptions' paragraph of this note.

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, 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.

Going concern

The company is a toll manufacturer of standard cases of Baileys cream liqueur on behalf of R & A Bailey & Co Unlimited Company, the production was 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. Based on that, the company is expected to continue to generate profit on its own account and to remain in a positive net asset position for the foreseeable future. The company participates in the group's centralised treasury arrangements. The 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.

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 policies

The following amendments to the accounting standards, issued by the IASB and endorsed by the UK and EU, have 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 standard and amendments issued by the IASB have been endorsed by the UK and the EU and have not 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).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. ACCOUNTING POLICIES *(continued)*

New accounting policies *(continued)*

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.

Turnover

Turnover comprises of income 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 Unlimited Company and it is measured at the related contracted price. Turnover is recognised as or when performance obligations are satisfied by transferring control of a good or service to a customer. Generally, the transfer of control of goods occurs at the time of dispatch but in some countries it may be on delivery. Provision is made for returns where appropriate. Generally, payment of the transaction price is due within credit terms that are consistent with industry practices, with no element of financing.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. ACCOUNTING POLICIES *(continued)*

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. 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

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.

Trade and other receivables are initially recognised at fair value less transaction costs and subsequently carried at amortised costs less any allowance for discounts and doubtful debts. Trade receivables arise from contracts with customers, and are recognised when performance obligations are satisfied, and the consideration due is unconditional as only a passage of time is required before payment is received. Allowance losses are calculated by reviewing lifetime expected credit losses using historical and forward-looking data on credit risk.

Amounts owed by other group companies are initially measured at fair value and are subsequently reported at amortised cost. Allowance 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 allowance is measured as either 12-months expected credit losses or lifetime expected credit losses depending on changes in the credit quality of the counterparty.

Factored debts Trade receivables acquired as a result of the factoring activities are shown in the balance sheet as factored debts and are stated at the amount of the original factored debt, net of provision for doubtful debts.

Cash and cash equivalents Cash and cash equivalents comprise cash in hand and deposits which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less at acquisition, including money market deposits, commercial paper and investments.

Trade and other payables are interest free and are stated at their nominal value.

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

1. ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

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

Land and buildings are stated at cost less depreciation.

Returnable packaging represents assets (kegs, bottles and crates) that are expected to be used multiple times across more than one financial year.

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	15 to 50 years
Plant and equipment	4 to 50 years
Fixtures and fittings	5 to 20 years

Reviews are carried out if there is an indication that assets may be impaired, to ensure that property, plant and equipment are not carried at above their recoverable amounts.

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.

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.

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 operating profit and finance charges, respectively.

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 manner of recovery 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.

Critical accounting estimates and assumptions

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 causing 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.

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 Unlimited Company.

The geographical analysis of turnover by destination is given below:

	Year ended 30 June 2023 £'000	**Year ended 30 June 2022 £'000**
Republic of Ireland	10,588	9,848

Analysis of turnover by class of business

	Year ended 30 June 2023 £'000	**Year ended 30 June 2022 £'000**
Toll manufacturing of cream liqueurs	10,588	9,848

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

3. OPERATING COSTS

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Cost of sales	9,880	9,252
Other operating income (a)	(31)	(90)
	9,849	9,162
Raw materials and consumables	1,861	1,652
Staff costs (note 4)	3,194	3,213
Depreciation, amortisation and impairment	1,328	1,234
Other external charges (b)	3,498	3,153
Net foreign exchange (gain)	44	(14)
Government grants amortised	(76)	(76)
	9,849	9,162

(a) Other operating income for £31,000 is the result of yearly amortization of government grants for £76,000 and net foreign exchange gains for £44,000.

(b) Other external charges include: repair and maintenance costs of £ 1,179,000 (2022 - £1,040,000), temporary staff costs of £ 897,000 (2022 - £709,000), security and insurance costs of £302,000 (2022 - £256,000), low value assets and short-term leases for plant and machinery of £14,000 (2022 - £202,000).

The auditors' remuneration of £20,000 (2022 - £22,000) was paid on behalf of the company by a fellow group undertaking. There were no fees payable to the auditors in respect of non-audit services.

4. EMPLOYEES

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

	Average number of employees Year ended 30 June 2023	Year ended 30 June 2022
Production	52	51
Administration	4	4
Distribution	14	11
	70	66

The average number of employees of the company, including part time employees, for the year was 70 (2022: 66).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

4. EMPLOYEES *(continued)*

The aggregate remuneration of all employees comprised:

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Wages and salaries (a)	2,522	2,431
Employer's social security costs	266	291
Employer's pension costs	406	491
	3,194	3,213

(a) Wages and salaries include share option costs for £118,000 (2022 - £152,000).

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 £351,882 to the schemes in respect of its employees in the year ended 30 June 2023 (2022 – £444,093). 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.

5. DIRECTORS' REMUNERATION

Directors' remuneration

	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Directors' remuneration (excluding pension contributions)	—	—
Company contributions to money purchase pension schemes	—	—
Share incentives	—	—
	—	—

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

5. DIRECTORS' REMUNERATION *(continued)*

The directors were paid by fellow group undertakings and no cost was recharged to the company. 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	—	—
The number of directors in respect of whose retirement benefits were accrued for under defined benefit schemes	—	—

6. NET FINANCE CHARGES

	Year ended 30 June 2023 £'000	**Year ended 30 June 2022 £'000**
Interest charge to fellow group undertakings	(15)	(1)
Net finance charge	(15)	(1)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

7. TAXATION (CHARGE)/CREDIT ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 30 June 2023	Year ended 30 June 2022
(a) Analysis of taxation charge/(credit) for the year	**£'000**	**£'000**
Current tax:		
Corporation tax	—	—
Total current tax	—	—
Deferred tax:		
Origination and reversal of timing differences	31	(50)
Adjustment in respect of prior years	62	—
Changes in tax rates	7	(16)
Taxation on profit on ordinary activities	100	(66)

(b) Factors affecting total tax charge for the year	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000
Profit on ordinary activities before taxation	724	685
Taxation on profit on ordinary activities before taxation at UK corporation tax rate of 20.50% (2022 – 19.00%)	148	130
Adjustment in respect of prior years	62	—
Expenses not deductible	18	—
Transfer pricing adjustment	22	9
Tax rate changes	7	(16)
Group relief received for nil consideration	(124)	(174)
Fixed asset tax deduction (a)	(17)	—
Share options	(20)	(18)
Non-qualifying depreciation	4	3
Total tax (charge)/credit for the year	100	(66)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

7. TAXATION (CHARGE)/CREDIT ON PROFIT ON ORDINARY ACTIVITIES *(continued)*

(a) Fixed asset tax deduction is related to super-deduction expenditure. Item (a) is the 20,5% of the super-deduction pool adjustment element of £114,000.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment	Fixtures and Fittings	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 July 2022	**23,128**	**30,409**	**14**	**346**	**53,897**
Additions	271	1,034	—	2,026	3,331
Transfers	47	21	—	(67)	1
Disposals	—	(254)	—	—	(254)
At 30 June 2023	**23,446**	**31,210**	**14**	**2,305**	**56,975**
Accumulated Depreciation					
At 1 July 2022	**8,575**	**23,313**	**6**	—	**31,895**
Charged during year	429	898	1	—	1,328
Disposals	—	(253)	—	—	(253)
At 30 June 2023	**9,004**	**23,958**	**7**	—	**32,969**
Carrying amount					
At 30 June 2023	**14,442**	**7,252**	**7**	**2,305**	**24,004**
At 30 June 2022	14,553	7,096	7	346	22,002

In regards to the Recognition of Right-of-use assets, these are disclosed in Note 9.

Included within the net book value of freehold properties is £2,066,432 (2022 - £2,066,432) in respect of land on which no depreciation is charged.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

9. LEASES

Movements of leases

	Plant and equipment £'000
Movement of right-of-use assets	
At 1 July 2022	3
Additions	551
Depreciation	(155)
Other movement	(1)
At 30 June 2023	**398**

Rental contracts are typically made for fixed periods of 5 years.

	Plant and equipment £'000
Movement of lease liabilities	
At 1 July 2022	(2)
Additions	(551)
Payments	157
Interest	(9)
At 30 June 2023	**(405)**
Current	(145)
Non-current	(260)

Other external charges associated with leases of low value assets and short-term leases were £14,000 in the year ended 30 June 2023 (2022 - £ 202,000).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

10. INVENTORIES

	30 June 2023 £'000	30 June 2022 £'000
Engineering spares	631	656

Inventories are disclosed net of provisions of £ 100,000 (2022 - £101,000) for obsolescence.

11. TRADE AND OTHER RECEIVABLES

	30 June 2023 Due within one year £'000	30 June 2022 Due within one year £'000
Amounts owed by fellow group undertakings	2,743	3,820
Prepayments and accrued income	44	34
Other receivables	447	57
	3,234	3,911

Amounts owed by fellow group undertakings are unsecured, interest free and repayable on demand. Prepayments and accrued income include prepaid property tax for £44,000. Other receivables for £447,000 relate to VAT receivable (2022 - £57,000).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12. TRADE AND OTHER CREDITORS

	30 June 2023		30 June 2022	
	Due within one year £'000	Due after one year £'000	Due within one year £'000	Due after one year £'000
Trade creditors	1,628	—	1,568	—
Amounts owed to fellow group undertakings	269	—	273	—
Accruals and deferred income	973	—	780	—
Government grants	—	—	76	—
	2,870	—	2,697	—

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

13. DEFERRED TAX LIABILITIES

	Property, plant and equipment £'000	Other temporary differences £'000	Total £'000
At 1 July 2021	3,203	(36)	3,167
Recognised in income statement	(85)	19	(66)
At 30 June 2022	3,118	(17)	3,101
Recognised in income statement	82	17	99
Deferred tax liability at 30 June 2023	3,200	—	3,200

The deferred tax liability arises from differences in the accounting and tax basis for fixed assets used in the Company's business and is therefore considered long term in nature.
Deferred tax on other temporary differences includes items such as capital grants received.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14. SHARE CAPITAL AND RESERVES

	30 June 2023 £'000	30 June 2022 £'000
Authorised		
20,031,648 (2022 - 20,031,648) ordinary shares of £1 each	20,032	20,032

	30 June 2023 £'000	30 June 2022 £'000
Allotted, called up and fully paid		
20,031,648 (2022 - 20,031,648) ordinary shares of £1 each	20,032	20,032

The retained earnings account represents accumulated comprehensive income for the financial year and prior financial years.

15. RELATED-PARTY TRANSACTIONS

The company has transactions only with Diageo wholly owned subsidiaries and it is exempt from disclosing it.

16. COMMITMENTS

Capital commitments

Commitments for expenditure on property, plant and equipment not provided for in these financial statements are estimated at £ 1,154,000 (2022 - £175,000). The increase in the commitments is connected to a warehouse expansion on the site, which aligns with the current capex forecast.

Other purchase commitments

At 30 June 2023 the company had purchase commitments totalling £nil (2022 - £nil).

17. EVENTS AFTER THE END OF THE REPORTING PERIOD

There have been no significant events affecting the company after the end of the reporting period.

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, United Kingdom.

The ultimate parent undertaking of the company is Diageo plc which is the ultimate controlling party of the group. The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Diageo plc., which 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.