

**Diageo Overseas Holdings Limited**  
**Annual report and financial statements**  
**30 June 2019**

Registered number: 03341331



**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2019**

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**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2019**

## **STRATEGIC REPORT**

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

### **Activities**

The principal activity of the company is to act as an investment holding company for the Diageo group ("the group").

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*

As part of a reorganisation project, the parent undertaking, Diageo Investment Holdings Limited, subscribed for an additional 13,000 ordinary shares of £1.00 each in the company for a total consideration of £130,000,000.

The trade receivable balance owed by Diageo Treasury Australia LLP at 30 June 2018 and related interest accrued was fully repaid in May 2019.

In the year ended 30 June 2019, an impairment charge of £65,344,861 (2018 – £360,166,000) was recorded in respect of the company's investments in Diageo Supply Marracuene Limitada (£77,716), Diageo Treasury Australia LLP (£8,759,575) and DEF Investments Limited (£56,507,570).

In terms of investment in Diageo Supply Marracuene Limitada, the underlying reason for impairment is the continued economic downturn in Mozambique.

Diageo Treasury Australia LLP and DEF Investments Limited are expected to be liquidated in the forthcoming business year, therefore the recoverable amounts of the investments were assumed to be nil.

Loss for the year ended 30 June 2019 decreased by 79% to £78,647,000 mainly as a result of a reduced impairment charge within the year compared to the year ended 30 June 2018. Net assets have increased by £51,353,000 mainly as a result of the capital injection that eliminated the loss for the year.

### *Financial and other key performance indicators*

As the company is an intermediary holding company within 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.

**Diageo Overseas Holdings Limited**  
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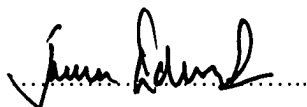
**STRATEGIC REPORT (continued)**

**Business review (continued)**

The process surrounding the United Kingdom's future trading relationship with the European Union continues. The group remains of the view that, in the event of either a future free trade agreement (FTA) or a 'no FTA' outcome at the end of the implementation period between the UK and the EU, the direct financial impact to the company will not be material. The full implications of Brexit will not be understood until future trade, regulatory and tax arrangements 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 takes prudent actions to mitigate these risks wherever practical. More specific details on the impact of Brexit are included in the 2020 interim results presentation of Diageo plc which are publicly available.

On behalf of the board



J M C Edmunds  
Director

Lakeside Drive  
Park Royal  
London  
NW10 7HQ

29 April 2020

**Diageo Overseas Holdings Limited****Registered number: 03341331****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 3. The company is expected to continue to remain in positive net asset position for the foreseeable future. The company participates in the group's centralised treasury arrangements and the parent and fellow group undertakings are expected to provide financial support for the foreseeable future. The company is not reliant on external third party financing. The 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 9.

The loss for the year transferred from reserves was £78,647,000 (2018 - £376,314,000).

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:

P Viswanathan

J M C Edmunds

K E Major (appointed 1 August 2018)

Cs Hajos (appointed 13 March 2019)

D F Harlock (resigned 1 August 2018)

V Rao (resigned 13 March 2019)

**Directors' remuneration**

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

**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.

**Diageo Overseas Holdings Limited**

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**Year ended 30 June 2019**

## **DIRECTORS' REPORT (continued)**

### **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](http://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.

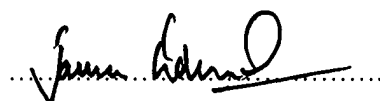
### **Post balance sheet events**

At the beginning of calendar year 2020 a new coronavirus, referred to as 'COVID-19', emerged and has been classified as a pandemic due to its spread across the world. Given the global nature of the COVID-19 pandemic, and the uncertainty as to the severity and duration of the impact across multiple markets, it is difficult to accurately assess the impact the virus will have on the future financial performance of the company, although it is expected that the pandemic will not affect the ability of the group to operate as a going concern. On 9 April 2020 Diageo plc, the ultimate parent of the Company, issued an announcement relating to the impact of the COVID-19 outbreak. The announcement emphasised that the group has a strong balance sheet and is taking actions to maintain good liquidity of the group and will invest prudently to ensure that it is strongly positioned for a recovery in consumer demand. The directors are therefore comfortable that the group is able to provide support for a period of at least 12 months from the date of the signed financial statements. The future cash flow forecasts in relation to impairment of investments are being reviewed. There is a risk that such review could result in an impairment but this cannot be quantified at this stage.

### **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.

On behalf of the Board



J M C Edmunds  
Director

Lakeside Drive  
Park Royal  
London  
NW10 7HQ

29 April 2020

**Diageo Overseas Holdings Limited**

**Registered number: 03341331**

**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 Diageo Overseas Holdings Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Diageo 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.

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### **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.

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### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

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.

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### **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.

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## **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 6, 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](http://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.

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## **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.



Christopher Richmond (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
29 April 2020

**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2019**

**STATEMENT OF COMPREHENSIVE INCOME**

	Notes	Year ended 30 June 2019 £ 000	Year ended 30 June 2018 £ 000
Operating costs	2	(51,476)	(360,167)
Income from shares in group undertakings	3	19,979	31,408
<b>Operating loss</b>		<b>(31,497)</b>	<b>(328,759)</b>
Net finance charges	4	(45,751)	(46,353)
<b>Loss before taxation on ordinary activities</b>		<b>(77,248)</b>	<b>(375,112)</b>
Taxation on loss on ordinary activities	5	(1,399)	(1,202)
<b>Loss for the financial year and total comprehensive expense for the year</b>		<b>(78,647)</b>	<b>(376,314)</b>

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.

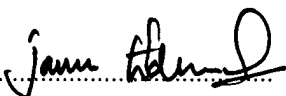
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**BALANCE SHEET**

	Notes	Year ended 30 June 2019 £ 000	Year ended 30 June 2018 £ 000
<b>Non-current assets</b>			
Investments	6	1,623,439	1,591,901
Trade and other receivables	7	—	287,500
		<u>1,623,439</u>	<u>1,879,401</u>
<b>Current assets</b>			
Trade and other receivables	7	34,194	19,127
Cash and cash equivalents		—	—
Corporate tax receivables		542	542
		<u>34,736</u>	<u>19,669</u>
<b>Total assets</b>		<u><b>1,658,175</b></u>	<u><b>1,899,070</b></u>
<b>Current liabilities</b>			
Trade and other payables	8	(639,761)	(932,009)
<b>Net assets</b>		<u><b>1,018,414</b></u>	<u><b>967,061</b></u>
<b>Equity</b>			
Called up share capital	10	208,571	208,558
Share premium		1,342,354	1,212,367
Accumulated deficit		(532,511)	(453,864)
<b>Total equity</b>		<u><b>1,018,414</b></u>	<u><b>967,061</b></u>

The accounting policies and other notes on pages 12 to 23 form part of the financial statements.

These financial statements on pages 9 to 23 were approved by the Board on 29 April 2020 and were signed on its behalf by:

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J M C Edmunds  
Director

**Diageo Overseas Holdings Limited****Registered number: 03341331****Year ended 30 June 2019****STATEMENT OF CHANGES IN EQUITY**

ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

	<b>Called up share capital £ 000</b>	<b>Share premium £ 000</b>	<b>Accumulated deficit £ 000</b>	<b>Total £ 000</b>
<b>Balance at 30 June 2017</b>	<b>208,558</b>	<b>1,212,367</b>	<b>(77,550)</b>	<b>1,343,375</b>
Loss for the financial year	—	—	(376,314)	(376,314)
<b>Balance at 30 June 2018</b>	<b>208,558</b>	<b>1,212,367</b>	<b>(453,864)</b>	<b>967,061</b>
Loss for the financial year	—	—	(78,647)	(78,647)
Shares issued	13	129,987	—	130,000
<b>Balance at 30 June 2019</b>	<b>208,571</b>	<b>1,342,354</b>	<b>(532,511)</b>	<b>1,018,414</b>

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

**Diageo Overseas Holdings Limited**  
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**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).
- The following paragraphs of IAS 24 'Related party disclosures':
  - 17 (key management compensation);
  - 18A (key management services provided by a separate management entity).
- 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.

**Diageo Overseas Holdings Limited**  
**Registered number: 03341331**  
**Year ended 30 June 2019**

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

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

#### **Basis of preparation (continued)**

- 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 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 sterling (£), which is the company's functional currency.

All financial information presented in sterling (£) 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.

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

**1. ACCOUNTING POLICIES (continued)**

**Foreign currencies**

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

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

**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, including 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.

**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.

**Other investments** Other investments represent equity instruments, which are non-derivative financial assets that are either designated as such upon initial recognition or not classified in any of the other financial asset categories. Other investments are included in non-current assets as they are held not for trading. Subsequent to initial measurement, other investments are stated at fair value.

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

**1. ACCOUNTING POLICIES (continued)**

**Financial assets and liabilities (continued)**

Under IFRS 9, gains and losses arising from the changes in fair value of other investments are recognized in the statement of comprehensive income as the company has not elected the option to recognize fair value gains and losses through other comprehensive income. previously, under IAS 39, there was an exemption which allowed to use measuring unquoted equity instruments at cost less impairment provisions for any permanent decrease in value, however, IFRS 9 eliminated this exemption and the company has changed from cost to fair value measurement in respect of other investments.

**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 30 June 2019 are included in profit before taxation.

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.

**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 relevant accounting policies:

- Investment in subsidiaries: A critical accounting estimate is the assessment that recoverable amount of the company's investment is greater than the carrying amount.
- Taxation: The evaluation of deferred tax assets recoverability requires judgements to be made regarding the availability of future taxable income. The directors believe that the company will generate sufficient future taxable income.



**Diageo Overseas Holdings Limited**  
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**Year ended 30 June 2019**

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

**2. OPERATING COSTS**

	Year ended 30 June 2019 £ 000	Year ended 30 June 2018 £ 000
Other operating income	13,870	—
Other operating expenses	(65,346)	(360,167)
	<u>(51,476)</u>	<u>(360,167)</u>
<b>Comprising:</b>		
Other external charges	(1)	(1)
Impairment	(65,345)	(360,166)
	<u>(65,346)</u>	<u>(360,167)</u>

The auditors' remuneration of £3,000 (2018 - £3,000) 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).

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

**3. INCOME FROM SHARES IN GROUP UNDERTAKINGS**

	Year ended 30 June 2019 £ 000	Year ended 30 June 2018 £ 000
<b>Dividend income from shares in group undertakings</b>		
Diageo Atlantic B.V.	19,979	31,408

**4. FINANCE INCOME AND CHARGES**

	Year ended 30 June 2019 £ 000	Year ended 30 June 2018 £ 000
<b>Net interest</b>		
Interest from fellow group undertakings		
Diageo Finance plc	188	192
Diageo Treasury Australia LLP	10,997	12,018
<b>Total interest income</b>	<u>11,185</u>	<u>12,210</u>
 Interest charge to fellow group undertakings		
Diageo Finance plc	(56,936)	(58,563)
<b>Total interest charges</b>	<u>(56,936)</u>	<u>(58,563)</u>
 <b>Net finance charges</b>	<u>(45,751)</u>	<u>(46,353)</u>

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## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 5. TAXATION

	Year ended 30 June 2019 £ 000	Year ended 30 June 2018 £ 000
<b>(a) Analysis of taxation charge for the year</b>		
<b>Current tax</b>		
Foreign taxes suffered	(1,399)	(1,202)
<b>Total current tax</b>	(1,399)	(1,202)
<b>Total deferred tax</b>	—	—
<b>Taxation on loss on ordinary activities</b>	<u>(1,399)</u>	<u>(1,202)</u>
	<b>Year ended 30 June 2019 £ 000</b>	<b>Year ended 30 June 2018 £ 000</b>
<b>(b) Factors affecting total tax charge for the year</b>		
Loss on ordinary activities before taxation	<u>(77,248)</u>	<u>(375,112)</u>
Taxation on loss on ordinary activities at UK corporation tax rate of 19% (2018 - 19%)	14,677	71,271
Expenses not deductible for tax purposes	(12,415)	(68,431)
Items not chargeable for tax purposes	3,796	5,967
Group relief surrendered for nil consideration	(7,967)	(10,470)
Withholding tax suffered	266	228
Foreign taxes suffered	(1,399)	(1,202)
Other tax effects for reconciliation between accounting profit and tax income	1,643	1,435
<b>Total tax charge for the year</b>	<u>(1,399)</u>	<u>(1,202)</u>

The UK tax rate is 19% effective from 1 April 2017 which is applied for the year ended 30 June 2019. In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

**Diageo Overseas Holdings Limited**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**6. INVESTMENTS**

*(i) Shares in group undertakings and other investments*

	<b>Subsidiaries</b>	<b>Other investments</b>	<b>Total</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
<b>Cost</b>			
At 30 June 2018	2,335,747	356	2,336,103
Additions	96,806	78	96,884
Transfers	(8,760)	8,760	—
<b>At 30 June 2019</b>	<b>2,423,793</b>	<b>9,194</b>	<b>2,432,987</b>
<b>Provisions</b>			
At 30 June 2018	743,846	356	744,202
Provided	56,508	—	56,508
<b>At 30 June 2019</b>	<b>800,354</b>	<b>356</b>	<b>800,710</b>
<b>Other movement</b>			
Decrease in fair value	—	8,838	8,838
<b>At 30 June 2019</b>	<b>—</b>	<b>8,838</b>	<b>8,838</b>
<b>Carrying amount</b>			
<b>At 30 June 2019</b>	<b>1,623,439</b>	<b>—</b>	<b>1,623,439</b>
At 30 June 2018	1,591,901	—	1,591,901

**Additions**

The company injected equity into DEF Investments Limited (£55,827,570), Diageo Australia Limited (£40,979,000) and Diageo Supply Marracuene Limitada (£77,716).

**Transfers**

In the financial year the company's investment in Diageo Treasury Australia LLP decreased from 99.99% to 13.56%, as the other member of Diageo Treasury Australia LLP paid up additional contribution. Therefore, the company's investment was diluted and the investment in Diageo Treasury Australia LLP was reclassified to other investments.

**Other investments**

The investments represent equity instruments, which are non-derivative financial assets that are either designated as such upon initial recognition or not classified in any of the other financial asset categories. They are included in non-current assets. Subsequent to initial measurement, the investments are stated at fair value. The company values its investments using unobservable inputs for the asset (Level 3). Gains and losses arising from the changes in fair value of the investments are recognized in the statement of comprehensive income.

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

### **6. INVESTMENTS (continued)**

#### **Provisions for impairment and other movement**

In the year ended 30 June 2019, an impairment charge of £56,507,570 (2018 – £360,166,000) was recorded in respect of the company's investments in DEF Investments Limited (£56,507,570), because it is expected to be liquidated in the forthcoming business year and no return is assumed. Fair value movement was recorded in respect of the company's other investments in Diageo Supply Marracuene Limitada (£77,716) due to economic downturn in Mozambique and Diageo Treasury Australia LLP (£8,759,575), as the company is expected to be liquidated in the following year and no return is assumed.

#### **Sensitivity to change in key assumptions**

Impairment testing for the year ended 30 June 2019 has identified the following investment as being sensitive to reasonably possible changes in assumptions. The table below shows the headroom at 30 June 2019 and the additional impairment charge that would be required if the assumptions in the calculation of its value in use were changed:

<b>Name of investment</b>	<b>Headroom £ 000</b>	<b>1ppt increase in discount rate £ 000</b>	<b>2ppt decrease in annual growth rate £ 000</b>
Diageo Atlantic B.V.	130,125	-	(32,569)

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.

<b>Name of investment</b>	<b>Notes</b>	<b>Registered office address</b>	<b>Proportion of ownership interest %*</b>	<b>Proportion of effective interest %**</b>
<b>Direct holdings</b>				
<i>Subsidiary undertakings</i>				
Guinness Overseas Limited		Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom	100%	100%
Diageo Australia Limited	(i)	Level 1, 162 Blues Point Road, McMahons Point, NSW 2060, Australia	99.99%	99.99%
DEF Investments Limited	(iii)	Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom	100%	100%
Diageo Atlantic B.V.		Molenwerf 12, 1014 BG Amsterdam, The Netherlands	100%	100%
<i>Other investment undertakings</i>				
Diageo Mozambique Lda.	(iii, vi)	Avenida Marginal parcela 141 2do Andar - Predio da Global Alliance Caixa Postal 96 Maputo, Mozambique	0.1%	100%
Diageo Supply Marracuene Lda.	(vii)	Estrada Nacional número 1, Micanhine, Marracuene, Mozambique	2.5%	100%
Diageo Treasury Australia LLP	(iii, v)	Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom	13.56%	100%

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

\*\*Effective percentage of shares held owned by the company directly and indirectly

**Diageo Overseas Holdings Limited**

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Year ended 30 June 2019

**NOTES TO THE FINANCIAL STATEMENTS (continued)****6. INVESTMENT (continued)**

Name of investment	Notes	Registered office address	Proportion of ownership interest %*	Proportion of effective interest %**
<b>Indirect holdings</b>				
<i>Subsidiary undertakings</i>				
Atalantaf Limited		Victoria Place, 5th floor 31 Victoria Street, Hamilton HM10, Bermuda	100%	100%
Diageo Brands Nigeria Ltd	(iii)	24 Oba Akran Avenue, PMB 21071, Ikeja, Lagos, Nigeria	99.99%	99.99%
Diageo Korea Company Limited		46 Dumujae-ro, Bubal-eup, Icheon-shi, Gyeonggi-do, 17317 Korea	100%	100%
DIREF Industria de Bebidas, Lda-Angola JV		Rua Dom Eduardo André Muaca, S/No, Lote C4, Angola	50.10%	50.10%
Guinness Canada Limited		Labatt House, Suite 299, 207 Queen's Quay West, Toronto ON, M5J 1A7, Canada	51%	51%
Guinness Nigeria plc		24 Oba Akran Avenue, PMB 21071, Ikeja, 100001 Lagos, Nigeria	58.02%	58.02%
Bundaberg Distilling Company Pty. Limited	(ii)	Whitted Street, Bundaberg, QLD 4670, Australia	100%	99.99%
Bundaberg Distilling Investments Pty Ltd	(i)	Level 1, 162 Blues Point Road, McMahons Point, NSW 2060, Australia	100%	99.99%
Crescendo Australia Pty Ltd	(i, iii)	Level 1, 162 Blues Point Road, McMahons Point, NSW 2060, Australia	100%	100%
<i>Associate undertakings</i>				
Seychelles Breweries Limited		O'Brien House, PO Box 273, Le Roucher, Mahe, Seychelles	26%	26%
Phoenix Beverages Limited	(iv)	4th Floor, IBL House, Caudan Waterfront, Port Louis, Mauritius	1.92%	1.92%
Sierra Leone Brewery Limited	(iv)	PO Box 721, Wellington Industrial Estate Freetown, Sierra Leone	1.31%	1.31%
<i>Joint venture undertakings</i>				
Diageo Angola Limitada		Rua Fernao de Sousa, Condominio Bengo, Letter A, 11.s floor, Fraction A37, neighbourhood Vila Alice, Municipality of Luanda, Province of Luanda, Angola	50%	50%

(i) Ownership held in class of A shares.

(ii) Ownership held in class of A shares and B shares.

(iii) In liquidation.

(iv) Dormant.

(v) 13.56% held directly, 86.44% held indirectly.

(vi) 0.1% held directly, 99.9% held indirectly.

(vii) 2.5% held directly, 97.5% held indirectly.

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

\*\*Effective percentage of shares held owned by the company directly and indirectly

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

### **6. INVESTMENT (continued)**

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 (and amounts due from) the company's subsidiary undertakings are worth at least the amount at which they are stated in the financial statements.

### **7. TRADE AND OTHER RECEIVABLES**

	<b>30 June 2019</b>		<b>30 June 2018</b>	
	<b>Due within one year</b>	<b>Due after one year</b>	<b>Due within one year</b>	<b>Due after one year</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
Amounts owed by fellow group undertakings				
Diageo Finance plc	34,194	—	16,130	—
Diageo Treasury Australia LLP	—	—	2,997	287,500
	<b>34,194</b>	<b>—</b>	<b>19,127</b>	<b>287,500</b>

The amount owed by Diageo Finance plc is interest bearing, unsecured and repayable on demand.

The amount owed by Diageo Treasury Australia LLP in the year ended 30 June 2018 and the related interest accrued were repaid in May 2019.

### **8. TRADE AND OTHER PAYABLES**

	<b>Year ended 30 June 2019</b>	<b>Year ended 30 June 2018</b>
	<b>£ 000</b>	<b>£ 000</b>
Amounts owed to fellow group undertakings		
Diageo Finance plc	639,761	932,009
	<b>639,761</b>	<b>932,009</b>

The amount owed to fellow group undertakings is interest bearing, unsecured and repayable on demand.

### **9. DEFERRED TAX ASSETS**

#### **Unrecognised deferred tax assets**

Deferred tax assets have been recognised to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Where this is not the case, deferred tax assets have not been recognised, as set out below:

	<b>Year ended 30 June 2019</b>	<b>Year ended 30 June 2018</b>
	<b>£ 000</b>	<b>£ 000</b>
Capital loss	7,132	—
	<b>7,132</b>	<b>—</b>

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

\*\*Effective percentage of shares held owned by the company directly and indirectly

**Diageo 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	30 June 2018
	£ 000	£ 000
22,576,293 (2018 - 22,563,293) ordinary shares of £1 each	22,576	22,563
20,000,000 (2018 - 20,000,000) preference shares of \$15 each at 0.62/\$	185,995	185,995
	<u>208,571</u>	<u>208,558</u>

As part of a reorganisation project, the parent undertaking, Diageo Investment Holdings Limited, subscribed for an additional 13,000 ordinary shares of £1.00 each in the company.

The preference shares have full voting rights and are non-redeemable. The holder of the preference share is entitled to a fixed cumulative preferential dividend on the nominal value of each preference share at a rate of 8.408% per annum, which is payable at the discretion of the directors. The amount of cumulative preference share dividends at 30 June 2019 is GBP 39,722,835 (2018 – GBP 19,109,091), which have not been accrued.

### **11. POST BALANCE SHEET EVENTS**

At the beginning of calendar year 2020 a new coronavirus, referred to as ‘COVID-19’, emerged and has been classified as a pandemic due to its spread across the world. Given the global nature of the COVID-19 pandemic, and the uncertainty as to the severity and duration of the impact across multiple markets, it is difficult to accurately assess the impact the virus will have on the future financial performance of the company, although it is expected that the pandemic will not affect the ability of the group to operate as a going concern. On 9 April 2020 Diageo plc, the ultimate parent of the Company, issued an announcement relating to the impact of the COVID-19 outbreak. The announcement emphasised that the group has a strong balance sheet and is taking actions to maintain good liquidity of the group and will invest prudently to ensure that it is strongly positioned for a recovery in consumer demand. The directors are therefore comfortable that the group is able to provide support for a period of at least 12 months from the date of the signed financial statements. The future cash flow forecasts in relation to impairment of investments are being reviewed. There is a risk that such review could result in an impairment but this cannot be quantified at this stage.

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

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

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