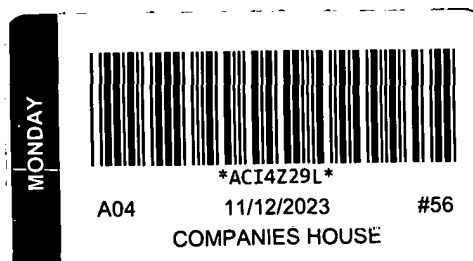


Zepf Technologies UK Limited

Directors' report and financial statements

30 June 2023

Registered number: SC002816



Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2023

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Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2023

Directors' report

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

The company is incorporated and domiciled as a private company limited by shares in Scotland, United Kingdom. The registered address of the company is 11 Lochside Place, Edinburgh, Scotland, EH12 9HA.

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

Principal activities

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

The directors foresee no changes in the company's activities.

Future developments

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

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

Going concern

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

Financial

The result for the year ended 30 June 2023 is shown on page 11.

The profit for the year transferred to reserves was £1,101,000 (2022 - £700,000).

Dividends paid during the year ended 30 June 2023 and 30 June 2022 were £430,000 and £900,000, respectively.

Proposed dividend

The directors have proposed a final ordinary dividend in respect of the year ended 30 June 2023 of £500,000 (2022 - £430,000).

This has not been included as a liability as it was not approved at the date of the balance sheet.

The proposed dividend was approved by the Board of directors on 29 November 2023.

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2023

Directors' report (continued)

Directors

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

G Domoszalai	(appointed 17 February 2023)
J M C Edmunds	
A D Gill	(appointed 20 September 2022 and resigned 17 February 2023)
K E Major	
L Milburn	(resigned 20 September 2022)

Directors' remuneration

None of the directors received any remuneration during the year in respect of their services as directors of the company (2022 - £nil). The directors were paid by fellow group undertakings, and no cost was recharged to the company.

Directors' indemnity

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

Internal control and risk management over financial reporting

The company operates under the financial reporting processes and controls of the group. Diageo plc's internal control and risk management systems including its financial reporting process of Diageo plc, which include those of the company, are discussed in the group's Annual Report 2023 on page 115 at www.diageo.com, which does not form part of this report.

Principal risks and uncertainties facing the company during the year ended 30 June 2023

The principal risks identified by the group are disclosed on pages 88 to 93 of Diageo plc's 2023 Annual Report. The most relevant of the group risks to this entity are the ones we have selected and articulated below, together with specific considerations relating to the company's operations and environment. If any of these risks occur, the company's business, financial condition and operational results could suffer. As the company forms part of the group's 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.

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2023

Directors' report (continued)

Principal risks and uncertainties facing the company during the year ended 30 June 2023 (continued)

Geopolitical and macroeconomic volatility

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

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.

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2023

Directors' report (continued)

Principal risks and uncertainties facing the company during the year ended 30 June 2023 (continued)

Climate risk (continued)

The group conducted a detailed climate change risk assessment (CCRA) and scenario analysis to evaluate short- and long-term impacts from physical and transition risks. The group operates a cross-functional Climate Risk Steering Group that sets the strategy for ongoing climate risk assessment, and manages associated opportunities and risks, while continuing to develop the approach to climate change risk reporting. CCRA review found that, with respect to the group, risks related to 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.

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.

Independent auditors

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

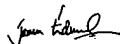
Disclosure of information to the auditors

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

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2023

Directors' report (continued)

On behalf of the Board



.....
J M C Edmunds
Director

11 Lochside Place
Edinburgh
Scotland
EH12 9HA

29 November 2023

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2023

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditors' report to the members of Zepf Technologies UK Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 30 June 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, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' report and financial statements (the "Annual Report"), which comprise: the Balance Sheet as at 30 June 2023; the Statement of Comprehensive Income, and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

With respect to the 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.

Directors' report

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, 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.

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 UK tax regulations and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 manual journal entries aimed at increasing revenue or reducing expenditure within the financial statements. Audit procedures performed by the engagement team included:

- review of board meeting minutes;
- evaluation of management's internal controls designed to prevent and detect irregularities; and
- analysis and testing of manual journal entries with particular focus on any unusual account combinations within revenue and expenditure.

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.

Entitlement to exemptions

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



Jane Ferguson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
29 November 2023

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2023

STATEMENT OF COMPREHENSIVE INCOME

		Year ended 30 June 2023	Year ended 30 June 2022
	Note	£ 000	£ 000
Turnover	2	3,682	2,941
Cost of sales	3	<u>(2,209)</u>	<u>(2,043)</u>
Gross profit		1,473	898
Operating costs	3	<u>(371)</u>	<u>(202)</u>
Operating profit		1,102	696
Finance income	5	9	13
Finance expenses	5	<u>(9)</u>	<u>(10)</u>
Net finance income		—	3
Profit before taxation		1,102	699
Tax on profit	6	<u>(1)</u>	<u>1</u>
Profit for the financial year and total comprehensive income for the year		<u>1,101</u>	<u>700</u>

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

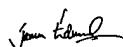
Zepf Technologies UK Limited
Registered number: SC002816
As at 30 June 2023

BALANCE SHEET

	Note	30 June 2023 £ 000	30 June 2022 £ 000
Non-current assets			
Property, plant and equipment	7	772	892
Deferred tax assets	9	15	12
		<u>787</u>	<u>904</u>
Current assets			
Inventories	10	424	372
Trade and other receivables	11	1,300	938
Cash and cash equivalents		1,081	1,032
Total assets		<u>3,592</u>	<u>3,246</u>
Current liabilities			
Trade and other payables	12	(481)	(695)
Other financial liability	13	(113)	(114)
Provisions	14	(12)	(18)
		<u>(606)</u>	<u>(827)</u>
Non-current liabilities			
Other financial liability	13	(613)	(717)
Total liabilities		<u>(1,219)</u>	<u>(1,544)</u>
Net assets		<u>2,373</u>	<u>1,702</u>
Equity			
Called up share capital	15	500	500
Retained earnings		1,873	1,202
Total equity		<u>2,373</u>	<u>1,702</u>

The accounting policies and other notes on pages 14 to 28 form part of the financial statements.

These financial statements on pages 11 to 28 were approved by the Board on 29 November 2023 and were signed on its behalf by:



.....

J M C Edmunds

Director

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2023

STATEMENT OF CHANGES IN EQUITY

	Called up share capital £ 000	Retained earnings £ 000	Total £ 000
Balance at 1 July 2021	500	1,402	1,902
Profit for the financial year and total comprehensive income for the year	—	700	700
Dividends to shareholders	—	(900)	(900)
Balance at 30 June 2022	<u>500</u>	<u>1,202</u>	<u>1,702</u>
Profit for the financial year and total comprehensive income for the year	—	1,101	1,101
Dividends to shareholders	—	(430)	(430)
Balance at 30 June 2023	<u>500</u>	<u>1,873</u>	<u>2,373</u>

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

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2023

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

The company is incorporated and domiciled as a private company limited by shares in Scotland, United Kingdom. The registered address of the company is 11 Lochside Place, Edinburgh, Scotland, EH12 9HA.

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

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

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards (IFRS) as adopted by the UK and the EU, 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 measured at their fair value.

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

The preparation of financial statements in conformity with FRS 101 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 79(a)(iv) (comparative information requirements);
 - 111 (cash flow statement information);
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

- The following paragraphs of IAS 8, 'Accounting policies, changes in accounting estimates and errors':
 - 30 (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
 - 31 (disclosures relating to the new IFRS).
- The following paragraphs of IAS 24 'Related party disclosures':
 - 17 (key management compensation);
 - 18A (key management services provided by a separate management entity).
- The requirements of IFRS 7 Financial Instruments: Disclosures, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

These financial statements are separate financial statements.

New accounting standards and interpretations

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;

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).

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.

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.

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Turnover

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

Pensions and other post-employment benefits

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

Finance income/costs

Finance income/costs are recognised in the statement of comprehensive income in the year in which they are earned/incurred.

Property, plant and equipment

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

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

Buildings	10 years
Plant and equipment	5 years
Computer hardware	5 years

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

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

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Leases

Where the company is the lessee, all leases are recognised on the balance sheet as right of use assets and depreciated on a straight-line basis with the charge recognised in cost of sales. The liability, recognised as part of net borrowings, is measured at a discounted value and any interest is charged to finance charges.

The company recognises services associated with a lease as other operating expenses. Payments associated with leases where the value of the asset when it is new is lower than \$5,000 (leases of low value assets) and leases with a lease term of twelve months or less (short term leases) are recognised as other operating expenses.

A judgement in calculating the lease liability at initial recognition includes determining the lease term where extension or termination options exist. In such instances any economic incentive to retain or end a lease are considered and extension periods are only included when it is considered reasonably certain that an option to extend a lease will be exercised.

Inventories

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

Financial assets and liabilities

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

Zepf Technologies UK Limited
Registered number: SC002816
Year ended 30 June 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

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

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

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

Provisions

Provisions are liabilities of uncertain timing or amount. A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are calculated on a discounted basis, where the effect is material to the original undiscounted provision. The carrying amounts of provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Taxation

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

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

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Year ended 30 June 2023

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Dividends paid

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

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 casting material adjustment to the carrying value of the assets and liabilities for the company within the next financial year due to the nature of the business.

The critical accounting policies, which the directors consider are of greater complexity and/or particularly subject to the exercise of judgements, are set out in detail in the relevant accounting policies.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

2. TURNOVER

For the year ended 30 June 2023 the turnover and profit before taxation are attributable to one class of business, that of engineering services.

Geographical analysis of turnover

	Year ended 30 June 2023	Year ended 30 June 2022
	£ 000	£ 000
United Kingdom	2,109	1,613
Ireland	8	54
Rest of Europe	716	630
America	434	207
Asia Pacific	178	238
Africa	216	199
Rest of world	21	—
	3,682	2,941

3. OPERATING COSTS

	Year ended 30 June 2023	Year ended 30 June 2022
	£ 000	£ 000
Operating costs		
Cost of sales	2,209	2,043
Other operating expenses	371	202
	2,580	2,245
Comprising:		
Raw materials and consumables	740	693
Other external charges	502	445
Staff costs	1,133	1,054
Depreciation	139	138
Other operating charge/income	66	(85)
	2,580	2,245

Other external charges include a management recharge of £150,000 (2022 - £150,000), maintenance and repairs of £35,000 (2022 - £33,000), low value and short term lease rentals of £16,000 (2022 - £11,000), other equipment of £26,000 (2022 - £44,000), computer system costs of £15,000 (2022 - £13,000), other staff related costs of £38,000 (2022 - £30,000) and other professional costs of £57,000 (2022 - £34,000).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

3. OPERATING COSTS (continued)

Other operating charge includes a provision for bad and doubtful debts of £66,000 (2022 - £nil).

The auditors' remuneration of £26,335 (2022 - £23,941) 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 (2022 - £nil).

None of the directors received any remuneration during the financial year in respect of their services as directors of the company (2022 - £nil). The directors were paid by fellow group undertakings, and no cost was recharged to the company.

4. EMPLOYEES

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

	Year ended 30 June 2023	Year ended 30 June 2022
Operation and logistics	21	21
Selling and distribution	2	2
Finance and administration	2	2
	25	25
	Year ended 30 June 2023	Year ended 30 June 2022
	£ 000	£ 000
Aggregate remuneration		
Wages and salaries	971	901
Other social security costs	121	114
Other pension costs	41	39
	1,133	1,054

Retirement benefits

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £41,000 (2022 - £39,000).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

5. FINANCE INCOME AND EXPENSES

	Year ended 30 June 2023 £ 000	Year ended 30 June 2022 £ 000
Interest income from fellow group undertakings	9	13
Interest charge on leases	(9)	(10)
	<u>—</u>	<u>3</u>

6. TAX ON PROFIT

	Year ended 30 June 2023 £ 000	Year ended 30 June 2022 £ 000
(a) Analysis of tax (charge)/credit for the year		
Current tax		
Foreign tax suffered	(4)	—
Total current tax	(4)	—
Deferred tax		
Current year	2	1
Effect of changes in tax rates	1	—
Total deferred tax	3	1
Tax on profit	(1)	1
(b) Factors affecting total tax (charge)/credit for the year included in equity		
Profit before taxation	<u>1,102</u>	<u>699</u>
Tax on profit at standard UK tax rate of 20.5% (2022 - 19%)	(226)	(133)
Expenses not deductible for tax purposes	(1)	—
Group relief received for nil consideration	224	133
Effects of overseas tax	(3)	—
Transfer pricing adjustments	4	1
Change in tax rates	1	—
Total tax (charge)/credit for the year	<u>(1)</u>	<u>1</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

6. TAX ON PROFIT (continued)

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, it is apportioned for the period each rate applied. Deferred taxes at 30 June 2023 have been measured using this increased tax rate and reflected in these financial statements (Note 9).

7. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and equipment	Computer hardware	Total
	£ 000	£ 000	£ 000	£ 000
Cost				
At 1 July 2022	945	335	36	1,316
Additions	—	19	—	19
At 30 June 2023	945	354	36	1,335
Accumulated Depreciation				
At 1 July 2022	(155)	(245)	(24)	(424)
Depreciation charge	(94)	(37)	(8)	(139)
At 30 June 2023	(249)	(282)	(32)	(563)
Carrying amount				
At 30 June 2023	696	72	4	772
At 30 June 2022	790	90	12	892

The net book value of buildings comprises a long leasehold of £696,000 (2022 - £790,000).

A lease agreement was signed by Zepf Technologies UK Limited on 13 November 2020. The property enables the company to have sufficient space for storing inventory as well as meet various demands (such as office for design employees, additional workspace for manufacturing processes and storing of other items). The lease term for the agreement is 10 years. The company leases vehicles, and right-of-use assets recognized in the plant and equipment (refer to Note 8).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

8. LEASES

(a) Movements of leases

	Buildings	Cars	Total
	£ 000	£ 000	£ 000
Movement of right-of-use assets			
At 1 July 2022	790	27	817
Additions	—	10	10
Depreciation	(94)	(15)	(109)
At 30 June 2023	696	22	718

The company leases vehicles, and right-of-use assets recognized in the plant and equipment. Rental contracts are typically made for fixed periods of 3 years, and their costs and accumulated depreciation are written off at the end of that period. Some contracts were terminated before the original end date, and remaining net book values have been written of against the respective lease liabilities with no effect on the results of the company.

	Buildings	Cars	Total
	£ 000	£ 000	£ 000
Movement of lease liabilities			
At 1 July 2022	(805)	(26)	(831)
Addition	—	(10)	(10)
Payments	109	15	124
Interest expense	(9)	—	(9)
At 30 June 2023	(705)	(21)	(726)

	30 June 2023	30 June 2022
	£ 000	£ 000
Current lease liabilities	(113)	(114)
Non-current lease liabilities	(613)	(717)
	(726)	(831)

(b) Amounts recognised in the statement of profit or loss

Other operating expenses associated with leases of low value assets and short term leases were £16,000 in the year ended 30 June 2023 (2022 - £11,000).

The total cash outflow for leases in the year ended 30 June 2023 was £124,000 (2022 - £128,000).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

9. DEFERRED TAX ASSETS

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

	Property, plant and equipment £ 000	Other temporary differences £ 000	Total £ 000
At 1 July 2021	10	1	11
Recognised in income statement	1	—	1
At 30 June 2022	11	1	12
Recognised in income statement	3	—	3
At 30 June 2023	14	1	15

10. INVENTORIES

	30 June 2023 £ 000	30 June 2022 £ 000
Raw materials and consumables	242	222
Work in progress	182	150
	424	372

Inventories are disclosed net of provisions of £nil (2022 - £nil) for obsolescence.

Inventories expensed in the year ended 30 June 2023 amounted to £740,000 (2022 - £693,000).

Zepf Technologies UK Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

11. TRADE AND OTHER RECEIVABLES

	30 June 2023	30 June 2022
	£ 000	£ 000
Trade receivables	866	852
Amounts owed by fellow group undertakings	405	45
Prepayments and accrued income	29	41
	1,300	938

The aged analysis of trade receivables is as follows:

	30 June 2023	30 June 2022
	£ 000	£ 000
Not overdue	811	654
Overdue 1 - 30 days	149	55
Overdue 31 - 60 days	59	21
Overdue 61 - 90 days	94	130
Overdue 91 - 180 days	52	26
Overdue more than 180 days	106	11
	1,271	897

Amounts owed by fellow group undertakings include a loan receivable from Diageo Scotland Limited in the amount of £534,000 (2022 - £44,000) which is unsecured, repayable on demand and bears interest at a floating rate; and include a loan payable to Diageo Scotland Limited in the amount of £344,000 (2022 - £344,000) which is unsecured, repayable on demand and is interest free.

Trade and other receivables are disclosed net of provision of £66,000 (2022 - £nil) for bad and doubtful debts.

12. TRADE AND OTHER PAYABLES

	30 June 2023	30 June 2022
	£ 000	£ 000
Amounts owed to fellow group undertakings	—	300
Trade payables	80	103
Accruals and deferred income	174	144
Other payables	227	148
	481	695

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NOTES TO THE FINANCIAL STATEMENTS (continued)

13. OTHER FINANCIAL LIABILITY

	Current liabilities £ 000	Non-current liabilities £ 000
2023		
Non-derivative liabilities		
Lease liabilities	113	613
	<u>113</u>	<u>613</u>
2022		
Non-derivative liabilities		
Lease liabilities	114	717
	<u>114</u>	<u>717</u>

14. PROVISIONS

	Warranty claims £ 000
At 1 July 2022	18
Released during the year	(18)
Provision charged during the year	12
At 30 June 2023	<u>12</u>
Current liabilities	<u>12</u>

Provision includes obligations relating to warranty claims that are expected to be settled in the next financial year and are therefore classified as current liabilities.

15. CALLED UP SHARE CAPITAL

Allotted, called up and fully paid:

	30 June 2023 £ 000	30 June 2022 £ 000
500,000 (2022 - 500,000) ordinary shares of £1 each	<u>500</u>	<u>500</u>

The proposed final dividend for the year ended 30 June 2023 amounts to £500,000 (2022 - £430,000). The dividend per share is £1 (2022 - £0.86) on each ordinary shares of £1 each.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

16. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking of the company is Diageo Scotland Limited, a company incorporated and registered in Scotland, 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. Diageo plc is incorporated and registered in England, United Kingdom. The consolidated financial statements of Diageo plc can be obtained from the registered office at Diageo, 16 Great Marlborough Street, London, W1F 7HS, United Kingdom.