

**Guinness Overseas Holdings Limited**  
**Annual report and financial statements**  
**30 June 2020**

Registered number: 01488969



**Guinness Overseas Holdings Limited**  
**Registered number: 01488969**  
**Year ended 30 June 2020**

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**Guinness Overseas Holdings Limited**  
**Registered number: 01488969**  
**Year ended 30 June 2020**

## **STRATEGIC REPORT**

The directors present their strategic report for the year ended 30 June 2020.

### **Activities**

The company is an intermediary holding company within the Diageo group ("the group"), for a group of companies that are engaged in brewing overseas and the export of beer products. The directors foresee no changes in the company's activities.

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

### **Business review**

*Development and performance of the business of the company during the financial year and position of the company as at 30 June 2020*

#### Investment in Meta Abo Brewery S.C. review

On 10 January 2012 Guinness Overseas Holding Limited acquired 100% of share capital of Meta Abo Brewery Share Company (Meta Abo Brewery S.C.) for £149,286,000 and it became a wholly owned subsidiary of the company. During the period of 2012-2018 the company provided additional capital contribution in the amount of £106,734,000 in order to fund the expansion of the supply capacity for future demand and to improve the working capital position of Meta Abo Brewery S.C.. The total gross cost of the investment with the capital injections increased to £256,020,000 at 30 June 2018. The business performance and the short term expectations of the subsidiary were negatively influenced by devaluation of the Ethiopian birr, increasing costs of imported raw materials and products, an increased competitive environment, political unrest in Ethiopia and increased funding requirements of Meta Abo Brewery S.C.. These factors had a negative impact on the recoverable amount of the investment which was assessed to be £nil at 30 June 2018. Therefore cumulative impairment charges of £256,020,000 were recorded against the company's investment in Meta Abo Brewery S.C. as at 30 June 2018.

On 13 March 2019 the board approved an additional equity injection to Meta Abo Brewery S.C. up to \$27,860,000. This capital contribution was implemented through several tranches during the year-ended 30 June 2019 and 30 June 2020. On 18 March 2019 and on 20 June 2019 the company subscribed for additional share capital in Meta Abo Brewery S.C. of \$6,965,000 (£5,253,000) and \$3,608,000 (£2,837,000) respectively. During 2019, the performance of the business continued to be impacted by civil unrest in Ethiopia, disrupting production and distribution, as well as by supply and technical challenges. These external and internal factors had a negative impact on the recoverable amount of the investment, which was assessed by the directors to be £4,979,000 at 30 June 2019, and as a result a further provision for impairment was recognised in the amount of £3,111,000.

During the current financial year, the company subscribed for additional share capital in Meta Abo Brewery S.C. for \$3,900,000 (£3,213,000) on 2 September 2019, \$4,000,000 (£3,129,000) on 4 November 2019, \$4,300,000 (£3,272,000) on 31 January 2020, \$3,054,000 (£2,340,000) on 27 February 2020 and \$2,033,000 (£1,614,000) on 31 March 2020.

On 18 May 2020 the board approved an additional equity injection to Meta Abo Brewery S.C. up to £6,810,000. On 2 June 2020 and on 30 June 2020 the company subscribed for additional share capital in Meta Abo Brewery S.C. for £2,636,000 and £2,092,000 respectively.

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## **STRATEGIC REPORT (continued)**

### **Business review (continued)**

During the year ended 30 June 2020, as a result of continuing negative market conditions in Ethiopia, including supply chain issues, the impact of on-trade closures due to the Covid-19 pandemic, and an excise duty increase, the recoverable amount of the company's investment was assessed by the director's to be £nil. As a consequence, an impairment of £23,275,000 was recognised.

Ethiopia has experienced considerable volatility during the past few years, including political change, civil unrest, foreign exchange restrictions and currency devaluation, which have impacted profitability and liquidity of Meta Abo Brewery S.C. Despite the continued volatility, the directors of the company have continued to invest in Meta Abo Brewery S.C. due to Ethiopia's long-term strategic importance for the group, its positive demographics and growing consumer market.

### Company related review

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

The loss for the year increased by £18,031,000 to £18,349,000 at the year ended 30 June 2020 from a loss of £318,000 for the year ended 30 June 2019. The main driver of the loss recognised at 30 June 2020 was the impairment charge in respect of the company's investment in Meta Abo Brewery S.C in the amount of £23,275,000.

During the year ended 30 June 2020 the company received dividend income from Guinness Cameroun S.A. in the amount of £7,105,000 (2019 - £5,332,000).

The total net assets increased by £74,190,000 to £25,884,000 from £48,306,000 net liabilities in the prior year, predominantly due to the capital contribution from Diageo plc, the immediate shareholder of the company.

### *Financial and other key performance indicators*

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

### *Principal risks and uncertainties facing the company as at 30 June 2020*

The company believes the following to be the principal risks and uncertainties it faces. If any of these risks occur, the company's business, financial condition and operational results could suffer. As the company forms part of the group's financial operations, the financial risk management measures used by management to analyse the development, performance and position of the company's business are mainly similar to those facing the group as a whole and are managed by the group's treasury department.

**Guinness Overseas Holdings Limited**  
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**Year ended 30 June 2020**

## **STRATEGIC REPORT (continued)**

*Principal risks and uncertainties facing the company as at 30 June 2020 (continued)*

### Covid-19

At the beginning of calendar year 2020 a new coronavirus, referred to as 'Covid-19', emerged and has been classified as a pandemic due to its spread across the world. Given the global nature of the Covid-19 pandemic, and the uncertainty as to the severity and duration of the impact across multiple markets, it is difficult to accurately assess the impact the virus will have on the future financial performance of the group and the company. The directors have assessed that the key impacts on the company would be in respect of Covid 19 on remote working and ability to access IT systems, along with a potentially heightened cyber risk. The global economic outlook remains uncertain currently, as the pandemic has created volatility in the short term as a result of the social restrictions implemented across the world. The impact of the virus on economic conditions over the medium-term (one to three years) is highly uncertain, in sharp contrast to the stable and growing GDP performance across most markets experienced in recent years. As a result, significant volatility is likely to continue or increase as markets face challenging economic conditions and higher levels of unemployment leading to reduced consumer spending.

To mitigate these challenges the group regularly gathers data and obtains insights which enable management to assess conditions in the markets where the group operates and to amend forecasts and investment decisions appropriately. The directors believe that the risk mitigation actions taken in relation to the pandemic have been agile and effective and that the group will maintain adequate liquidity and be strongly positioned for a recovery in consumer demand. Further information on the group's risk management measures in relation to Covid-19 are disclosed on pages 38-39 of Diageo plc's 2020 Annual Report and on page 61 of Diageo plc's Interim results for the six months ended 31 December 2020.

### Brexit

The European Union and the United Kingdom have now signed the EU-UK Trade and Cooperation Agreement which provisionally came into force on 1 January 2021. We remain of the view that the direct financial impact to the group or the company will not be material. A cross-functional working group is in place that meets on a regular basis to identify and assess the consequences of Brexit, with all major functions within our business represented, including the function of raising external funding. The group will monitor the implications of the Agreement very closely, as well as the broader environment risks, including a continuing focus on identifying critical decision points to ensure potential disruption is minimised, and take prudent actions to mitigate these risks wherever practical. Further information on the group's risk management measures in relation to Brexit are disclosed on page 39 of Annual Report.

### *Statement on Section 172 of the Companies Act 2006*

Section 172 of the Companies Act 2006 requires the directors to promote the success of the company for the benefit of the members as a whole, having regard to the interests of stakeholders in their decision-making. In making decisions, the directors consider what is most likely to promote the success of the company for its shareholders in the long term, as well as the interests of the group's stakeholders. The directors understand the importance of taking into account the views of stakeholders and the impact of the company's activities on local communities, the environment, including climate change, and the group's reputation.

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

*Statement on Section 172 of the Companies Act 2006 (continued)*

The company is a member of the group of companies whose ultimate holding company is Diageo plc. In accordance with the requirements of UK company law, Diageo plc has included in its Annual Report on page 5 a statement as to how the directors of Diageo plc have had regard to the matters set out in Section 172 of the Companies Act 2006.

In order to ensure consistency in how the group operates with regard to its wider stakeholders, the group has adopted an internal Code of Business Conduct alongside a comprehensive framework of global policies and standards that are designed to ensure, amongst other things, that all companies throughout the group, including the company, have regard to its wider stakeholders in a consistent manner.

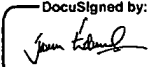
The company has therefore had regard to the matters set out in Section 172 of the Companies Act 2006 in a manner that is consistent with the approach adopted by Diageo plc, while at the same time ensuring the directors of the company are fulfilling their duties.

*Main activities of the Board*

The main activities of the Board during the year include:

- Approval of various corporate transactions in relation to issuing shares to its parent company and undertaking equity injections in its subsidiary; and
- Approval of the financial statements for the financial year ended 30 June 2019.

On behalf of the board

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J M C Edmunds  
*Director*

Lakeside Drive  
Park Royal  
London  
NW10 7HQ

13 May 2021

**Guinness Overseas Holdings Limited**  
**Registered number: 01488969**  
**Year ended 30 June 2020**

## **DIRECTORS' REPORT**

The directors are pleased to submit their annual report, together with the audited financial statements for the year ended 30 June 2020.

### **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. The company participates in the group's centralised treasury arrangements and the parent and fellow group undertakings are expected to provide financial support for the foreseeable future. The company is not reliant on external third party financing. The only liabilities at the balance sheet date are in respect of balances due to fellow group undertakings. The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern. On the basis of their assessment, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for a period of at least 12 months from the date the financial statements are approved and signed as a fellow group undertaking has agreed its policy is to provide financial support for this period. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

In arriving at this conclusion, the directors have also considered the potential impact that the Covid-19 outbreak may have on the company and believe that any impact would be minimal.

### **Financial**

The result for the year ended 30 June 2020 is shown on page 12.

The loss for the year transferred to reserves was £18,349,000 (2019 - loss of £318,000).

No dividend was paid during the year (2019 - £nil) and there is no dividend proposed to be distributed to the shareholders in regards to the financial year (2019 - £nil).

### **Directors**

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

J M C Edmunds

D Keresztesi (appointed 11 September 2020)

G Kovacs (resigned 1 September 2020)

K E Major

### **Directors' remuneration**

None of the directors received any remuneration during the year in respect of their services as directors of the company (2019 - £nil).

**Guinness Overseas Holdings Limited**

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**Year ended 30 June 2020**

**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**

On 31 August 2020, the company subscribed for additional share capital in Meta Abo Brewery S.C. for £2,082,000 in respect of the approved equity injection of £6,810,000.

On 29 December 2020, the board approved an additional equity injection to Meta Abo Brewery S.C. up to £2,223,908. On 18 January 2021, the company subscribed for additional share capital in Meta Abo Brewery S.C. for £1,972,740.

**Business relationship statement**

The business of the company is that of an intermediate holding company and as such it has a more limited number of third-party business relationships than other companies within the group. However, in order to ensure consistency in how the group operates, the company has adopted an internal Code of Business Conduct alongside a comprehensive framework of global policies and standards that are designed to ensure, amongst other things, that all companies throughout the group, including the company, have regard to its wider stakeholders, including those in a business relationship with the company, in a consistent manner. Decisions taken by directors are informed by the interests of its wider stakeholders, including those in a business relationship with the company, as guided by, amongst other things, the Code of Business Conduct and framework of policies and standards.

**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 2020 on page 79 at [www.diageo.com](http://www.diageo.com), which does not form part of this report.

**Independent auditors**

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

**Disclosure of information to auditors**

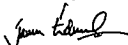
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make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



**Guinness Overseas Holdings Limited**  
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**DIRECTORS' REPORT (continued)**

On behalf of the board

DocuSigned by:  
  
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.....  
J M C Edmunds  
*Director*

Lakeside Drive  
Park Royal  
London  
NW10 7HQ

13 May 2021

**Guinness Overseas Holdings 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

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### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 30 June 2020 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 2020; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

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

### **Independence**

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

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

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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### **Reporting on other information**

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

## *Strategic Report and Directors' report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 30 June 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 9, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### *Auditors' responsibilities for the audit of the financial statements*

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

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

### *Use of this report*

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

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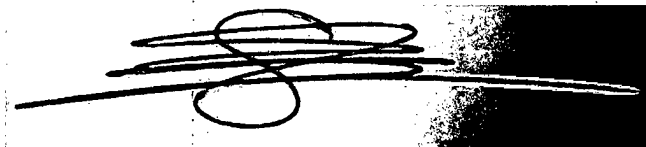
## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Steve Reid (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

13 May 2021

**Guinness Overseas Holdings Limited**  
**Registered number: 01488969**  
**Year ended 30 June 2020**

**STATEMENT OF COMPREHENSIVE INCOME**

		<b>Year ended 30 June 2020</b>	<b>Year ended 30 June 2019</b>
	<b>Notes</b>	<b>£ 000</b>	<b>£ 000</b>
Operating (cost)/income	2	(192)	43
Income from shares in group undertakings	3	7,105	5,332
Provision against subsidiary undertakings	6	(23,275)	(3,111)
<b>Operating (loss)/profit</b>		<b>(16,362)</b>	<b>2,264</b>
Net finance charges	4	(1,044)	(2,624)
<b>Loss before taxation on ordinary activities</b>		<b>(17,406)</b>	<b>(360)</b>
Taxation on loss on ordinary activities	5	(943)	42
<b>Loss for the financial year and total comprehensive expense for the year</b>		<b>(18,349)</b>	<b>(318)</b>

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

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

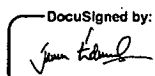
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**BALANCE SHEET**

	Notes	Year ended 30 June 2020 £ 000	Year ended 30 June 2019 £ 000
<b>Non-current assets</b>			
Investments in subsidiaries	6	28,933	33,912
		<u>28,933</u>	<u>33,912</u>
<b>Current assets</b>			
Trade and other receivables	7	6,142	5,374
Cash and cash equivalents		4	1
<b>Total assets</b>		<u>35,079</u>	<u>39,287</u>
<b>Current liabilities</b>			
Trade and other payables	8	(9,195)	(82,614)
		<u>(9,195)</u>	<u>(82,614)</u>
<b>Net assets/(liabilities)</b>		<u>25,884</u>	<u>(43,327)</u>
<b>Equity</b>			
Called up share capital	9	87,560	—
Accumulated deficit		(61,676)	(43,327)
<b>Total equity</b>		<u>25,884</u>	<u>(43,327)</u>

The accounting policies and other notes on pages 15 to 24 form part of the financial statements.

These financial statements on pages 12 to 24 were approved by the Board on 13 May 2021 and were signed on its behalf by:

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J M C Edmunds  
 Director

**Guinness Overseas Holdings Limited**  
**Registered number: 01488969**  
**Year ended 30 June 2020**

**STATEMENT OF CHANGES IN EQUITY**  
**ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY**

	<b>Called up share capital £ 000</b>	<b>Accumulated deficit £ 000</b>	<b>Total £ 000</b>
Balance at 30 June 2018	—	(43,009)	(43,009)
Loss for the financial year and total comprehensive expense for the year	—	(318)	(318)
<b>Balance at 30 June 2019</b>	<b>—</b>	<b>(43,327)</b>	<b>(43,327)</b>
Loss for the financial year and total comprehensive expense for the year	—	(18,349)	(18,349)
Shares issued	87,560	—	87,560
<b>Balance at 30 June 2020</b>	<b>87,560</b>	<b>(61,676)</b>	<b>25,884</b>

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

**Guinness Overseas Holdings Limited**  
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**Year ended 30 June 2020**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. ACCOUNTING POLICIES**

#### **Basis of preparation**

The principal accounting policies applied in the preparation of these financial statements are set below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements are prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (IFRS), but makes amendments where necessary in order to comply with Companies Act 2006 and sets out below where the FRS 101 disclosure exemptions have been taken.

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

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

The preparation of financial statements in conformity with FRS 101 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 79(a)(iv) (comparative information requirements);
  - 111 (cash flow statement information);
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'
- The following paragraphs of IAS 8, 'Accounting policies, changes in accounting estimates and errors':
  - 30 (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
  - 31 (disclosures relating to the new IFRS).
- Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets' (disclosures when the recoverable amount is fair value less costs of disposal, assumptions involved in estimating recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives, and management's approach to determining these amounts).



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

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

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

- The following paragraphs of IAS 24 'Related party disclosures':
  - 17 (key management compensation);
  - 18A (key management services provided by a separate management entity).
- The requirements of IFRS 7 Financial Instruments: Disclosures, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

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

These financial statements are separate financial statements.

#### **New accounting standards and interpretations**

The following amendments to the accounting standards, issued by the IASB which have been endorsed by the EU, have been adopted by the group and therefore by the company from 1 July 2020 with no impact on the company's results, financial position or disclosures:

- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures
- Amendments to IFRS 9 - Prepayment Features with Negative Compensation
- Improvements to IFRS 3 and IFRS 11 - Business combinations and Joint arrangements - Accounting for previously held interests
- Improvements to IAS 12 - Income taxes - Accounting for income tax consequences of payments on financial instruments that are classified as equity
- Improvements to IAS 23 - Borrowing costs on completed qualifying assets
- IFRS 16 - Leases

The following amendment and standard, issued by the IASB have not been adopted by the company:

- IFRS 17 - Insurance contracts
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform (phase 1)

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

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

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

#### **Finance income/charges**

Finance income/charges are recognised in the statement of comprehensive income in the year in which it is earned/incurred.

**Guinness Overseas Holdings Limited**  
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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 statement of comprehensive income.

#### **Investments in subsidiaries**

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

#### **Financial assets and liabilities**

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

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

**Cash and cash equivalents** Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

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

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

**1. ACCOUNTING POLICIES (continued)**

**Taxation**

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

**Dividends**

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

**Judgements in applying accounting policies and key sources of estimation uncertainty**

The preparation of financial statements requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

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

Impairment reviews are carried out to ensure that the value of the investments in subsidiaries are not carried at above their recoverable amounts. The tests are dependent on management's estimates in respect of the forecasting of future cash flows, the discount rates applicable to the future cash flows and expected growth rates. Such estimates and judgements are subject to change as a result of changing economic conditions and actual cash flows may differ from forecasts.

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

**2. OPERATING (COSTS)/INCOME**

	Year ended 30 June 2020 £ 000	Year ended 30 June 2019 £ 000
<b>Operating (costs)/income</b>		
Net foreign exchange losses	(137)	—
Provision released	—	43
Other operating expenses	(55)	—
	<u>(192)</u>	<u>43</u>

The auditors' remuneration of £7,000 (2019 - £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 (2019 - £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 (2019 - £nil).

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

	Year ended 30 June 2020 £ 000	Year ended 30 June 2019 £ 000
<b>Dividend income from shares in group undertakings</b>		
Guinness Cameroun S.A.	<u>7,105</u>	<u>5,332</u>

Net dividend income from shares in group undertakings during the year ended 30 June 2020 amounted to £5,933,000 (2019 - £4,452,000), which is due by receiving amounts from Guinness Cameroun S.A. (see note 7). Withholding tax suffered in respect of the dividend received amounted to £1,172,000 (2019 - £880,000).

**4. NET FINANCE CHARGES**

	Year ended 30 June 2020 £ 000	Year ended 30 June 2019 £ 000
Other interest income	<u>3</u>	<u>—</u>
Interest charge to fellow group undertakings		
Diageo Finance plc	(1,047)	(2,624)
<b>Net finance charges</b>	<u>(1,044)</u>	<u>(2,624)</u>

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

**5. TAXATION ON LOSS ON ORDINARY ACTIVITIES**

	<b>Year ended 30 June 2020 £ 000</b>	<b>Year ended 30 June 2019 £ 000</b>
<b>(a) Analysis of taxation (charge)/credit for the year</b>		
<b>Current tax</b>		
UK corporation tax	209	490
Foreign taxes suffered	(1,172)	(880)
Adjustments in respect of prior years	20	432
<b>Current tax</b>	<b>(943)</b>	<b>42</b>
<b>Taxation on loss on ordinary activities</b>	<b>(943)</b>	<b>42</b>
	<b>Year ended 30 June 2020 £ 000</b>	<b>Year ended 30 June 2019 £ 000</b>
<b>(b) Factors affecting total tax (charge)/credit for the year</b>		
Loss before taxation on ordinary activities	<b>(17,406)</b>	<b>(360)</b>
Taxation on loss on ordinary activities at UK corporation tax rate of 19% (2019 - 19%)	3,307	68
Income not taxable	1,350	1,013
Items not deductible for tax purposes	(4,448)	(591)
Adjustments in respect of prior years	20	432
Foreign taxes suffered	(1,172)	(880)
<b>Total tax (charge)/credit for the year</b>	<b>(943)</b>	<b>42</b>

The UK tax rate is 19% effective from 1 April 2017 which is applied for year ended 30 June 2020. In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

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

**6. INVESTMENTS IN SUBSIDIARIES**

<i>Shares in group undertakings</i>	<b>Subsidiaries</b>
	<b>£ 000</b>
<b>Cost</b>	
At 30 June 2019	339,428
Additions	18,296
<b>At 30 June 2020</b>	<b>357,724</b>
<b>Provisions</b>	
At 30 June 2019	(305,516)
Provided	(23,275)
<b>At 30 June 2020</b>	<b>(328,791)</b>
<b>Carrying amount</b>	
<b>At 30 June 2020</b>	<b>28,933</b>
At 30 June 2019	33,912

On 10 January 2012 Guinness Overseas Holding Limited acquired 100% of share capital of Meta Abo Brewery Share Company (Meta Abo Brewery S.C.) for £149,286,000 and it became a wholly owned subsidiary of the company. During the period of 2012-2018 the company provided additional capital contribution in the amount of £106,734,000 in order to fund the expansion of the supply capacity for future demand and to improve the working capital position of Meta Abo Brewery S.C.. The total gross cost of the investment with the capital injections increased to £256,020,000 at 30 June 2018. The business performance and the short term expectations of the subsidiary were negatively influenced by devaluation of the Ethiopian birr, increasing costs of imported raw materials and products, an increased competitive environment, political unrest in Ethiopia and increased funding requirements of Meta Abo Brewery S.C.. These factors had a negative impact on the recoverable amount of the investment which was assessed to be £nil at 30 June 2018. Therefore cumulative impairment charges of £256,020,000 were recorded against the company's investment in Meta Abo Brewery S.C. as at 30 June 2018.

On 13 March 2019 the board approved an additional equity injection to Meta Abo Brewery S.C. up to \$27,860,000. This capital contribution was implemented through several tranches during the year-ended 30 June 2019 and 30 June 2020. On 18 March 2019 and on 20 June 2019 the company subscribed for additional share capital in Meta Abo Brewery S.C. of \$6,965,000 (£5,253,000) and \$3,608,000 (£2,837,000) respectively. During 2019, the performance of the business continued to be impacted by civil unrest in Ethiopia, disrupting production and distribution, as well as by supply and technical challenges. These external and internal factors had a negative impact on the recoverable amount of the investment, which was assessed by the directors to be £4,979,000 at 30 June 2019, and as a result a further provision for impairment was recognised in the amount of £3,111,000.

During the current financial year, the company subscribed for additional share capital in Meta Abo Brewery S.C. for \$3,900,000 (£3,213,000) on 2 September 2019, \$4,000,000 (£3,129,000) on 4 November 2019, \$4,300,000 (£3,272,000) on 31 January 2020, \$3,054,000 (£2,340,000) on 27 February 2020 and \$2,033,000 (£1,614,000) on 31 March 2020.

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

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

On 18 May 2020 the board approved an additional equity injection to Meta Abo Brewery S.C. up to £6,810,000. On 2 June 2020 and on 30 June 2020 the company subscribed for additional share capital in Meta Abo Brewery S.C. for £2,636,000 and £2,092,000 respectively.

During the year ended 30 June 2020, as a result of continuing negative market conditions in Ethiopia, including supply chain issues, the impact of on-trade closures due to the Covid-19 pandemic, and an excise duty increase, the recoverable amount of the company's investment was assessed by the director's to be £nil. As a consequence, an impairment of £23,275,000 was recognised.

Ethiopia has experienced considerable volatility during the past few years, including political change, civil unrest, foreign exchange restrictions and currency devaluation, which have impacted profitability and liquidity of Meta Abo Brewery S.C. Despite the continued volatility, the directors of the company have continued to invest in Meta Abo Brewery S.C. due to Ethiopia's long-term strategic importance for the group, its positive demographics and growing consumer market.

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

<b>Name of investment</b>	<b>Notes</b>	<b>Registered office address</b>	<b>Proportion of ownership interest %*</b>	<b>Proportion of effective interest %**</b>
<b>Direct holdings</b>				
<i>Subsidiary undertakings</i>				
Guinness Cameroun S.A.		Bassa industrial trade zone, Ndog HemII, PO BOX 1213 Douala, Cameroun	92.07%	92.07%
Meta Abo Brewery Share Company		Kebele 05 Sebeta Hawas, Sebeta Town, Oromia Region, Ethiopia	99.99%	99.99%

The investments in subsidiaries are held at cost less, where appropriate, provision for impairment in value. In the opinion of the directors, the investment in the company's subsidiary undertakings are worth at least the amount at which they are stated in the financial statements.

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

\*\* Effective percentage of shares held owned by the company

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

**7. TRADE AND OTHER RECEIVABLES**

	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Amounts owed by fellow group undertakings		
Guinness Cameroun S.A.	5,933	4,452
Diageo Scotland Limited	209	922
	<u><b>6,142</b></u>	<u><b>5,374</b></u>

The amount owed by Guinness Cameroun S.A. is the dividend receivable in the amount of £5,933,000 (2019 - £4,452,000). As the company has accumulated deficit, the calculated tax credit for the year is received by Diageo Scotland Limited and subsequently repaid to the company.

**8. TRADE AND OTHER PAYABLES**

	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Amounts owed to fellow group undertakings		
Diageo Finance plc	9,195	82,614
	<u><b>9,195</b></u>	<u><b>82,614</b></u>

Amounts owed to fellow group undertakings are unsecured, interest bearing, and repayable on demand. Consideration received in respect of share capital increase reduced the loan payable to Diageo Finance plc.

**9. CALLED UP SHARE CAPITAL**

*Allotted, called up and fully paid:*

	<b>30 June 2020</b>
	<b>£ 000</b>
87,560,100 (2019 - 100) ordinary shares of £1 each	<u><b>87,560</b></u>

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



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

**10. CONTINGENT LIABILITIES**

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

Management believes that the relevant audit was accurate and therefore the company has no further liability to PPESA. On 29 October 2019 PPESA filed a legal claim against Guinness Overseas Holdings Limited at the Federal High Court in the amount of ETB 54,609,847 (£1,500,000). The court proceedings are ongoing but have been delayed by Covid-19.

**11. COMMITMENTS**

**Capital commitments**

On 18 May 2020 the board approved an additional equity injection to Meta Abo Brewery S.C. up to £6,810,000. On 2 June 2020 and on 30 June 2020 the company subscribed for additional share capital in Meta Abo Brewery S.C. of £2,636,000 and £2,092,000 respectively. The capital contribution has been partially completed to the amount of £4,728,000 at 30 June 2020.

**12. POST BALANCE SHEET EVENTS**

On 31 August 2020, the company subscribed for additional share capital in Meta Abo Brewery S.C. for £2,082,000 in respect of the approved equity injection of £6,810,000.

On 29 December 2020, the board approved an additional equity injection to Meta Abo Brewery S.C. up to £2,223,908. On 18 January 2021, the company subscribed for additional share capital in Meta Abo Brewery S.C. for £1,972,740.

**13. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING**

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