

**Guinness Overseas Limited**  
**Annual Report and Financial Statements**  
**30 June 2016**

Registered number: 00778398



**Guinness Overseas Limited**  
**Registered number: 00778398**  
**Year ended 30 June 2016**

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**Year ended 30 June 2016**

## **STRATEGIC REPORT**

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

### **Activities**

The company is the holding company for companies engaged in brewing, marketing and distribution of beer, including Guinness Stout and Harp Lager in overseas countries (mainly Africa and South East Asia) and in the production, marketing and distribution of premium spirits and soft drinks in certain territories.

On 7 October 2015, the ultimate holding company, Diageo plc, sold its 50% shareholding in GAPL Pte Limited, a joint venture undertaking of the company, to Heineken International. GAPL Pte Limited holds 51% of Guinness Anchor Berhad in Malaysia and is the licensee for Guinness and ABC Stout distribution for the Singapore market. As a result the company disposed of its 50% holding in GAPL Pte Limited, with a net book value of £1 for consideration received of £230,581,000, resulting in a gain of £230,581,000.

On 7 October 2015, the ultimate holding company, Diageo plc, sold its ordinary shares in Desnoes&Geddes Limited, another investment of the company, to Heineken International. As a result the company disposed of its 0.0001% holding in Desnoes&Geddes Limited, with a net book value of £236 for consideration received of £5,000, resulting in a gain of £5,000.

The main investments of the company are set out below - the company's ownership interest is shown in brackets, additional information is disclosed in note 9 of these financial statements.

#### **Guinness Nigeria plc (54.3%)**

Brewing, packaging and marketing activities for Guinness Foreign Extra Stout, Guinness Extra Smooth, Malta Guinness, Harp Lager Beer, Gordon's Spark, Smirnoff Ice, Satzenbrau and Top Malt in Nigeria. Brewing and packaging operations are located in Benin, Ogbia and Aba in Nigeria.

#### **East African Breweries Limited (2.61%)**

Manufacturing, marketing and selling for Tusker, Guinness Foreign Extra Stout, White Cap, Balozi Lager. The operations are located in Kenya.

### **Business review**

*Development and performance of the business of the company during the financial year and position of the company as at 30 June 2016*

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## **STRATEGIC REPORT (continued)**

The company invested further equity of \$11,667,000 (£7,293,000) in Diageo Supply Marracuene Limitada with consideration paid, in cash, on 10 October 2014. Further capital support of £4,972,500 is anticipated in March 2017.

In preparing its FRS 101 balance sheet, the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (old UK GAAP). The adjustments required on adoption of FRS 101 was to adjust the cost of other investments, as these investments represent available-for-sale financial assets, and therefore these investments are revalued to fair value.

In the year ended 30 June 2016, a total impairment charge of £5,676,000 was charged to provisions against subsidiary undertakings. In respect of the company's investment in Diageo Supply Marracuene Limitada this was due to the economic downturn in Mozambique. The recoverable amount of the investment was determined by estimating the asset's value in use and a provision for impairment was recognised of £5,250,000 (2015 - £nil). Another investment in Mozambique held by the company is Diageo Mozambique Limitada, which is a dormant entity with no business activity. It is unlikely that the company will recognise any return on this investment, and therefore a provision for impairment was recognised of £416,000 (2015 - £nil). Furthermore, Phoenix Gabon SARL is in a winding up process, and as it is not expected that the company will recognise any return on its investment, a provision for impairment was recognised of £10,000 (2015 - £nil).

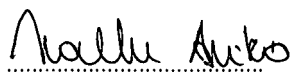
### *Financial and other key performance indicators*

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.

### *Financial risk management*

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 Diageo group as a whole and are managed by the group's treasury department. An identified company specific risk is the recoverability of the company's investments in subsidiaries and associates.

Approved by the Board on 7 March 2017 and signed on its behalf by:



A Mahler  
Director

**Guinness Overseas Limited**  
**Registered number: 00778398**  
**Year ended 30 June 2016**

## **DIRECTORS' REPORT**

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

### **Going concern**

The company's business activities, together with the factors likely to affect its future development and position, are set out in the business review section of the strategic report on pages 2 to 3. The company is expected to continue to generate profit for its own account and to remain in a positive net asset position for the foreseeable future. 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. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **Financial**

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

The profit for the year transferred to reserves is £251,438,000 (2015 - £40,320,000) and the other comprehensive income for the year is £3,160,000 (2015 - £1,879,000).

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

The transition to FRS 101 increased the total comprehensive income for the financial year ended 30 June 2015 from £40,320,000 to £42,199,000. The transitional adjustment was to recognise other investments at fair value. Fair value gains on other investments were recognised as an increase in other investments and other comprehensive income in the amount of £37,628,000 for the year ended 30 June 2014 and £1,879,000 for the year ended 30 June 2015.

The year ended 30 June 2015 has been restated to reflect the reclassification of £18,076,000 from operating income to income from shares in group undertakings to be consistent with the year ended 30 June 2016 presentation.

### **Directors**

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

D F Harlock

I A Hockney (resigned 5 November 2015)

J J Nicholls

R Rajagopal (resigned 20 July 2015)

P D Tunnacliffe (resigned 30 June 2016)

V G Tanna (appointed 30 July 2015)

A Mahler (appointed 5 November 2015)

The following director was appointed after the year end:

V Rao (appointed 30 January 2017)

The following director resigned after the year end:

S L Fennessy (resigned 1 February 2017)

### **Directors' remuneration**

None of the directors received any remuneration during the year in respect of their services as directors of the company (2015 - £nil).

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

### **Secretary**

On 5 November 2015, V Cooper was appointed as joint company secretary.

### **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**

The company committed to a further £4,972,500 capital contribution in Diageo Supply Marracuene Limitada for March 2017, through supplementary support of capital.

### **Internal control and risk management over financial reporting**

The company operates under the financial reporting processes and controls of the Diageo group. The internal control and risk management systems over the financial reporting process of Diageo plc, which include those of the company, are discussed in the Group's Annual Report 2016 on pages 60 to 61 at [www.diageo.com](http://www.diageo.com), which does not form part of this report.

### **Auditors**

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

### **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



A Mahler  
Director

Lakeside Drive  
Park Royal  
London  
NW10 7HQ  
UK

7 March 2017

**Guinness Overseas Limited**  
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### **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 - Reduced Disclosure Framework (FRS 101).

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholder in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# ***Independent auditors' report to the members of Guinness Overseas Limited***

## **Report on the financial statements**

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### **Our opinion**

In our opinion, Guinness Overseas Limited's financial statements (the "financial statements"):

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

### **What we have audited**

The financial statements, included within the Directors' report and financial statements (the "Annual Report"), comprise:

- the Balance Sheet as at 30 June 2016;
- the Income Statement and Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

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

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

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

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

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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#### **Directors' remuneration**

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

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

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

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.



Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

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



Christopher Richmond (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
7 March 2017

**Guinness Overseas Limited**  
**Registered number: 00778398**  
**Year ended 30 June 2016**

**INCOME STATEMENT**

		<b>Year ended 30 June 2016</b>	<b>Year ended 30 June 2015 (restated)</b>
	<b>Notes</b>	<b>£ 000</b>	<b>£ 000</b>
Operating income	2	151	40
Income from shares in group undertakings	3	23,467	27,330
Income from joint ventures	3	-	12,001
Income from shares in associate undertakings	3	571	647
Income from other fixed asset investments	4	1,797	915
Gain on sale of investments	5	230,586	-
Provision against subsidiary undertakings	9	<u>(5,676)</u>	<u>-</u>
<b>Operating profit</b>		250,896	40,933
Net finance income	6	<u>1,192</u>	<u>188</u>
<b>Profit before taxation on ordinary activities</b>		252,088	41,121
Taxation on profit on ordinary activities	7	<u>(650)</u>	<u>(801)</u>
<b>Profit for the year</b>		<u><u>251,438</u></u>	<u><u>40,320</u></u>

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

The year ended 30 June 2015 has been restated to reflect the reclassification of £18,076,000 from operating income to income from shares in group undertakings to be consistent with the year ended 30 June 2016 presentation.

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**STATEMENT OF COMPREHENSIVE INCOME**

	Notes	Year ended 30 June 2016 £ 000	Year ended 30 June 2015 (restated) £ 000
<b>Other comprehensive income</b>			
<b>Items that may be recycled subsequently to the income statement</b>			
Fair value gains on investments		<u>3,160</u>	<u>1,879</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>3,160</u>	<u>1,879</u>
Profit for the year		<u>251,438</u>	<u>40,320</u>
<b>Total comprehensive income for the year</b>		<u><u>254,598</u></u>	<u><u>42,199</u></u>

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

Figures for the year ended 30 June 2015 have been restated following the adoption of FRS 101. See note 1 and note 16 to the financial statements.

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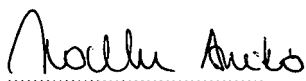
**BALANCE SHEET**

		30 June 2016	30 June 2015 (restated)
	Notes	£ 000	£ 000
<b>Fixed assets</b>			
Property, plant and equipment	8	2,929	2,939
Investments in subsidiaries	9	42,210	47,886
Investments in associates and joint ventures	9	1,245	1,245
Other investments	9	<u>45,204</u>	<u>42,044</u>
		91,588	94,114
<b>Current assets: due after one year</b>			
Deferred tax assets	12	1	-
<b>Current assets: due within one year</b>			
Trade and other receivables	10	314,380	57,430
Cash and cash equivalents		<u>683</u>	<u>539</u>
		315,064	57,969
<b>Creditors: amounts falling due within one year</b>			
Trade and other creditors	11	<u>(131)</u>	<u>(160)</u>
<b>Net current assets</b>		<u>314,933</u>	<u>57,809</u>
<b>Net assets</b>		<u>406,521</u>	<u>151,923</u>
<b>Equity</b>			
Called up share capital	13	-	-
Revaluation reserve		42,667	39,507
Retained earnings		<u>363,854</u>	<u>112,416</u>
<b>Total equity</b>		<u>406,521</u>	<u>151,923</u>

Figures for the year ended 30 June 2015 have been restated following the adoption of FRS 101. See note 1 and note 16 to the financial statements.

The accounting policies and other notes on pages 13 to 29 form part of the financial statements.

These financial statements on pages 9 to 29 were approved by the Board on 7 March 2017 and were signed on its behalf by:



A Mahler  
 Director

**Guinness Overseas Limited**  
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**STATEMENT OF CHANGES IN EQUITY**

**ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY**

	<b>Called up share capital £ 000</b>	<b>Revaluation reserve £ 000</b>	<b>Retained earnings £ 000</b>	<b>Total £ 000</b>
Balance at 30 June 2014 as previously reported	-	-	72,096	72,096
Adoption of FRS 101 (note 16)	-	37,628	-	37,628
Balance at 30 June 2014 as restated	-	37,628	72,096	109,724
Profit for the year	-	-	40,320	40,320
Other comprehensive income for the year	-	1,879	-	1,879
Balance at 30 June 2015 (restated)	-	39,507	112,416	151,923
Profit for the year	-	-	251,438	251,438
Other comprehensive income for the year	-	3,160	-	3,160
<b>Balance at 30 June 2016</b>	-	42,667	363,854	406,521

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

Figures for the year ended 30 June 2015 have been restated following the adoption of FRS 101. See note 1 and note 16 to the financial statements.

**Guinness Overseas Limited**  
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## **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.

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

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

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

An explanation of how the transition to FRS 101 has affected the company's financial position and financial performance is set out in note 16 to the financial statements.

These financial statements are prepared on a going concern basis under the historical cost convention, except that certain financial instruments are stated at their fair value.

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

The company has taken advantage of the following exemptions from the requirements of IFRS in the preparation of these financial statements, in accordance with FRS 101:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital and tangible fixed assets;
- disclosures in respect of transactions with wholly owned subsidiaries;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Diageo plc include equivalent disclosures, the company has also utilised exemptions available under FRS 101 in respect of the following disclosures:

- the disclosures required by *IFRS 7 Financial Instruments Disclosures*;
- the disclosures required by *IFRS 13 Fair Value Measurement*.

The company has taken advantage of the exemption under IAS 27, 'Consolidated and separate financial statements', from the requirement to prepare consolidated financial statements as it and its subsidiaries are included in the consolidated financial statements of its parent, Diageo plc.

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

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

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

These financial statements are separate financial statements.

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

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

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

#### **Foreign currencies**

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

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

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

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

Freehold land is not depreciated. Leaseholds are depreciated over the unexpired period of the lease. Other property, plant and equipment are depreciated on a straight-line basis to estimated residual values over their expected useful lives, and these values and lives are reviewed each year. Subject to these reviews, the estimated useful lives fall within the following ranges:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Buildings	25 years
Fixtures and fittings	6.5 years

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

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

#### **Investments in subsidiaries**

Investments in subsidiaries are recorded at cost including transaction costs less, where appropriate, provision for impairment in value where such impairment is expected by the directors to be permanent.

#### **Investments in associates and joint ventures**

Investments in associates and joint ventures are recorded at cost including transaction costs less provision for impairment. Investments in associates and joint ventures are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

**Guinness Overseas Limited**  
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## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

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

#### **Financial assets**

*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.

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

*Other investments* Other investments represent available-for-sale financial assets, 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, available-for-sale investments are stated at fair value. Gains and losses arising from the changes in fair value are recognised in other comprehensive income until the investment is disposed of or impaired, when the accumulated gains and losses are recycled to the income statement. Interest and dividends from available-for-sale investments are recognised in the income statement when they are receivable.

#### **Financial liabilities**

*Trade creditors* Amounts owed to other group companies are initially measured at fair value and are subsequently reported at amortised cost. Non-interest bearing trade creditors are stated at their nominal value.

#### **Taxation**

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

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

Tax benefits are not recognised unless it is probable that the tax positions are sustainable. Once considered to be probable, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of potential settlement through negotiation and/or litigation.



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

**1. ACCOUNTING POLICIES (continued)**

**Dividends paid and received**

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

The directors make estimates and assumptions concerning the future of the company. The resulting accounting estimates will, by definition, seldom equate to actual results. The company's directors are of the opinion that there are no estimates and assumptions that have a significant risk of casting material adjustment to the carrying value of the assets and liabilities for the company within the next financial year due to the nature of the business.

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

- Investment in subsidiaries, associates and joint ventures: The carrying value of the investments was assessed to ensure that the investments are worth at least the amount at which they are stated in the financial statements. The impairment review involves management judgement and estimates.

**2. OPERATING INCOME**

	<b>Year ended 30 June 2016</b>	<b>Year ended 30 June 2015 (restated)</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Operating income</b>		
Other external charges (a)	(2)	(1)
Depreciation	(10)	(10)
Net foreign exchange gains	147	34
Other operating income (b)	16	17
	<u>151</u>	<u>40</u>

(a) **Other external charges** include bank charges of £2,000 (2015 - £1,000).

(b) **Other operating income** includes management income of £16,000 (2015 - £17,000).

The auditor's remuneration of £1,000 (2015 - £2,000) was paid on behalf of the company by a fellow group undertaking. There were no fees payable to the auditor in respect of non-audit services (2015 - £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 (2015 - £nil).

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

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

Net dividends receivable during the year ended 30 June 2016 were in amount of £24,038,000 (2015 - £39,978,000), of which £19,399,000 (2015 - £39,977,000) was settled during the current financial year by receiving amounts due from other fellow group undertakings. The remaining amount of £4,639,000 (2015 - £1,000) was settled during the following financial year by receiving amounts due from other fellow group undertakings. Withholding tax suffered in respect of the dividends receipt amounted to £478,000 (2015 - £1,712,000).

The year ended 30 June 2015 has been restated to reflect the reclassification of £18,076,000 from operating income to income from shares in group undertakings to be consistent with the year ended 30 June 2016 presentation.

**4. INCOME FROM OTHER FIXED ASSET INVESTMENTS**

	<b>Year ended 30 June 2016</b>	<b>Year ended 30 June 2015</b>
	<b>£ 000</b>	<b>£ 000</b>
East African Breweries Limited	1,695	818
Other	102	97
	<u>1,797</u>	<u>915</u>

Net dividends receivable of £1,625,000 (2015 - £826,000) have been settled by receiving amounts due from other fellow group undertakings. Withholding tax suffered in respect of the dividends receipt amounted to £172,000 (2015 - £89,000).

**5. GAIN ON SALE OF FIXED ASSETS/INVESTMENTS**

On 7 October 2015, the ultimate holding company, Diageo plc, sold its 50% shareholding in GAPL Pte Limited, a joint venture undertaking of the company, to Heineken International. GAPL Pte Limited holds 51% of Guinness Anchor Berhad in Malaysia and is the licensee for Guinness and ABC Stout distribution for the Singapore market. As a result the company disposed of its 50% holding in GAPL Pte Limited, with a net book value of £1 for consideration received of £230,581,000, resulting in a gain of £230,581,000.

On 7 October 2015, the ultimate holding company, Diageo plc, sold its ordinary shares in Desnoes&Geddes Limited, another investment of the company, to Heineken International. As a result the company disposed of its 0.0001% holding in Desnoes&Geddes Limited, with a net book value of £236 for consideration received of £5,000, resulting in a gain of £5,000.

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

**6. FINANCE INCOME AND CHARGES**

	Year ended 30 June 2016 £ 000	Year ended 30 June 2015 £ 000
<b>Net interest</b>		
Interest income from fellow group undertakings		
Diageo Finance plc	1,192	188
<b>Total interest income</b>	<u>1,192</u>	<u>188</u>
<b>Net finance income</b>	<u>1,192</u>	<u>188</u>

**7. TAXATION**

	Year ended 30 June 2016 £ 000	Year ended 30 June 2015 £ 000
<b>(a) Analysis of taxation charge for the year</b>		
<b>Current tax</b>		
Overseas corporation tax	(650)	(801)
<b>Current tax</b>	(650)	(801)
<b>Deferred tax</b>	-	-
<b>Taxation on profit on ordinary activities</b>	<u>(650)</u>	<u>(801)</u>

	Year ended 30 June 2016 £ 000	Year ended 30 June 2015 £ 000
<b>(d) Factors affecting total tax charge for the year</b>		
Profit on ordinary activities before taxation	252,088	41,121
Taxation on profit on ordinary activities at UK corporation tax rate of 20% (2015 - 20.75%)	(50,418)	(8,533)
Items not chargeable for tax purposes	47,705	4,735
Items not deductible for tax purposes	(1,137)	(2)
Group relief received for nil consideration	3,850	3,800
Overseas corporation tax	(650)	(801)
<b>Total tax charge for the year</b>	<u>(650)</u>	<u>(801)</u>

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

**7. TAXATION (continued)**

The UK tax rate reduced from 21% to 20% on 1 April 2015. In November 2015 a reduction to 19% was substantively enacted (effective from 1 April 2017), whilst a further reduction to 17% (effective from 1 April 2020) was substantively enacted in September 2016.

The year ended 30 June 2015 has been restated to reflect the reclassification of £18,076,000 from operating income to income from shares in group undertakings to be consistent with the year ended 30 June 2016 presentation.

**8. PROPERTY, PLANT AND EQUIPMENT**

	<b>Land and buildings £ 000</b>	<b>Fixtures and fittings £ 000</b>	<b>Total £ 000</b>
<b>Cost</b>			
At 30 June 2015	<u>3,448</u>	<u>50</u>	<u>3,498</u>
<b>At 30 June 2016</b>	<u>3,448</u>	<u>50</u>	<u>3,498</u>
<b>Depreciation</b>			
At 30 June 2015	(509)	(50)	(559)
Depreciation charge	<u>(10)</u>	<u>-</u>	<u>(10)</u>
<b>At 30 June 2016</b>	<u>(519)</u>	<u>(50)</u>	<u>(569)</u>
<b>Carrying amount</b>			
At 30 June 2015	<u>2,939</u>	<u>-</u>	<u>2,939</u>
<b>At 30 June 2016</b>	<u>2,929</u>	<u>-</u>	<u>2,929</u>

The net book value of land and buildings includes freehold properties of £2,929,000 (2015 - £2,939,000). Included in the total net book value are £2,821,000 (2015 - £2,821,000) within land and £108,000 (2015 - £118,000) within buildings in respect of freehold properties.

Guinness Overseas Limited  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

9. INVESTMENTS

*Shares in group undertakings and other investments*

	Subsidiaries £ 000	Associates £ 000	Joint ventures £ 000	Total £ 000
<b>Cost</b>				
At 30 June 2014	40,593	630	615	41,838
Additions	<u>7,293</u>	<u>-</u>	<u>-</u>	<u>7,293</u>
At 30 June 2015	<u>47,886</u>	<u>630</u>	<u>615</u>	<u>49,131</u>
<b>At 30 June 2016</b>	<u><u>47,886</u></u>	<u><u>630</u></u>	<u><u>615</u></u>	<u><u>49,131</u></u>
<b>Provisions</b>				
At 30 June 2014 and 30 June 2015	-	-	-	-
Provided	<u>(5,676)</u>	<u>-</u>	<u>-</u>	<u>(5,676)</u>
<b>At 30 June 2016</b>	<u><u>(5,676)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(5,676)</u></u>
<b>Carrying amount</b>				
<b>At 30 June 2016</b>	<u><u>42,210</u></u>	<u><u>630</u></u>	<u><u>615</u></u>	<u><u>43,455</u></u>
At 30 June 2015	<u><u>47,886</u></u>	<u><u>630</u></u>	<u><u>615</u></u>	<u><u>49,131</u></u>
At 30 June 2014	<u><u>40,593</u></u>	<u><u>630</u></u>	<u><u>615</u></u>	<u><u>41,838</u></u>

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

**9. INVESTMENTS (continued)**

	<b>Other investments £ 000</b>
Balance at 30 June 2014 as previously reported	2,537
Adoption of FRS 101 (note 16)	<u>37,628</u>
Balance at 30 June 2014 (restated)	<u>40,165</u>
Increase in fair value	<u>1,879</u>
At 30 June 2015 (restated)	42,044
Increase in fair value	<u>3,160</u>
<b>At 30 June 2016</b>	<u><u>45,204</u></u>
<b>Provisions in the year</b>	
At 30 June 2014, at 30 June 2015 and at 30 June 2016	<u>-</u>
<b>Carrying amount</b>	
<b>At 30 June 2016</b>	<u><u>45,204</u></u>
At 30 June 2015	<u>42,044</u>
At 30 June 2014	<u>40,165</u>

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

### **9. INVESTMENTS (continued)**

#### **Provisions for impairment**

In the year ended 30 June 2016, a total impairment charge of £5,676,000 was charged to provisions against subsidiary undertakings, as detailed below.

As a result of the economic downturn in Mozambique, Diageo Supply Marracuene Limitada has suffered losses since 2014. The recoverable amount of the investment was determined by estimating the asset's value in use and a provision for impairment was recognised in the amount of £5,250,000 (2015 - £nil).

Diageo Mozambique Limitada is a dormant entity with no business activity. It is unlikely that the company will recognise any return on this investment, and therefore a provision for impairment was recognised in the amount of £416,000 (2015 - £nil).

Phenix Gabon SARL is in a winding up process, and as it is not expected that the company will recognise any return on its investment, a provision for impairment was recognised in the amount of £10,000 (2015 - £nil).

#### **Sale of shares in GAPL Pte Limited and Desnoes & Geddes Limited**

On 7 October 2015, the ultimate holding company, Diageo plc, sold its 50% shareholding in GAPL Pte Limited, a joint venture undertaking of the company, to Heineken International. GAPL Pte Limited holds 51% of Guinness Anchor Berhad in Malaysia and is the licensee for Guinness and ABC Stout distribution for the Singapore market. As a result the company disposed of its 50% holding in GAPL Pte Limited, with a net book value of £1 for consideration received of £230,581,000, resulting in a gain of £230,581,000.

On 7 October 2015, the ultimate holding company, Diageo plc, sold its ordinary shares in Desnoes&Geddes Limited, another investment of the company, to Heineken International. As a result the company disposed of its 0.0001% holding in Desnoes&Geddes Limited, with a net book value of £236 for consideration received of £5,000, resulting in a gain of £5,000.

#### **Adjustment in respect of prior year - revaluation of other investments**

In preparing its FRS 101 balance sheet, the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (old UK GAAP). The adjustments required on adoption of FRS 101 were to adjust the cost of other investments as these investments represent available-for-sale financial assets, therefore these investments are revalued to fair value.

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

**9. INVESTMENTS (continued)**

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 subsidiary	Country of incorporation (or residence)	Proportion of ownership interest %
<b>Direct Holdings</b>		
<i>Subsidiaries</i>		
Atalantaf Limited	Bermuda	100%
Diageo Brands Nigeria Limited	Nigeria	100%
Guinness Canada Limited	Canada	51%
Diageo Mozambique Limitada	Mozambique	99.9%
Diageo Supply Marracuene Limitada	Mozambique	97.5%
Guinness Nigeria plc *	Nigeria	54.3%
Phoenix Gabon S.A.R.L.	Gabon	99.75%
PT Gitaswara Indonesia **	Indonesia	100%
<i>Associate</i>		
Seychelles Breweries Limited	Seychelles	26%
<i>Joint venture</i>		
Diageo Angola Limitada	Angola	50%
<i>Other investments</i>		
East African Breweries Limited	Kenya	2.61%
Monrovia Breweries Inc.	Liberia	7.5%
Phoenix Beverages Limited	Mauritius	1.92%
Sierra Leone Brewery Limited	Sierra Leone	11.59%

\* 46.47% held directly, 7.83% held indirectly

\*\* company controlled by the group based on management's assessment



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

**9. INVESTMENTS (continued)**

The investments in subsidiaries, associates and jointly controlled entities are held at cost less, where appropriate, provision for impairment in value. In the opinion of the directors, the investments in (and amounts due from) the company's subsidiary undertakings, associate companies and joint ventures are worth at least the amount at which they are stated in the financial statements.

The other investments are held at fair value.

**10. TRADE AND OTHER RECEIVABLES**

	<b>30 June 2016</b>	<b>30 June 2015</b>
	<b>£ 000</b>	<b>£ 000</b>
Amounts owed by fellow group undertakings		
Diageo Finance plc	310,056	57,430
Phoenix Beverages Limited	37	-
Guinness Nigeria plc	4,287	-
	<u>314,380</u>	<u>57,430</u>

All amounts fall due within one year.

The amounts owed by Diageo Finance plc are interest bearing, unsecured and repayable on demand.

**11. TRADE AND OTHER CREDITORS**

	<b>30 June 2016</b>	<b>30 June 2015</b>
	<b>£ 000</b>	<b>£ 000</b>
Amounts owed to fellow group undertakings		
Seychelles Breweries Limited	12	8
Accruals and deferred income	119	152
	<u>131</u>	<u>160</u>

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

**12. DEFERRED TAX ASSETS AND LIABILITIES**

**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>Tax losses</b>
	<b>£ 000</b>
Capital losses - indefinite	<u>127</u>

**Guinness Overseas Limited**  
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## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **12. DEFERRED TAX ASSETS AND LIABILITIES (continued)**

#### **Unrecognised deferred tax liabilities**

The aggregate amount of temporary difference in respect of investment in subsidiaries, branches, interests in associates and joint ventures resulted in a deferred tax liability of £8,427,000 (2015 - £7,901,000) which has not been recognised as the Company is able to control the timing of the reversal of the temporary difference and management is of the opinion that such temporary difference will not reverse in the foreseeable future.

### **13. SHARE CAPITAL**

#### *Allotted, called up and fully paid:*

	<b>30 June 2016</b>
	<b>£</b>
100 (2015 - 100) ordinary shares of £1 each	<u>100</u>

### **14. POST BALANCE SHEET EVENTS**

The company committed to a further £4,972,500 capital contribution in Diageo Supply Marracuene Limitada for March 2017, through supplementary support of capital.

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

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

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

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

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

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

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

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

**Reconciliation of balance sheet as at 30 June 2014**

*Please see Appendix 1*

**Reconciliation of balance sheet as at 30 June 2015**

*Please see Appendix 2*

**Reconciliation of comprehensive income for the year ended 30 June 2015**

*Please see Appendix 3*

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

**(a) Revaluation of other investments**

In preparing its FRS 101 balance sheet, the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (old UK GAAP). The adjustments required on adoption of FRS 101 was to adjust the cost of other investments as these investments represent available-for-sale financial assets, therefore these investments are revalued to fair value. Gains amounting to £37,628,000 were recognised as an increase in other investments and the other comprehensive income at 30 June 2014, additional amounts were recognised again as an increase in other investments and the other comprehensive income in the amount of £1,879,000 at 30 June 2015.

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

**Appendix 1**

**Reconciliation of balance sheet as at 30 June 2014**

	Under UK GAAP £ 000	Total impact of transition to FRS 101 £ 000	Under FRS 101 £ 000
<b>Fixed assets</b>			
Property, plant and equipment	2,949	-	2,949
Investments in subsidiaries	40,593	-	40,593
Investments in associates and joint ventures	1,245	-	1,245
Other investments	2,537	37,628	40,165
	<u>47,324</u>	<u>37,628</u>	<u>84,952</u>
<b>Current assets: due within one year</b>			
Trade receivables from related parties	23,955	-	23,955
Trade and other receivables	89	-	89
Cash and cash equivalents	886	-	886
	<u>24,930</u>	<u>-</u>	<u>24,930</u>
<b>Creditors: amounts falling due within one year</b>			
Trade payables due to related parties	(152)	-	(152)
Trade and other payables	(6)	-	(6)
	<u>(158)</u>	<u>-</u>	<u>(158)</u>
<b>Net current assets</b>	<u>24,772</u>	<u>-</u>	<u>24,772</u>
<b>Net assets</b>	<u>72,096</u>	<u>37,628</u>	<u>109,724</u>
<b>Equity</b>			
Called up share capital	-	-	-
Revaluation reserve	-	37,628	37,628
Retained earnings	72,096	-	72,096
<b>Total equity</b>	<u>72,096</u>	<u>37,628</u>	<u>109,724</u>

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

**Appendix 2**

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

	<b>Under UK GAAP £ 000</b>	<b>Total impact of transition to FRS 101 £ 000</b>	<b>Under FRS 101 £ 000</b>
<b>Fixed assets</b>			
Property, plant and equipment	2,939	-	2,939
Investments in subsidiaries	47,886	-	47,886
Investments in associates and joint ventures	1,245	-	1,245
Other investments	40,165	1,879	42,044
	<u>40,165</u>	<u>1,879</u>	<u>42,044</u>
<b>Current assets: due within one year</b>			
Trade receivables from related parties	57,430	-	57,430
Cash and cash equivalents	539	-	539
	<u>57,969</u>	<u>-</u>	<u>57,969</u>
<b>Creditors: Amounts falling due within one year</b>			
Trade payables due to related parties	(152)	-	(152)
Trade and other creditors	(8)	-	(8)
	<u>(160)</u>	<u>-</u>	<u>(160)</u>
<b>Net current assets</b>	<u>57,809</u>	<u>-</u>	<u>57,809</u>
<b>Net assets</b>	<u>150,044</u>	<u>1,879</u>	<u>151,923</u>
<b>Capital and reserves</b>			
Called up share capital	-	-	-
Revaluation reserve	37,628	1,879	39,507
Retained earnings	112,416	-	112,416
<b>Total equity</b>	<u>150,044</u>	<u>1,879</u>	<u>151,923</u>

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

**Appendix 3**

**Reconciliation of comprehensive income for the year ended 30 June 2015**

	<b>Under UK GAAP £ 000</b>	<b>Total impact of transition to FRS 101 £ 000</b>	<b>Under FRS 101 £ 000</b>
Operating income	18,116	-	18,116
<b>Operating profit/(loss)</b>	18,116	-	18,116
Dividends from subsidiaries	9,254	-	9,254
Dividends from associates and joint ventures	12,648	-	12,648
Dividends from other fixed asset investments	18,991	-	18,991
Finance income	188	-	188
<b>Profit before taxation on ordinary activities</b>	59,197	-	59,197
Taxation	801	-	801
Profit/(loss) for continuing operations	59,998	-	59,998
Other comprehensive income - fair value gains on investments	-	1,879	1,879
<b>Total comprehensive income for the year</b>	<u>59,998</u>	<u>1,879</u>	<u>61,877</u>