

Guinness Overseas Holdings Limited
Annual report and financial statements
30 June 2019

Registered number: 01488969



Guinness Overseas Holdings Limited
Registered number: 01488969
Year ended 30 June 2019

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Guinness Overseas Holdings Limited
Registered number: 01488969
Year ended 30 June 2019

STRATEGIC REPORT

The directors present their strategic report for the year ended 30 June 2019.

Activities

The company is the holding company of a group of companies that are engaged in brewing overseas and the export of beer products. The directors foresee no changes in the company's activities.

Business review

Development and performance of the business of the company during the financial year and position of the company as at 30 June 2019

On 10 January 2012 Guinness Overseas Holding Limited acquired 100% of share capital of Meta Abo Brewery Share Company (Meta Abo Brewery S.C.) for £149,286,000 and it became a wholly owned subsidiary of the company. The company injected additional equity capital of £54,299,000 in order to fund the expansion of the supply capacity for future demand and to satisfy all of relevant obligations denominated in different foreign currencies. The total gross amount of the investment with the capital injections increased to £203,585,000 at 30 June 2016. The performance of the business during 2016 did not achieve the expected growth levels envisaged after the expansion investment. As a result, the recoverable amount of the investment was determined to be lower than the total investment value by £77,514,000, so provision for impairment was recognised of the same amount.

On 10 October 2016 the company subscribed to additional share capital in Meta Abo Brewery S.C. for £52,435,000. The capital contribution was solely needed to assist the subsidiary to improve their working capital position and the cash injection had no favourable impact on the cashflow generating ability of Meta Abo Brewery S.C.. The business performance and the short term expectations of the subsidiary were negatively influenced by significant deterioration of the local currency against hard currencies and some one-off operational issues. The devaluation of local currency also had a longer term adverse impact on the expected gross margin of Meta Abo Brewery S.C., although it was expected to be offset through pricing. These factors had a negative impact on the recoverable amount of the investment which was assessed to be £80,979,000 at 30 June 2017. Therefore an impairment charge of £97,527,000 was recorded in respect of the company's investment in Meta Abo Brewery S.C..

The negative trend continued during the previous financial year as the performance of the business was influenced by devaluation of the Ethiopian birr, increasing costs of imported raw materials and products, an increased competitive environment, political unrest in Ethiopia and increased funding requirements of Meta Abo Brewery S.C.. All these factors had a negative impact on the recoverable amount of the investment which was assessed to be £nil at 30 June 2018. Therefore an impairment charge of £80,979,000 was recorded in respect of the company's investment in Meta Abo Brewery S.C..

On 13 March 2019 the board approved an additional equity injection to Meta Abo Brewery S.C. up to \$27,860,000 (£19,900,000). This capital contribution was implemented through several tranches in the amount of \$10,573,000 (£8,090,000). On 18 March 2019 and on 20 June 2019 the company subscribed for additional share capital in Meta Abo Brewery S.C. of \$6,965,000 (£5,253,000) and \$3,608,000 (£2,837,000) respectively. During the year, the performance of this business was impacted by civil unrest in Ethiopia, disrupting production and distribution, as well as by supply and technical challenges. These external and internal factors had a negative impact on the recoverable amount of the investment which was assessed by the directors to be £4,979,000 at 30 June 2019, and as a result a further provision for impairment was recognised in the amount of £3,111,000.

Guinness Overseas Holdings Limited

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Year ended 30 June 2019

STRATEGIC REPORT (continued)

Business review (continued)

The loss for the year decreased to £318,000 at the year ended 30 June 2019 from a loss of £83,295,000 for the year ended 30 June 2018. The main driver of the loss recognized at 30 June 2018 was the impairment charge in respect of the company's investment in Meta Abo Brewery S.C in the amount of £80,979,000.

During the year ended 30 June 2019 the company received dividend income from Guinness Cameroun S.A. in the amount of £5,332,000 (2018 - £nil).

The total net liability increased to £48,306,000 from £43,009,000, mainly due to the additional loan required to finance the share capital increase in Meta Abo Brewery S.C.

Financial and other key performance indicators

As the company is an intermediary holding company within the Diageo group ("the group"), the principal key performance indicator used by management to analyse the development, performance and position of the company's business is adherence to the group dividend policy.

Principal risks and uncertainties facing the company as at 30 June 2019

The company believes the following to be the principal risks and uncertainties it faces. 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 and are managed by the group's treasury department. One company-specific risk has been identified, which is the recoverability of the company's investment in subsidiaries.

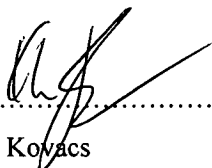
There continues to be uncertainty with respect to the process surrounding the United Kingdom's proposed exit from the European Union, and in relation to the political environment more generally in the United Kingdom. We continue to believe that, in the event of either a negotiated exit or no-deal scenario, the direct financial impact to the company will not be material. The full implications of Brexit will not be understood until future tariffs, trade, regulatory, tax, and other free trade agreements to be entered into by the United Kingdom are established. Furthermore, the group could experience changes to laws and regulations post Brexit, in areas such as intellectual property rights, employment, environment, supply chain logistics, data protection, and health and safety.

A cross-functional working group is in place that meets on a regular basis to identify and assess the consequences of Brexit, with all major functions within the group's business represented. The group continues to monitor this risk area very closely, as well as the broader environment risks, including a continuing focus on identifying critical decision points to ensure potential disruption is minimised, and take prudent actions to mitigate these risks wherever practical. More specific details on the impact of Brexit are included in the consolidated financial statements of Diageo plc which are publicly available.

Guinness Overseas Holdings Limited
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STRATEGIC REPORT (continued)

By order of the board

A handwritten signature in black ink, appearing to be 'G Kovacs', written over a horizontal dotted line.

G Kovacs
Director

Lakeside Drive
Park Royal
London
NW10 7HQ

18 December 2019

Guinness Overseas Holdings Limited**Registered number: 01488969****Year ended 30 June 2019****DIRECTORS' REPORT**

The directors are pleased to submit their annual report, together with the audited financial statements for the year ended 30 June 2019.

The company is incorporated and domiciled as a private limited company in the United Kingdom. The registered address is Lakeside Drive, Park Royal, London, NW10 7HQ.

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the business review section of the strategic report on pages 2 to 4. The company participates in the group's centralised treasury arrangements and the parent and fellow group undertakings are expected to provide financial support for the foreseeable future. The company is not reliant on external third party financing. The only liabilities at the balance sheet date are in respect of balances due to fellow group undertakings. 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 the foreseeable future as a fellow group undertaking has agreed to provide financial support for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Financial

The result for the year ended 30 June 2019 is shown on page 10.

The loss for the year transferred to reserves was £318,000 (2018 - £83,295,000).

No dividend was paid during the year (2018 - £nil) and there is no dividend proposed to be distributed to the shareholders in regards to the financial year (2018 - £nil).

Directors

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

J M C Edmunds

D F Harlock (resigned 1 August 2018)

G Kovacs (appointed 1 August 2018)

A Mahler (resigned 1 August 2018)

K E Major (appointed 1 August 2018)

Directors' remuneration

None of the directors received any remuneration during the year in respect of their services as directors of the company (2018 - £nil).

Guinness Overseas Holdings Limited

Registered number: 01488969

Year ended 30 June 2019

DIRECTORS' REPORT (continued)

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.

Post balance sheet events

Subsequent capital contribution to group undertaking

On 2 September 2019 the company paid an additional share capital contribution to Meta Abo Brewery S.C. for \$3,900,000 (£3,213,000).

Subsequent increase in share capital

On 8 August 2019 the board approved a further share capital subscription for 87,560,000 ordinary shares of £1.00 each, for a total consideration of £87,560,000, which was fully paid by Diageo plc, the immediate shareholder of the company on 30 August 2019.

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 2019 on page 75 at www.diageo.com, which does not form part of this report.

Auditors

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

By order of the board



G Kovacs
Director

Lakeside Drive
Park Royal
London
NW10 7HQ

18 December 2019

Guinness Overseas Holdings Limited

Registered number: 01488969

Year ended 30 June 2019

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 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 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.

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.

Independent auditors' report to the members of Guinness Overseas Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Guinness Overseas Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its loss 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 (the "Annual Report"), which comprise: the balance sheet as at 30 June 2019; the statement of comprehensive income, 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

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2019 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 in respect of the financial statements set out on page 7, 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.

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.

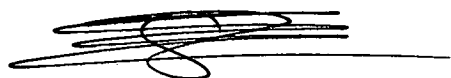
Other required reporting

Companies Act 2006 exception reporting

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

- we have not received 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.



Steve Reid (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 December 2019

Guinness Overseas Holdings Limited
Registered number: 01488969
Year ended 30 June 2019

STATEMENT OF COMPREHENSIVE INCOME

		Year ended 30 June 2019	Year ended 30 June 2018
	Notes	£ 000	£ 000
Operating income/(cost)	2	43	(44)
Income from shares in group undertakings	3	5,332	—
Provision against subsidiary undertakings	6	(3,111)	(80,979)
Operating profit/(loss)		2,264	(81,023)
Finance charges	4	(2,624)	(2,272)
Loss before taxation on ordinary activities		(360)	(83,295)
Taxation on loss on ordinary activities	5	42	—
Loss for the financial year and total comprehensive expense for the year		(318)	(83,295)

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

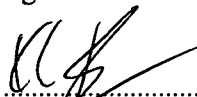
The company had no other comprehensive income or expense during the current and previous year.

Guinness Overseas Holdings Limited**Registered number: 01488969****Year ended 30 June 2019****BALANCE SHEET**

	Notes	30 June 2019 £ 000	30 June 2018 £ 000
Non-current assets			
Investments in subsidiaries	6	33,912	28,933
Current assets			
Trade and other receivables	7	5,374	—
Cash and cash equivalents		1	1
Total assets		<u>39,287</u>	<u>28,934</u>
Current liabilities			
Trade and other payables	8	(82,614)	(71,900)
Provisions	9	—	(43)
		<u>(82,614)</u>	<u>(71,943)</u>
Net liabilities		<u>(43,327)</u>	<u>(43,009)</u>
Equity			
Called up share capital	10	—	—
Accumulated deficit		(43,327)	(43,009)
Total equity		<u>(43,327)</u>	<u>(43,009)</u>

The accounting policies and other notes on pages 13 to 23 form part of the financial statements.

These financial statements on pages 10 to 23 were approved by the Board on 18 December 2019 and were signed on its behalf by:



G Kovacs

Director

Guinness Overseas Holdings Limited
Registered number: 01488969
Year ended 30 June 2019

STATEMENT OF CHANGES IN EQUITY
ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

	Called up share capital £ 000	Retained earnings/ Accumulated deficit £ 000	Total £ 000
Balance at 30 June 2017	—	40,286	40,286
Loss for the financial year	—	(83,295)	(83,295)
Balance at 30 June 2018	—	(43,009)	(43,009)
Loss for the financial year	—	(318)	(318)
Balance at 30 June 2019	—	(43,327)	(43,327)

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

Guinness Overseas Holdings Limited

Registered number: 01488969

Year ended 30 June 2019

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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 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:

- 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'
- 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).
- Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets' (disclosures when the recoverable amount is fair value less costs of disposal, assumptions involved in estimating recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives, and management's approach to determining these amounts).
- The following paragraphs of IAS 24 'Related party disclosures':
 - 17 (key management compensation);
 - 18A (key management services provided by a separate management entity).

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

- 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.

The company has taken advantage of the exemption by virtue of section 400 under Companies Act 2006, from the requirement to prepare consolidated financial statements, as it and its subsidiaries are included in the consolidated financial statements of its ultimate parent, Diageo plc.

These financial statements are separate financial statements.

Going concern

The financial statements have been prepared on a going concern basis as a fellow group undertaking has agreed to provide financial support for the foreseeable future. The only liabilities at the balance sheet date are in respect of balances due to fellow group undertakings.

New accounting standards and interpretations

The following amendments to the accounting standards, issued by the IASB which have been endorsed by the EU, have been adopted by the group and therefore by the company from 1 July 2018 with no impact on the company's results, financial position or disclosures:

- Amendments to IAS 40 - Transfers of Investment Property;
- Amendments to IFRS 2 - Classification and Measurement of Share-based payment transactions;
- Amendments to IFRS 4 - Applying IFRS 9 with IFRS 4 Insurance contracts;
- Improvements to IFRS 1 - First-time Adoption of International Financial Reporting Standards: Deletion of short-term exemptions for first-time adopters;
- Improvements to IAS 28 - Investments in Associates and Joint Ventures: Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice;
- IFRIC 23 Uncertainty over Income Tax Treatments.

Functional and presentational currency

These financial statements are presented in (£), which is the company's functional currency.

All financial information presented in (£) has been rounded to the nearest thousand unless otherwise stated.

Finance income/costs

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

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 (£) at the financial year end exchange rates and these foreign exchange differences are recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Investments in subsidiaries

Investments in subsidiaries are stated at historical cost less impairment provisions for any permanent decrease in value. The carrying amounts of the company's investments are reviewed at each reporting date to determine whether there is an indication of impairment. If such an indication exists, then the asset's recoverable amount is estimated. Losses are recognised in the statement of comprehensive income to reflect an impairment against the carrying value. Where an event results in the asset's recoverable amount being higher than the previously impaired carrying value, the original impairment may be reversed through the statement of comprehensive income in subsequent periods..

Financial assets and liabilities

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

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

Cash and cash equivalents Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. 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.

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.

Guinness Overseas Holdings Limited

Registered number: 01488969

Year ended 30 June 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Dividends

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

The critical accounting policy, which the directors consider is of greater complexity and particularly subject to the exercise of judgements and estimates, is set out in detail in the accounting policy for investments in subsidiaries. A critical accounting judgement, specific to the company, is the assessment that recoverable amount of the company's investment in subsidiaries is greater than the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. OPERATING INCOME/(COSTS)

	Year ended 30 June 2019 £ 000	Year ended 30 June 2018 £ 000
Operating income/(costs)		
Provision for potential legal claims	43	(43)
Other operating expenses	—	(1)
	<u>43</u>	<u>(44)</u>

The auditors' remuneration of £7,000 (2018 - £7,000) 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 (2018 - £nil).

The company did not employ any staff during either the current or prior year.

None of the directors received any remuneration during the financial year in respect of their services as directors of the company (2018 - £nil).

3. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	Year ended 30 June 2019 £ 000	Year ended 30 June 2018 £ 000
Dividend income from shares in group undertakings		
Guinness Cameroun S.A.	<u>5,332</u>	<u>—</u>

Net dividend income from shares in group undertakings during the year ended 30 June 2019 amounted to £4,452,000 (2018 - £nil), which is due by receiving amounts from Guinness Cameroun S.A. (see note 7). Withholding tax suffered in respect of the dividend received amounted to £880,000 (2018 - £nil).

4. FINANCE CHARGES

	Year ended 30 June 2019 £ 000	Year ended 30 June 2018 £ 000
Interest charge to fellow group undertakings		
Diageo Finance plc	(2,624)	(2,272)
Finance charges	<u>(2,624)</u>	<u>(2,272)</u>

Guinness Overseas Holdings Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

5. TAXATION

	Year ended 30 June 2019 £ 000	Year ended 30 June 2018 £ 000
(a) Analysis of taxation for the year		
Current tax		
UK corporation tax	490	—
Foreign taxes suffered	(880)	—
Adjustments in respect of prior years	432	—
Current tax	42	—
Deferred tax	—	—
Taxation on ordinary activities	42	—
	Year ended 30 June 2019	Year ended 30 June 2018
(b) Factors affecting total tax for the year		
Loss on ordinary activities before taxation	(360)	(83,295)
Taxation on loss on ordinary activities at UK corporation tax rate of 19% (2018 - 19%)	68	15,826
Income not taxable	1,013	—
Items not deductible for tax purposes	(591)	(15,386)
Group relief surrendered for nil consideration	—	(440)
Foreign taxes suffered	(880)	—
Adjustments in respect of prior years	432	—
Total tax credit for the year	42	—

The UK tax rate is 19% effective from 1 April 2017 which is applied for year ended 30 June 2019. A further reduction to 17% (effective from 1 April 2020) was enacted in September 2016.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INVESTMENTS

<i>Shares in group undertakings</i>	Subsidiaries
	£ 000
Cost	
At 30 June 2018	331,338
Additions	8,090
At 30 June 2019	339,428
Provisions	
At 30 June 2018	(302,405)
Provided	(3,111)
At 30 June 2019	(305,516)
Carrying amount	
At 30 June 2019	33,912
At 30 June 2018	28,933

On 10 January 2012 Guinness Overseas Holding Ltd acquired 100% of share capital of Meta Abo Brewery Share Company (Meta Abo Brewery S.C.) for £149,286,000 and it became a wholly owned subsidiary of the company. The company injected additional equity capital of £54,299,000 in order to fund the expansion of the supply capacity for future demand and to satisfy all of relevant obligations denominated in different foreign currencies. The total gross amount of the investment with the capital injections increased to £203,585,000 at 30 June 2016. The performance of the business during 2016 did not achieve the expected growth levels envisaged after the expansion investment. As a result, the recoverable amount of the investment was determined to be lower than the total investment value by £77,514,000, so provision for impairment was recognised of the same amount.

On 10 October 2016 the company subscribed to additional share capital in Meta Abo Brewery S.C. for £52,435,000. The capital contribution was solely needed to assist the subsidiary to improve their working capital position and the cash injection had no favourable impact on the cashflow generating ability of Meta Abo Brewery S.C.. The business performance and the short term expectations of the subsidiary were negatively influenced by significant deterioration of the local currency against hard currencies and some one-off operational issues. The devaluation of local currency also had a longer term adverse impact on the expected gross margin of Meta Abo Brewery S.C., although it was expected to be offset through pricing. These factors had a negative impact on the recoverable amount of the investment which was assessed to be £80,979,000 at 30 June 2017. Therefore an impairment charge of £97,527,000 was recorded in respect of the company's investment in Meta Abo Brewery S.C..

Guinness Overseas Holdings Limited**Registered number: 01488969****Year ended 30 June 2019****NOTES TO THE FINANCIAL STATEMENTS (continued)****6. INVESTMENTS (continued)**

The negative trend continued during the previous financial year as the performance of the business was influenced by devaluation of the Ethiopian birr, increasing costs of imported raw materials and products, an increased competitive environment, political unrest in Ethiopia and increased funding requirements of Meta Abo Brewery S.C.. All these factors had a negative impact on the recoverable amount of the investment which was assessed to be £nil at 30 June 2018. Therefore an impairment charge of £80,979,000 was recorded in respect of the company's investment in Meta Abo Brewery S.C..

On 13 March 2019 the board approved an additional equity injection to Meta Abo Brewery S.C. up to \$27,860,000 (£19,900,000). This capital contribution was implemented through several tranches in the amount of \$10,573,000 (£8,090,000). On 18 March 2019 and on 20 June 2019 the company subscribed for additional share capital in Meta Abo Brewery S.C. of \$6,965,000 (£5,253,000) and \$3,608,000 (£2,837,000) respectively. During the year, the performance of this business was impacted by civil unrest in Ethiopia, disrupting production and distribution, as well as by supply and technical challenges. These external and internal factors had a negative impact on the recoverable amount of the investment which was assessed by the directors to be £4,979,000 at 30 June 2019, and as a result a further provision for impairment was recognised in the amount of £3,111,000.

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows. Unless otherwise stated the percentage of shares held are in respect of ordinary share capital.

Name of investment	Notes	Registered office address	Proportion of ownership interest %*	Proportion of effective interest %**
Direct holdings				
<i>Subsidiary undertakings</i>				
Guinness Cameroun S.A.		Bassa industrial trade zone, Ndog HemII, PO BOX 1213 Douala, Cameroun	92.07%	92.07%
Meta Abo Brewery Share Company		Region Oromia, Subcity Finfine around Oromia, Woreda/Kebele Sebeta Hawas, City Sebeta Town, Ethiopia	100%	100%

The investments in subsidiaries are held at cost less, where appropriate, provision for impairment in value.

In the opinion of the directors, the investment in the company's subsidiary undertakings are worth at least the amount at which they are stated in the financial statements.

* The percentage of shares held owned by the immediate shareholder(s) of the subsidiary

** Effective percentage of shares held owned by the company

Guinness Overseas Holdings Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. TRADE AND OTHER RECEIVABLES

	30 June 2019	30 June 2018
	£ 000	£ 000
Amounts owed by fellow group undertakings		
Guinness Cameroun S.A.	4,452	—
Diageo Scotland Limited	922	—
	<u>5,374</u>	<u>—</u>

The amount owed by Guinness Cameroun S.A. is the dividend receivables in the amount of £4,452,000 (2018 - £nil). As the company has accumulated deficit, the calculated tax credit for the year is received by Diageo Scotland Limited and subsequently repaid to the company.

8. TRADE AND OTHER PAYABLES

	30 June 2019	30 June 2018
	£ 000	£ 000
Amounts owed to fellow group undertakings		
Diageo Finance plc	82,614	71,900
	<u>82,613</u>	<u>71,900</u>

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

9. PROVISIONS

	Other
	£ 000
At 30 June 2018	43
Provision released during the year	(43)
At 30 June 2019	<u>—</u>

The provision was released as a result of a payment made on the company's behalf by Meta Abo Brewery S.C., a subsidiary of the company. The legal case has not been settled and remains a contingent liability for the company (see note 11).

Guinness Overseas Holdings Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

10. SHARE CAPITAL

Allotted, called up and fully paid:

	30 June 2019
	£
100 (2018 - 100) ordinary shares of £1 each	<u>100</u>

11. CONTINGENT LIABILITIES

Under the purchase agreement signed between the company and Privatization and Public Enterprise Supervising Agency (PPESA) for the acquisition of Meta Abo Brewery Share Company (Meta Abo Brewery S.C.), a fully owned subsidiary of the company, PPESA was entitled to outstanding dividend payments for the period from 30 June 2011 to 9 January 2012. As per the terms of the purchase agreement, Meta Abo Brewery S.C. had the business audited for this period by an independent third party, who determined that there was no profit and therefore no dividend due in the relevant period. After a period of informal dispute, PPESA has now issued formal legal proceedings, disputing the validity of the audit and claiming dividends interest and late payment penalties.

At 30 June 2018 management calculated an expected liability and provided for the amount. The amount was paid in the financial year and the related provision was subsequently released (see notes 2 and 9). Management believes that there is no further liability beyond this amount.

On 29 October, 2019 PPESA filed a legal claim against Guinness Overseas Holdings Limited at Federal High Court in the amount of ETB 54.6 million (£1.5 million). The hearing will start on 6 February 2020.

12. COMMITMENTS

Capital commitments

On 13 March 2019 the board approved a capital contribution to Meta Abo Brewery S.C. of up to \$27,860,000 (£19,900,000). The capital contribution has been partially completed to the amount of \$10,573,000 (£8,090,000) at 30 June 2019. Additional approved capital contributions to Meta Abo Brewery S.C., not provided for in these financial statements, are \$17,287,000 (£11,810,000). This is expected to be paid during next year (see note 6 and 13 for already paid tranches).

Guinness Overseas Holdings Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

13. POST BALANCE SHEET EVENTS

Subsequent capital contribution to group undertaking

On 2 September 2019 the company paid an additional share capital contribution to Meta Abo Brewery S.C. for \$3,900,000 (£3,213,000).

Subsequent increase in share capital

On 8 August 2019 the board approved a further share capital subscription for 87,560,000 ordinary shares of £1.00 each, for the total consideration of £87,560,000, which was fully paid by Diageo plc, the immediate shareholder of the company on 30 August 2019.

14. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

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