

Guinness Overseas Limited
Annual Report and Financial Statements
30 June 2017

Registered number: 00778398



Guinness Overseas Limited
Registered number: 00778398
Year ended 30 June 2017

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Guinness Overseas Limited
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Year ended 30 June 2017

STRATEGIC REPORT

The directors present their strategic report for the year ended 30 June 2017.

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 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, Ogba 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 2017

The profit before tax decreased by £254,297,000 from a profit of £252,088,000 at 30 June 2016 to a loss of £2,209,000 at 30 June 2017.

During the year ended 30 June 2016, 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.

Income from shares in group undertakings decreased by £21,545,000 from a £23,467,000 at 30 June 2016 to £1,922,000 at 30 June 2017.

In 2014, the company acquired 100% ownership of Diageo Supply Marracuene Limitada for a cash consideration of £11,555,000. In the year ended 30 June 2016, a total impairment charge of £5,250,000 was recognised as provisions against subsidiary undertakings as a result of the economic downturn in Mozambique. The economic conditions didn't improve during the year in Mozambique and the based on the forecasted performance of Diageo Supply Marracuene Limitada, the recoverable amount decreased substantially. The management do not anticipate positive turnaround in the next few years. 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 £6,305,000.

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STRATEGIC REPORT (continued)

Other investments are revalued to fair value, as these investments represent available-for-sale financial assets. The net loss on the revaluation at 30 June 2017 was £2,402,000 (2016 - gain of £3,160,000).

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

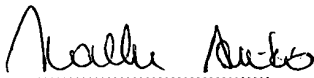
As the company forms part of the group's financial operations, the financial risk management measures used by management to analyse the development, performance and position of the company's business are mainly similar to those facing the Diageo group as a whole and are managed by the group's treasury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

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

Transactional exposure hedging

The company based on the group policy, evaluated by group treasury on individual basis, 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



A Mahler
Director

Lakeside Drive
Park Royal
London
NW10 7HQ
UK

30 November 2017

Guinness Overseas Limited
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DIRECTORS' REPORT

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2017.

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 2017 is shown on page 11.

The loss for the year transferred from reserves is £2,413,000 (2016 - profit of £251,438,000 transferred to reserves) and the other comprehensive expense for the year is £2,402,000 (2016 - income of £3,160,000).

No dividend was paid during the year (2016 - £nil) and there is no dividend proposed to be distributed to the shareholders in regards to the financial year (2016 - £nil).

Directors

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

S L Fennessy (resigned 1 February 2017)

D F Harlock

J J Nicholls

V Rao (appointed 30 January 2017)

V G Tanna

A Mahler

Directors' remuneration

None of the directors received any remuneration during the year in respect of their services as directors of the company (2016 - £nil).

Secretary

On 23 March 2017, V Cooper resigned as a joint secretary of the company.

C Matthews remains as secretary of the company.

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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

Impending capital contribution to Diageo Supply Marracuene Limitada

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 the local regulatory approval hasn't been received, the consideration is expected to be paid during the year-ended 30 June 2018.

Additional shares acquisition of Guinness Nigeria plc's

On 27 September 2017, the company acquired 399,338,065 shares in Guinness Nigeria plc in 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 in the value of £5,552,000 (₦2,683,008,800). As a result of these transactions, the total number of shares owned by the company directly and indirectly increased from 817,945,127 to 1,270,943,368, which resulted the equity stake increased from 54.3% to 58%.

Subsequent declaration of dividend received

On 27 July 2017, 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 2017. As a result the company recognised KSh102.1 million dividend income subsequent to year end in respect of its investment.

On 30 August 2017, Guinness Nigeria plc, a subsidiary undertaking, declared a final dividend of ₦ 0.64 on each ordinary share for the year ended 30 June 2017. As a result the company recognised ₦447.9 million 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 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 2017 on pages 62 to 63 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.


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DIRECTORS' REPORT (continued)

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

30 November 2017

Guinness Overseas Limited
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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 2017 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 2017; 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 2017 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 set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

Guinness Overseas Limited
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INCOME STATEMENT

	Notes	Year ended 30 June 2017 £ 000	Year ended 30 June 2016 £ 000
Operating (costs)/income	2	(330)	151
Income from shares in group undertakings	3	1,922	23,467
Income from shares in associate undertakings	3	219	571
Income from other fixed asset investments	4	1,358	1,797
Provision against subsidiary undertakings	9	(6,305)	(5,676)
Gain on sale of fixed assets/investments	5	-	230,586
Operating (loss)/profit		(3,136)	250,896
Net finance income	6	927	1,192
(Loss)/profit before taxation on ordinary activities		(2,209)	252,088
Taxation on (loss)/profit on ordinary activities	7	(204)	(650)
(Loss)/profit for the year		(2,413)	251,438

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

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STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 30 June 2017 £ 000	Year ended 30 June 2016 £ 000
Other comprehensive (expense)/income			
Items that may be recycled subsequently to the income statement			
Net fair value (losses)/gains on investments	9	<u>(2,402)</u>	<u>3,160</u>
Other comprehensive (expense)/income for the year, net of tax		<u>(2,402)</u>	<u>3,160</u>
(Loss)/profit for the year		<u>(2,413)</u>	<u>251,438</u>
Total comprehensive (expense)/income for the year		<u><u>(4,815)</u></u>	<u><u>254,598</u></u>

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

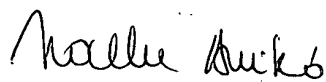
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BALANCE SHEET

	Notes	30 June 2017 £ 000	30 June 2016 £ 000
Non-current assets			
Property, plant and equipment	8	2,919	2,929
Investments in subsidiaries	9	35,905	42,210
Investments in associates and joint ventures	9	1,245	1,245
Other investments	9	42,802	45,204
Deferred tax assets		-	1
		<u>82,871</u>	<u>91,589</u>
Current assets			
Trade and other receivables	10	318,287	314,380
Cash and cash equivalents		<u>677</u>	<u>683</u>
Total assets		401,835	406,652
Current liabilities			
Trade and other payables	11	<u>(129)</u>	<u>(131)</u>
Net assets		<u>401,706</u>	<u>406,521</u>
Equity			
Called up share capital	13	-	-
Other reserves		40,265	42,667
Retained earnings		<u>361,441</u>	<u>363,854</u>
Total equity		<u>401,706</u>	<u>406,521</u>

The accounting policies and other notes on pages 15 to 27 form part of the financial statements.

These financial statements on pages 11 to 27 were approved by the Board on 30 November 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

	Called up share capital £ 000	Revaluation reserve £ 000	Retained earnings £ 000	Total £ 000
Balance at 30 June 2015	-	39,507	112,416	151,923
Profit for the year	-	-	251,438	251,438
Other comprehensive income for the year	-	<u>3,160</u>	-	<u>3,160</u>
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	<u>-</u>	<u>40,265</u>	<u>361,441</u>	<u>401,706</u>

The accompanying notes are an integral part of these 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.

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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 as they are due on demand.

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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Financial assets (continued)

Other investments Other investments 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. 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 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. Interest 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 manner of recovery 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

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 (COSTS)/INCOME

	Year ended 30 June 2017 £ 000	Year ended 30 June 2016 £ 000
Operating (costs)/income		
Other external charges (a)	(512)	(2)
Depreciation	(10)	(10)
Net foreign exchange gains	172	147
Other operating income (b)	20	16
	<u>(330)</u>	<u>151</u>

(a) **Other external charges** include management recharge of £511,000 (2016 - £nil) and bank charges of £1,000 (2016 - £2,000).

(b) **Other operating income** includes management income of £20,000 (2016 - £16,000).

Following a change in approach to the allocation of statutory audit fees to Group entities, auditors' remuneration of £7,000 has been paid on behalf of the company by a fellow group undertaking (2016 - £1,000). There were no fees payable to the auditors in respect of non-audit services (2016 - £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 (2016 - £nil).

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Year ended 30 June 2017

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. INCOME FROM SHARES IN GROUP UNDERTAKINGS

Net dividends receivable during the year ended 30 June 2017 amounted to £2,049,000 (2016 - £23,560,000), of which £1,072,000 (2016 - £19,399,000) was settled during the current financial year by receiving amounts due from other fellow group undertakings. The remaining amount of £977,000 (2016 - £4,639,000) 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 £92,000 (2016 - £478,000).

4. INCOME FROM OTHER FIXED ASSET INVESTMENTS

	Year ended 30 June 2017	Year ended 30 June 2016
	£ 000	£ 000
East African Breweries Limited	1,179	1,695
Other	179	102
	<u>1,358</u>	<u>1,797</u>

Net dividends receivable of £1,246,000 (2016 - £1,625,000) have been settled by receiving amounts due from other fellow group undertakings. Withholding tax suffered in respect of the dividends receipt amounted to £112,000 (2016 - £172,000).

5. GAIN ON SALE OF FIXED ASSETS/INVESTMENTS

During the year ended 30 June 2016, 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.

During the year ended 30 June 2016, 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.

6. FINANCE INCOME

	Year ended 30 June 2017	Year ended 30 June 2016
	£ 000	£ 000
Interest income from fellow group undertakings		
Diageo Finance plc	927	1,192
Total interest income	<u>927</u>	<u>1,192</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. TAXATION

	Year ended 30 June 2017 £ 000	Year ended 30 June 2016 £ 000
(a) Analysis of taxation charge for the year		
Current tax		
Foreign taxes suffered	<u>(204)</u>	<u>(650)</u>
Current tax	(204)	(650)
Deferred tax		
	<u>-</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>(204)</u>	<u>(650)</u>
	Year ended 30 June 2017 £ 000	Year ended 30 June 2016 £ 000
(d) Factors affecting total tax charge for the year		
(Loss)/profit on ordinary activities before taxation	<u>(2,209)</u>	<u>252,088</u>
Taxation on (loss)/profit on ordinary activities at UK corporation tax rate of 19.75% (2016 - 20%)	436	(50,418)
Items not chargeable for tax purposes	691	47,705
Items not deductible for tax purposes	(1,249)	(1,137)
Group relief received for nil consideration	123	3,850
Foreign taxes suffered	(204)	(650)
Other tax effects for reconciliation between accounting loss and tax income	<u>(1)</u>	<u>-</u>
Total tax charge for the year	<u>(204)</u>	<u>(650)</u>

The UK tax rate reduced from 20% to 19% on 1 April 2017 and so an average tax rate of 19.75% is applied for the year ended 30 June 2017. A further reduction to 17% (effective from 1 April 2020) was enacted in September 2016. Deferred taxes at 30 June 2017 have been measured using these enacted tax rate and reflected in these financial statements (note 12).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £ 000	Fixtures and fittings £ 000	Total £ 000
Cost			
At 30 June 2016	<u>3,448</u>	<u>50</u>	<u>3,498</u>
At 30 June 2017	<u>3,448</u>	<u>50</u>	<u>3,498</u>
Depreciation			
At 30 June 2016	(519)	(50)	(569)
Depreciation charge	<u>(10)</u>	<u>-</u>	<u>(10)</u>
At 30 June 2017	<u>(529)</u>	<u>(50)</u>	<u>(579)</u>
Carrying amount			
At 30 June 2017	<u><u>2,919</u></u>	<u><u>-</u></u>	<u><u>2,919</u></u>
At 30 June 2016	<u><u>2,929</u></u>	<u><u>-</u></u>	<u><u>2,929</u></u>

The net book value of land and buildings includes freehold properties of £2,919,000 (2016 - £2,929,000). Included in the total net book value are £2,821,000 (2016 - £2,821,000) within land and £98,000 (2016 - £108,000) within buildings in respect of freehold properties.

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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	Other investments £ 000	Total £ 000
Cost					
At 30 June 2016	47,886	630	615	45,204	94,335
Decrease in fair value	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,402)</u>	<u>(2,402)</u>
At 30 June 2017	<u>47,886</u>	<u>630</u>	<u>615</u>	<u>42,802</u>	<u>91,933</u>
Provisions					
At 30 June 2016	(5,676)	-	-	-	(5,676)
Provided	<u>(6,305)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,305)</u>
At 30 June 2017	<u>(11,981)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,981)</u>
Carrying amount					
At 30 June 2017	<u>35,905</u>	<u>630</u>	<u>615</u>	<u>42,802</u>	<u>79,952</u>
At 30 June 2016	<u>42,210</u>	<u>630</u>	<u>615</u>	<u>45,204</u>	<u>88,659</u>

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. The company values its other investments using unadjusted quoted prices (Level 1). The fair value of other investments is £42,802,000 at 30 June 2017 (2016 - £45,204,000). 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

9. INVESTMENTS (continued)

Provisions for impairment

In 2014, the company acquired 100% ownership of Diageo Supply Marracuene Limitada for a cash consideration of £11,555,000. In the year ended 30 June 2016, a total impairment charge of £5,250,000 was recognised as provisions against subsidiary undertakings as a result of the economic downturn in Mozambique. The economic conditions didn't improve during the year in Mozambique and the based on the forecasted performance of Diageo Supply Marracuene Limitada, the recoverable amount decreased substantially. The management do not anticipate positive turnaround in the next few years. 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 £6,305,000.

Other investments are revalued to fair value, as these investments represent available-for-sale financial assets. The net loss on the revaluation at 30 June 2017 was 2,402,000 (2016 - gain of 3,160,000).

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows. Unless otherwise stated the percentage of shares held are in respect of ordinary share capital. Indirect investments in which the company holds less than 20% are not listed.

Name of subsidiary	Notes	Registered office address	Proportion of ownership interest %
Direct holdings			
<i>Subsidiary undertakings</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	54.3%

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NOTES TO THE FINANCIAL STATEMENTS (continued)

9. INVESTMENTS (continued)

Name of subsidiary	Notes	Registered office address	Proportion of ownership interest %
Direct holdings			
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 undertaking</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>			
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) 46.47% held directly, 7.83% held indirectly. On 27 September, the company acquired additional shares and increased its directly held equity stake to 50.17% and its indirectly held equity stake to 7.83%.

(ii) 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, 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 (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

	30 June 2017	30 June 2016
	£ 000	£ 000
Amounts owed by fellow group undertakings		
Diageo Finance plc	317,310	310,056
Phoenix Beverages Limited	-	37
Guinness Nigeria plc	-	4,287
Diageo Brands Nigeria Limited	977	-
	<u>318,287</u>	<u>314,380</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 PAYABLES

	30 June 2017	30 June 2016
	£ 000	£ 000
Amounts owed to fellow group undertakings		
Seychelles Breweries Limited	2	12
Accruals and deferred income	127	119
	<u>129</u>	<u>131</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:

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NOTES TO THE FINANCIAL STATEMENTS (continued)

12. DEFERRED TAX ASSETS AND LIABILITIES (continued)

	30 June 2017	30 June 2016
	£ 000	£ 000
Capital losses - indefinite	<u>109</u>	<u>127</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 (2016 - £306,000) 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.

13. SHARE CAPITAL

Allotted, called up and fully paid:

	30 June 2017
	£
100 (2016 - 100) ordinary shares of £1 each	<u>100</u>

14. POST BALANCE SHEET EVENTS

Impending capital contribution to Diageo Supply Marracuene Limitada

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 the local regulatory approval hasn't been received, the consideration is expected to be paid during the year-ended 30 June 2018.

Additional shares acquisition of Guinness Nigeria plc's

On 27 September 2017, the company acquired 399,338,065 shares in Guinness Nigeria plc in 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 in the value of £5,552,000 (₦2,683,008,800). As a result of these transactions, the total number of shares owned by the company directly and indirectly increased from 817,945,127 to 1,270,943,368, which resulted the equity stake increased from 54.3% to 58%.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

14. POST BALANCE SHEET EVENTS (continued)

Subsequent declaration of dividend received

On 27 July 2017, 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 2017. As a result the company recognised KSh102.1 million dividend income subsequent to year end in respect of its investment.

On 30 August 2017, Guinness Nigeria plc, a subsidiary undertaking, declared a final dividend of ₦ 0.64 on each ordinary share for the year ended 30 June 2017. As a result the company recognised ₦447.9 million 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 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.