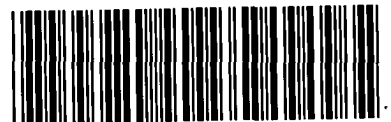


Guinness Overseas Limited
Annual Report and Financial Statements
30 June 2018

Registered number: 00778398

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Guinness Overseas Limited
Registered number: 00778398
Year ended 30 June 2018

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Guinness Overseas Limited
Registered number: 00778398
Year ended 30 June 2018

STRATEGIC REPORT

The directors present their strategic report for the year ended 30 June 2018.

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.

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 8 of these financial statements.

Guinness Nigeria plc (50.18%)

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.

Phoenix Beverages Limited (1.92%)

Brewing, packaging and marketing activities for beers and soft drinks. The operations are located in Mauritius.

Business review

Development and performance of the business of the company during the financial year and position of the company as at 30 June 2018:

The loss before tax increased by £4,726,000 from £2,209,000 at 30 June 2017 to £6,935,000 at 30 June 2018.

Income from shares in group undertakings decreased by £991,000 from £1,922,000 at 30 June 2017 to £931,000 at 30 June 2018.

In 2014, the company acquired 100% ownership of Diageo Supply Marracuene Limitada for a cash consideration of £11,555,000. As a result of the economic downturn in Mozambique the recoverable amount of Diageo Supply Marracuene Limitada decreased substantially during the previous years, therefore provision for impairment was recognised in the amount of £11,555,000. On 18 August 2016 the board approved a further £4,972,500 capital contribution to Diageo Supply Marracuene Limitada from which £3,900,000 was paid on 16 May 2018. The recoverable amount of the investment was determined at year-end by estimating the present value of the asset's future cash flows and further provision for impairment was recognised in the amount of £3,900,000. The management do not anticipate positive turnaround in the next few years.

On 27 September 2017, the company acquired 399,338,065 shares in Guinness Nigeria plc to the value of £47,933,000 (₦23,161,607,770). The company also increased its indirect shareholding through Atalantaf Limited, by acquiring 53,660,176 shares of Guinness Nigeria plc to the value of £6,441,000 (₦3,112,290,208). As a result of these transactions, the total number of shares owned by the company directly increased from 699,892,739 to 1,099,230,804 which resulted in the equity stake held to increase from 46.47% to 50.18%. The total number of shares owned through Atalantaf Limited increased from 118,052,388 to 171,712,564 which resulted in the equity stake held to increase from 7.83% to 7.84%.

Other investments are measured at fair value with through other comprehensive income as these investments represent equity instruments. The net loss on the revaluation at 30 June 2018 was £4,888,000 (2017 - loss of £2,402,000).

Guinness Overseas Limited
Registered number: 00778398
Year ended 30 June 2018

STRATEGIC REPORT (continued)

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

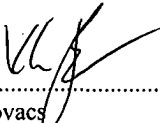
As the company forms part of the Diageo group's ("the group") financial operations, the financial risk management measures used by management to analyse the development, performance and position of the company's business are mainly similar to those facing the Diageo group as a whole and are managed by the group's treasury department.

An identified company specific risk is the recoverability of the company's investments in subsidiaries and associates.

Transactional exposure hedging

The company based on the group policy, facilitated through group treasury via back to back derivatives, is to hedge its foreign currency exposure in respect of the dividend income received from its subsidiary undertakings, associates and other investments.

By order of the board


.....
G Kovacs
Director

Lakeside Drive
Park Royal
London
NW10 7HQ
UK

21 November 2018

Guinness Overseas Limited
Registered number: 00778398
Year ended 30 June 2018

DIRECTORS' REPORT

The directors are pleased to submit their annual report, together with the audited financial statements for the year ended 30 June 2018.

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 remain in positive net asset position for the foreseeable future. The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern. On the basis of their assessment, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for 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 2018 is shown on page 9.

The loss for the year transferred from reserves is £7,205,000 (2017 - £2,413,000) and the other comprehensive expense for the year is £4,888,000 (2017 - £2,402,000).

No dividend was paid during the year (2017 - £nil) and there is no dividend proposed to be distributed to the shareholders in regards to the financial year (2017 - £nil).

Directors

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

J M C Edmunds (appointed 8 March 2018)

J J Nicholls (resigned 9 March 2018)

V Rao

V G Tanna (resigned 8 December 2017)

The following directors were appointed after the year end:

G Kovacs (appointed 1 August 2018)

K E Major (appointed 1 August 2018)

The following directors resigned after the year end:

D F Harlock (resigned 1 August 2018)

A Mahler (resigned 1 August 2018)

Directors' remuneration

None of the directors received any remuneration during the year in respect of their services as directors of the company (2017 - £nil).

Secretary

On 5 January 2018, C E Matthews resigned as secretary of the company.

On 5 January 2018, J M Guttridge was appointed, and on 20 April 2018, resigned as secretary of the company.

Guinness Overseas Limited
Registered number: 00778398
Year ended 30 June 2018

DIRECTORS' REPORT (continued)

Directors' indemnity

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

Post balance sheet events

Subsequent declaration of dividend received

On 18 September 2018, East African Breweries Limited, an other investment, declared a final dividend of KSh 5.5 on each ordinary share for the year ended 30 June 2018. As a result the company recognised KSh113.5 million (£780,000) dividend income subsequent to year end in respect of its investment.

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 2018 on pages 66 to 67 at www.diageo.com, which does not form part of this report.

Auditors

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

Disclosure of information to the auditors

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

By order of the board


.....
G Kovacs
Director

Lakeside Drive
Park Royal
London
NW10 7HQ
UK

21 November 2018

Guinness Overseas Limited
Registered number: 00778398
Year ended 30 June 2018

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

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

Independent auditors' report to the members of Guinness Overseas Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 30 June 2018 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 2018; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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.

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 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 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. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Christopher Richmond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 November 2018

Guinness Overseas Limited
Registered number: 00778398
Year ended 30 June 2018

INCOME STATEMENT

	Notes	Year ended 30 June 2018 £ 000	Year ended 30 June 2017 £ 000
Operating costs	2	(6,914)	(330)
Income from shares in group undertakings	3	931	1,922
Income from shares in associate undertakings	3	401	219
Income from other investments	4	1,300	1,358
Provision against subsidiary undertakings	8	<u>(3,900)</u>	<u>(6,305)</u>
Operating loss		(8,182)	(3,136)
Net finance income	5	<u>1,247</u>	<u>927</u>
Loss before taxation on ordinary activities		(6,935)	(2,209)
Taxation on loss on ordinary activities	6	<u>(270)</u>	<u>(204)</u>
Loss for the year		<u>(7,205)</u>	<u>(2,413)</u>

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

Guinness Overseas Limited
Registered number: 00778398
Year ended 30 June 2018

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 30 June 2018 £ 000	Year ended 30 June 2017 £ 000
Other comprehensive income			
Items that will not be recycled subsequently to the income statement			
Net fair value losses on other investments	8	<u>(4,888)</u>	<u>(2,402)</u>
Other comprehensive expense for the year, net of tax		<u>(4,888)</u>	<u>(2,402)</u>
Loss for the year		<u>(7,205)</u>	<u>(2,413)</u>
Total comprehensive expense for the year		<u><u>(12,093)</u></u>	<u><u>(4,815)</u></u>

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

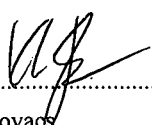
Guinness Overseas Limited
Registered number: 00778398
Year ended 30 June 2018

BALANCE SHEET

	Notes	30 June 2018 £ 000	30 June 2017 £ 000
Non-current assets			
Property, plant and equipment	7	2,909	2,919
Investments in subsidiaries	8	83,838	35,905
Investments in associates and joint ventures	8	1,245	1,245
Other investments	8	37,914	42,802
		<u>125,906</u>	<u>82,871</u>
Current assets			
Trade and other receivables	9	263,163	318,287
Cash and cash equivalents		719	677
		<u>263,882</u>	<u>318,964</u>
Total assets		389,788	401,835
Current liabilities			
Trade and other payables	10	(175)	(129)
		<u>(175)</u>	<u>(129)</u>
Net assets		<u>389,613</u>	<u>401,706</u>
Equity			
Called up share capital	12	-	-
Other reserves		35,377	40,265
Retained earnings		354,236	361,441
		<u>389,613</u>	<u>401,706</u>
Total equity		<u>389,613</u>	<u>401,706</u>

The accounting policies and other notes on pages 13 to 26 form part of the financial statements.

These financial statements on pages 9 to 26 were approved by the Board on 21 November 2018 and were signed on its behalf by:



 G Kovacs
 Director

Guinness Overseas Limited
Registered number: 00778398
Year ended 30 June 2018

STATEMENT OF CHANGES IN EQUITY

ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

	Called up share capital £ 000	Revaluation reserve £ 000	Retained earnings £ 000	Total £ 000
Balance at 30 June 2016	-	42,667	363,854	406,521
Loss for the year	-	-	(2,413)	(2,413)
Other comprehensive expense for the year	-	<u>(2,402)</u>	-	<u>(2,402)</u>
Balance at 30 June 2017	-	40,265	361,441	401,706
Loss for the year	-	-	(7,205)	(7,205)
Other comprehensive expense for the year	-	<u>(4,888)</u>	-	<u>(4,888)</u>
Balance at 30 June 2018	<u>-</u>	<u>35,377</u>	<u>354,236</u>	<u>389,613</u>

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

Guinness Overseas Limited
Registered number: 00778398
Year ended 30 June 2018

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 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 ultimate parent, Diageo plc.

These financial statements are separate financial statements.

New accounting policies

The following standard, issued by the IASB and endorsed by the EU, has been early adopted by the company from 1 July 2017:

Guinness Overseas Limited
Registered number: 00778398
Year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

New accounting policies (continued)

IFRS 9 - Financial instruments replaces IAS 39 (Financial instruments - Recognition and measurement) and addresses the classification and measurement of financial instruments, introduces new principles for hedge accounting and a new forward-looking impairment model for financial assets. All classes of financial assets and financial liabilities had as at 1 July 2017 the same carrying values under IFRS 9 as they had under IAS 39. The new impairment model under IFRS 9 requires the recognition of allowances for doubtful debt based on expected credit losses (ECL), rather than incurred credit losses as under IAS 39. The adoption of the ECL approach did not result in any additional impairment loss for trade and other receivables as at 1 July 2017.

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

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Buildings	25 years
Fixtures and fittings	6.5 years

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

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

Investments in subsidiaries, associates, joint ventures

Investments in subsidiaries, associates, joint ventures 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 income statement and reflected in an allowance against the carrying value. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

Guinness Overseas Limited
Registered number: 00778398
Year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Financial assets and liabilities

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

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

Cash and cash equivalents Cash and cash equivalents 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 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, equity instruments are stated at fair value (see detailed description of fair value under note 8. Investments, paragraph Other investments). Under IFRS 9, gains and losses arising from the changes in fair value of other investments are recognized in other comprehensive income, accumulated gains and losses included in other comprehensive income are not recycled to the income statement at the time of disposal, nor are there any impairment requirements. Dividends from other investments are recognised in the income statement when they are receivable.

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

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 for the year ended 30 June 2018 are included in profit before taxation. In prior years penalties and interest on tax liabilities were provided for in the tax charge.

Guinness Overseas Limited
Registered number: 00778398
Year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

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 received

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

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

Guinness Overseas Limited
Registered number: 00778398
Year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. OPERATING COSTS

	Year ended 30 June 2018 £ 000	Year ended 30 June 2017 £ 000
Operating costs		
Other external charges (a)	(573)	(512)
Depreciation	(10)	(10)
Net foreign exchange (losses)/gains (c)	(6,341)	172
Other operating income (b)	<u>10</u>	<u>20</u>
	<u>(6,914)</u>	<u>(330)</u>

(a) **Other external charges** include management recharge of £568,000 (2017 - £511,000) and bank charges of £5,000 (2017 - £1,000).

(b) **Other operating income** includes management income of £10,000 (2017 - £20,000).

(c) **Net foreign exchange (losses)/gains**; During the year ended 30 June 2018 the company settled intercompany payables on behalf of one of its subsidiary resulting in a foreign exchange loss to the amount of £6,377,000 from the above £6,341,000.

The auditors' remuneration of £7,000 (2017 - £7,000) was paid on behalf of the company by a fellow group undertaking. There were no fees payable to the auditors in respect of non-audit services (2017 - £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 (2017 - £nil).

3. INCOME FROM SHARES IN GROUP UNDERTAKINGS

Net dividend income from shares in group undertakings during the year ended 30 June 2018 amounted to £1,209,000 (2017 - £2,049,000) of which £1,209,000 (2017 - £1,072,000) was settled during the current financial year by receiving amounts due from other fellow group undertakings. Withholding tax suffered in respect of the dividends receipt amounted to £123,000 (2017 - £92,000).

Guinness Overseas Limited
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Year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. INCOME FROM OTHER INVESTMENTS

	Year ended 30 June 2018 £ 000	Year ended 30 June 2017 £ 000
East African Breweries Limited	1,121	1,179
Other	179	179
	<u>1,300</u>	<u>1,358</u>

Net dividend income from other investments of £1,173,000 (2017 - £1,246,000) have been settled by receiving amounts due from other fellow group undertakings. Withholding tax suffered in respect of the dividends receipt amounted to £127,000 (2017 - £112,000).

5. NET FINANCE INCOME

	Year ended 30 June 2018 £ 000	Year ended 30 June 2017 £ 000
Net interest income from fellow group undertakings		
Diageo Finance plc	993	927
Guinness Nigeria plc	254	-
Net finance income	<u>1,247</u>	<u>927</u>

Net interest income from Diageo Finance plc includes interest charge in the amount of £262,000. Interest income from Guinness Nigeria plc includes withholding tax in the amount of £20,000 from the above £254,000.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

6. TAXATION

	Year ended 30 June 2018 £ 000	Year ended 30 June 2017 £ 000
(a) Analysis of taxation charge for the year		
Current tax		
Foreign taxes suffered	<u>(270)</u>	<u>(204)</u>
Current tax	(270)	(204)
Deferred tax		
	<u>-</u>	<u>-</u>
Taxation on loss on ordinary activities	<u>(270)</u>	<u>(204)</u>
	Year ended 30 June 2018 £ 000	Year ended 30 June 2017 £ 000
(b) Factors affecting total tax charge for the year		
Loss on ordinary activities before taxation	<u>(6,935)</u>	<u>(2,209)</u>
Taxation on loss on ordinary activities at UK corporation tax rate of 19% (2017 - 19.75%)	1,318	436
Items not chargeable for tax purposes	500	691
Items not deductible for tax purposes	(1,959)	(1,249)
Group relief received for nil consideration	121	123
Foreign taxes suffered	(250)	(204)
Other tax effects for reconciliation between accounting loss and tax income	<u>-</u>	<u>(1)</u>
Total tax charge for the year	<u>(270)</u>	<u>(204)</u>

The UK tax rate is 19% effective from 1 April 2017 which is applied for year ended 30 June 2018. A further reduction to 17% (effective from 1 April 2020) was enacted in September 2016. Deferred taxes at 30 June 2018 have been measured using these enacted tax rates (17%) and reflected in these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £ 000	Fixtures and fittings £ 000	Total £ 000
Cost			
At 30 June 2017	3,448	50	3,498
At 30 June 2018	<u>3,448</u>	<u>50</u>	<u>3,498</u>
Depreciation			
At 30 June 2017	(529)	(50)	(579)
Depreciation charge	(10)	-	(10)
At 30 June 2018	<u>(539)</u>	<u>(50)</u>	<u>(589)</u>
Carrying amount			
At 30 June 2018	<u>2,909</u>	<u>-</u>	<u>2,909</u>
At 30 June 2017	<u>2,919</u>	<u>-</u>	<u>2,919</u>

Guinness Overseas Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of land and buildings includes freehold properties of £2,909,000 (2017 - £2,919,000). Included in the total net book value are £2,821,000 (2017 - £2,821,000) within land and £88,000 (2017 - £98,000) within buildings in respect of freehold properties.

8. INVESTMENTS

Shares in group undertakings and other investments

	Subsidiaries £ 000	Associates £ 000	Joint ventures £ 000	Other investments £ 000	Total £ 000
Cost					
At 30 June 2017	47,886	630	615	42,802	91,933
Additions	51,833	-	-	-	51,833
Decrease in fair value	-	-	-	(4,888)	(4,883)
At 30 June 2018	<u>99,719</u>	<u>630</u>	<u>615</u>	<u>37,914</u>	<u>138,878</u>
Provisions					
At 30 June 2017	(11,981)	-	-	-	(11,981)
Provided	(3,900)	-	-	-	(3,900)
At 30 June 2018	<u>(15,881)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,881)</u>
Carrying amount					
At 30 June 2018	<u>83,838</u>	<u>630</u>	<u>615</u>	<u>37,914</u>	<u>122,997</u>
At 30 June 2017	<u>35,905</u>	<u>630</u>	<u>615</u>	<u>42,802</u>	<u>79,952</u>

Additions

On 18 August 2016 the board approved a further £4,972,500 capital contribution to Diageo Supply Marracuene Limitida from which £3,900,000 was paid on 16 May 2018.

On 27 September 2017, the company acquired 399,338,065 shares in Guinness Nigeria plc to the value of £47,933,000 (~~₦23,161,607,770~~). The company also increased its indirect shareholding through Atalantaf Limited, by acquiring 53,660,176 shares of Guinness Nigeria plc to the value of £6,441,000 (~~₦3,112,290,208~~). As a result of these transactions, the total number of shares owned by the company directly increased from 699,892,739 to 1,099,230,804 which resulted in the equity stake held to increase from 46.47% to 50.18%. The total number of shares owned through Atalantaf Limited increased from 118,052,388 to 171,712,564 which resulted in the equity stake held to increase from 7.83% to 7.84%.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

8. INVESTMENTS (continued)

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. They are included in non-current assets. Subsequent to initial measurement, equity instruments are stated at fair value. The company values its other investments using unadjusted quoted prices (Level 1). The fair value of other investments is £37,914,000 at 30 June 2018 (2017 - £42,802,000). Under IFRS 9, gains and losses arising from the changes in fair value of other investments are recognized in other comprehensive income, accumulated gains and losses included in other comprehensive income are not recycled to the income statement at the time of disposal, nor are there any impairment requirements.

Other investments are measured at fair value with through other comprehensive income as these investments represent equity instruments. The net loss on the revaluation at 30 June 2018 was £4,888,000 (2017 - loss of £2,402,000).

Provisions for impairment

In 2014, the company acquired 100% ownership of Diageo Supply Marracuene Limitada for a cash consideration of £11,555,000. As a result of the economic downturn in Mozambique the recoverable amount of Diageo Supply Marracuene Limitada decreased substantially during the previous years, therefore provision for impairment was recognised in the amount of £11,555,000. On 18 August 2016 the board approved a further £4,972,500 capital contribution to Diageo Supply Marracuene Limitada from which £3,900,000 was paid on 16 May 2018. The recoverable amount of the investment was determined at year-end by estimating the present value of the asset's future cash flows and further provision for impairment was recognised in the amount of £3,900,000. The management do not anticipate positive turnaround in the next few years.

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.

Guinness Overseas Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

8. INVESTMENTS (continued)

Name of investment	Notes	Registered office address	Proportion of ownership interest %
Direct Holdings			
<i>Subsidiaries</i>			
Atalantaf Limited		Canon's Court 22 Victoria Street Hamilton HM12, Bermuda	100%
Diageo Brands Nigeria Limited		24 Oba Akran Avenue, PMB 21071, Ikeja, Lagos, Nigeria	100%
Guinness Canada Limited		Labatt House, Suite 299, 207 Queen's Quay West, Toronto ON, M5J 1A7, Canada	51%
Diageo Mozambique Limitada		Avenida Marginal parcela 141 2do Andar - Predio da Global Alliance Caixa Postal 96 Maputo, Mozambique	99.9%
Diageo Supply Marracuene Limitada		Estrada Nacional numero 1, Micanhine, Marracuene, Mozambique	97.5%
Guinness Nigeria plc	(i)	24 Oba Akran Avenue, PMB 21071, Ikeja, Lagos, Nigeria	50.18%
Phenix Gabon S.A.R.L.		c/o SOBRAGA, P O Box 487, Libreville, Gabon	99.75%
PT Gitaswara Indonesia	(ii)	Sudirman Plaza, Plaza Marein 15th floor, Jl. Jend Sudirman Kav.76-78, Jakarta 12910, Indonesia	100%
<i>Associate</i>			
Seychelles Breweries Limited		O Brien House, PO Box 273, Le Roucher, Mahe, Seychelles	26%
<i>Joint venture</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%
<i>Other investments</i>			

Guinness Overseas Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

8. INVESTMENTS (continued)

Name of investment	Notes	Registered office address	Proportion of ownership interest %
East African Breweries Limited		Tusker House, Ruaraka, PO BOX 30161, 00100 NAIROBI GPO, Kenya	2.61%
Monrovia Breweries Inc.		Duala, Bushrod Island, Monrovia, Liberia	7.5%
Phoenix Beverages Limited		Phoenix Beverages Limited Phoenix House, Pont Fer, Phoenix, MAURITIUS	1.92%
Sierra Leone Brewery Limited		P O Box 721 Wellington Industrial Estate Freetown, Sierra Leone	1.31%

(i) 50.18% held directly, 7.84% held indirectly.

(ii) Company controlled by the group based on management's assessment.

The investments in subsidiaries, associated undertakings and joint ventures are held at cost less, where appropriate, provision for impairment in value. In the opinion of the directors, the investments in 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.

9. TRADE AND OTHER RECEIVABLES

	30 June 2018	30 June 2017
	£ 000	£ 000
Amounts owed by fellow group undertakings		
Diageo Finance plc	263,163	317,310
Diageo Brands Nigeria Limited	-	977
	<u>263,163</u>	<u>318,287</u>

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

Guinness Overseas Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

10. TRADE AND OTHER PAYABLES

	30 June 2018	30 June 2017
	£ 000	£ 000
Amounts owed to fellow group undertakings		
Seychelles Breweries Limited	-	2
Accruals and deferred income	175	127
	<u>175</u>	<u>129</u>

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

11. 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:

	30 June 2018	30 June 2017
	£ 000	£ 000
Capital losses - indefinite	<u>109</u>	<u>109</u>

Unrecognised deferred tax liabilities

The aggregate amount of temporary difference in respect of investment in subsidiaries, branches, interests in associates and joint ventures result in a deferred tax liability of £294,000 (2017 - £294,000) 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. The respective deferred tax liabilities noted in the previous financial statements have been recalculated to take into account eligibility for the Substantial Shareholding Exemption.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

12. SHARE CAPITAL

Allotted, called up and fully paid:

	30 June 2018
	£
100 (2017 - 100) ordinary shares of £1 each	<u>100</u>

13. COMMITMENTS

Capital commitments

On 18 August 2016, the board approved a further £4,972,500 capital contribution to Diageo Supply Marracuene Limitada, that was initially planned to be paid before 30 June 2017. As a result of delay in regulatory approval process, the capital contribution has been partially completed in the amount of £3,900,000. Capital commitment on investment to Diageo Supply Marracuene Limitada not provided for in this financial statement is £1,072,000 which is expected to be paid during the year-ended 30 June 2019.

14. POST BALANCE SHEET EVENTS

Subsequent declaration of dividend received

On 18 September 2018, East African Breweries Limited, an other investment, declared a final dividend of KSh 5.5 on each ordinary share for the year ended 30 June 2018. As a result the company recognised KSh113.5 million (£780,000) dividend income subsequent to year end in respect of its investment.

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 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.