

Diageo UK Turkey Holdings Limited
Directors' report and financial statements
30 June 2023

Registered number: 08447006



Diageo UK Turkey Holdings Limited
Registered number: 08447006
Year ended 30 June 2023

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Diageo UK Turkey Holdings Limited

Registered number: 08447006

Year ended 30 June 2023

DIRECTORS' REPORT

The directors are pleased to submit their directors' report together with the audited financial statements for the year ended 30 June 2023.

The directors are entitled to take advantage of the small companies' exemption in not preparing a strategic report. This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Activities

The company is incorporated and domiciled as a private company limited by shares in England, United Kingdom. The registered address is 16 Great Marlborough Street, London, W1F 7HS.

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

The directors foresee no changes in the company's activities.

Business review

Turkey has been a hyperinflationary economy where cumulative inflation for the three years ended 30 June 2022 exceeded 100%. Consequently, since March 2022, the company applies hyperinflationary accounting. The company's financial statements include the results and financial position of its operations restated to the measuring unit current at the end of the reporting period, being 30 June 2023. Comparative amounts presented in these financial statements have also been restated for the impact of applying hyperinflationary accounting up to 30 June 2023 (refer to note 1 for further details). The inflation rate used by the company is the official published rate by the Turkish Statistical Institute, TurkStat. The movement in the publicly available official price index for the year ended 30 June 2023 was 38% (2022 – 79%).

Hyperinflationary adjustments for the year ended 30 June 2022 resulted in a decrease to retained earnings in the amount of TRY 61,217,000 and nil impact to the company's loss for the year ended 30 June 2022.

The profit for the year ended 30 June 2023 was TRY 20,396,000 (2022 restated - loss of TRY 188,934,000). The company recognised a loss last year due to the impairment charge in the amount of TRY 295,079,000 in respect of its investment in Diageo UK Turkey Limited. During the year ended 30 June 2023 the finance income decreased by TRY 24,293,000 to TRY 23,746,000 from TRY 48,039,000 which is due to a decrease in reference rate applied for interest income on loans with fellow group undertaking, Diageo Finance plc driven by the weakening of Turkish Lira against sterling and the impact of the hyperinflationary environment. The average reference interest rate for Turkish Lira was 16.18% during the year ended 30 June 2022, which decreased to an average reference interest rate of 10.96% during the year ended 30 June 2023.

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DIRECTORS' REPORT

Business review (continued)

Going concern

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 a period of at least 12 months from the date the financial statements are approved and signed. 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 principal risks outlined on the Directors' report may have on the company and believe that any impact would be minimal.

Financial

The result for the year ended 30 June 2023 is shown on page 12.

The profit for the year transferred to reserves was TRY 20,396,000 (2022 restated - loss of TRY 188,934,000).

No dividend was paid during the year (2022 - TRY nil) and there is no dividend proposed to be distributed to the shareholders in regards to the financial year (2022 - TRY 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

C-L Jordan (resigned 26 September 2022)

K E Major

I Thrustle

Directors' remuneration

None of the directors received any remuneration during the year in respect of their services as directors of the company (2022 - TRY nil). The directors were paid by fellow group undertakings, and no cost was recharged to the company.

Directors' indemnity

The Articles of Association permits 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.

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DIRECTORS' REPORT (continued)

Principal risks and uncertainties facing the company as at 30 June 2023

The principal risks identified by the group are disclosed on pages 88 to 93 of Diageo plc's 2023 Annual Report. The most relevant of the group risks to this entity are the ones we have selected and articulated below, together with specific considerations relating to the company's operations and environment. 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 investment holding and financing structure, 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. The directors consider that the following risks might impact the performance and the solvency or liquidity of the company through its investments and intercompany financing structure.

Hyperinflation

The company is exposed to foreign currency risk arising principally due to the hyperinflation of Turkish Lira. The company has an investment with exposure to foreign currency in respect of its liabilities denominated in sterling, therefore the company fully provided for its investment in Diageo UK Turkey Limited. The group and other fellow group undertakings will provide financial support to the company when it is required.

Geopolitical and macroeconomic volatility

Geopolitical forces, primarily driven by the Russia / Ukraine conflict, coupled with macro-economic stress, increase the likelihood of international and domestic tensions, disputes and conflict that might impact the business. Macroeconomic conditions include inflationary pressures, unemployment and global trade tensions. Financial volatility risk could arise from variability in financial markets, interest rate fluctuations and currency instability. Failure to react quickly enough to changing economic and/or political conditions, e.g. inflationary pressures, currency instability, global trade tensions, heightened political protectionism, changes to customs duties and tariffs, and/or eroded consumer confidence, may impact on the freedom to operate in a market and could adversely impact financial performance.

The group monitors key business drivers and performance, to prepare for rapid changes in the external environment and there is an enhanced group-level strategic analysis and scenario planning to strengthen market strategies and risk management.

The group has continued to improve long-term forecasting and planning capabilities, to better assess and respond to long-term opportunities and risks. The group has also continued to operate the strategic planning and performance function with a stronger governance model for financial and non-financial decision-making. This will enable closer monitoring of external volatility/risk and multi-country investment strategy with central hedging and currency monitoring to manage volatility.

During the year ended 30 June 2023, inflation has remained high and has reduced more slowly than expected in many countries. High levels of inflation are expected to continue in the short to medium term. Foreign exchange volatility has increased across several markets. There are dedicated cross-functional steering groups to manage the response to acute issues including inflation and foreign exchange volatility.

The company only has an intercompany receivable and payable, on the balance sheet and has corresponding interest income and expense in the statement of comprehensive income; therefore the only assessed risk associated with geopolitical risk is that the intercompany receivable may not be recoverable.

The intercompany receivable is due from Diageo Finance plc, who itself may be impacted by specific principal risks and therefore impact

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DIRECTORS' REPORT (continued)

Principal risks and uncertainties facing the company as at 30 June 2023 (continued)

Geopolitical and macroeconomic volatility (continued)

Details of the specific principal risks that may impact Diageo Finance plc are disclosed in its separate financial statements, and these are subject to risk mitigation measures that are assessed and coordinated from a group level.

Cyber and IT resilience

Cyber-attacks are becoming more prevalent, and there is an increased dependency on third-party IT services and solutions. As geopolitical tensions are growing, there is a rise in more sophisticated cyber threats affecting all organisations, therefore the risk of a cyber-attack is heightened.

The group has strong enterprise-wide cyber risk management processes and policies and next generation security technologies to tackle advanced attacks. There is IT and Operations Technology ("OT") disaster recovery and business continuity testing across the key systems. The group continues to enhance and deploy next generation security technologies to tackle advanced attacks and upgrade the enterprise resource planning system and associated processes to ensure they remain resilient.

Climate change and sustainability

Physical and transition climate change risks, including water stress, extreme weather events, temperature rises and increased regulation, may result in increased volatility in the supply of raw materials, production costs, capacity constraints and higher costs of compliance. In addition, the failure to meet sustainability goals could result in loss of licence to operate, financial loss and reputational damage amongst customers, consumers, investors and other stakeholders.

The group conducted a detailed climate change risk assessment ("CCRA") and scenario analysis to evaluate short- and long-term impacts from physical and transition risks.

The group operates a cross-functional Climate Risk Steering Group that sets the strategy for ongoing climate risk assessment, and manages associated opportunities and risks, while continuing to develop the approach to climate change risk reporting. CCRA review found that, with respect to the group, risks related to acute weather events, high temperature, water stress, rising sea level hazards are projected to significantly increase in the future and cause interruption to operations, however based on the current assessment we do not consider that they will have a significant short term financial impact.

Resource-scarcity issues have been identified and mitigated, especially within agricultural ingredient sourcing, and manufacturing, water and energy. Physical risk exposures have been identified for sites assessed in North America and Scotland, Africa, Mexico, India, Turkey, Latin America and Caribbean, Asia Pacific, and Europe, and being built into site and category risk footprints. 'Society 2030: Spirit of Progress' ambition was launched in 2022 that continued to deliver against key targets and longer-term goals. (Details are disclosed on pages 57-60 of Diageo plc's Annual Report). The water blueprint was defined and operationalised in water-stressed locations. Communication programmes are in place to share impact, strengthen reputation and support the advocacy platform. Carbon pricing is being assessed as an internal mechanism to drive deeper understanding of the impact of energy choices. The group TCFD modelling and mitigation plans incorporate the risk of a 4-5°C climate change scenario, which may arise as a result of collective climate action failure.

The group has further increased resources dedicated to the mitigation of climate impact within our sustainability, sourcing, and finance teams.

Further information on the group's risk assessment and risk management measures in relation to climate change is disclosed on pages 71-87 of Diageo plc's 2023 Annual Report.

Over time the group will continue to refine and update its CCRA to reflect real time developments resulting from climate change.

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DIRECTORS' REPORT (continued)

Internal control and risk management over financial reporting

The company operates under the financial reporting processes and controls of the group. Diageo plc's internal control and risk management systems including its financial reporting process of Diageo plc, which include those of the company, are discussed in the group's Annual Report 2023 on page 115 at www.diageo.com, which does not form part of this report.

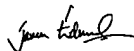
Independent auditors

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 the auditors

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

On behalf of the Board



.....
J M C Edmunds
Director

16 Great Marlborough Street
London
United Kingdom
W1F 7HS

28 November 2023

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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, 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 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 also 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.

Directors' confirmations

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors' report to the members of Diageo UK Turkey Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Diageo UK Turkey Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 Directors' report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 30 June 2023; the Statement of comprehensive income and 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 30 June 2023 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 Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to , but were not limited to, Companies Act 2006, UK tax legislation and the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework” and applicable law), and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results, and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Discussions with the directors, management and internal legal counsel, including inquiry regarding known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing relevant board of directors meeting minutes;
- Challenging assumptions and judgements made by management in their significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In particular, in relation to the recoverability of amounts owed by fellow group undertakings; and
- As in all of our audits we also addressed the risk of management override of internal controls, including testing journals, and evaluated whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Prashant Bagree

Prashant Bagree (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
4 December 2023

Diageo UK Turkey Holdings Limited
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STATEMENT OF COMPREHENSIVE INCOME

		Year ended 30 June 2023	Year ended 30 June 2022
	Notes	TRY 000	TRY 000 (restated)
Operating costs	2	(3)	(7)
Provision against subsidiary undertakings	6	—	(295,079)
Operating loss		(3)	(295,086)
Finance income	3	23,746	48,039
Other finance (charges)/income on hyperinflation	4	(3,347)	58,113
Profit/(loss) before taxation on ordinary activities		20,396	(188,934)
Taxation on profit/ (loss) on ordinary activities	5	—	—
Profit/(loss) for the financial year and total comprehensive income/ (expense) for the year		20,396	(188,934)

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

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

The comparatives have been restated due to application of hyperinflation accounting. The details of the restatement can be found in note 1 of the financial statements.

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BALANCE SHEET

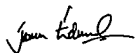
	Notes	30 June 2023 TRY 000	30 June 2022 TRY 000 (restated)
Non-current assets			
Investments in subsidiaries	6	—	—
Trade and other receivables	7	32,406	39,616
		<u>32,406</u>	<u>39,616</u>
Current assets			
Trade and other receivables	7	148,181	181,806
Cash and cash equivalents		—	—
Total assets		<u>180,587</u>	<u>221,422</u>
Current liabilities			
Borrowings	8	—	(6)
Trade and other payables	9	(20)	(28)
Total liabilities		<u>(20)</u>	<u>(34)</u>
Net assets		<u>180,567</u>	<u>221,388</u>
Equity			
Called up share capital	10	—	—
Retained earnings		180,567	221,388
Total equity		<u>180,567</u>	<u>221,388</u>

The accounts have been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime.

The accounting policies and other notes on pages 15 to 25 form part of the financial statements.

The comparatives have been restated due to application of hyperinflation accounting. The details of the restatement can be found in note 1 of the financial statements.

These financial statements on pages 12 to 25 were approved by the Board on 28 November 2023 and were signed on its behalf by:



J M C Edmunds

Director

Diageo UK Turkey Holdings Limited
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STATEMENT OF CHANGES IN EQUITY
ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

	Notes	Called up share capital TRY 000	Retained earnings TRY 000	Total TRY 000
Balance at 30 June 2021 (as reported)		—	255,159	255,159
Hyperinflation adjustment to reflect the measuring unit of financial year 30 June 2020 - investment cost		—	4,345,357	4,345,357
Hyperinflation adjustment to reflect the measuring unit of financial year 30 June 2020 - provision for impairment		—	(4,345,357)	(4,345,357)
Hyperinflation adjustment to reflect the measuring unit of financial year 30 June 2021 - investment cost		—	1,427,546	1,427,546
Hyperinflation adjustment to reflect the measuring unit of financial year 30 June 2021 - provision for impairment		—	(1,427,546)	(1,427,546)
Presentational adjustment on hyperinflation *		—	200,530	200,530
Balance at 30 June 2021 (restated in terms of the measuring unit of 30 June 2022)		—	455,689	455,689
Presentational adjustment on hyperinflation *		—	174,161	174,161
Balance at 30 June 2021 (restated in terms of the measuring unit of 30 June 2023)		—	629,850	629,850
Balance at 30 June 2021 (as reported)		—	255,159	255,159
Loss for the financial year and total comprehensive expense for the year		—	(188,934)	(188,934)
Presentational adjustment on hyperinflation - non-monetary items*		—	93,946	93,946
Balance at 30 June 2022 (as reported)		—	160,171	160,171
Hyperinflation adjustment to reflect the measuring unit of financial year 30 June 2023 - investment cost		—	6,536,129	6,536,129
Hyperinflation adjustment to reflect the measuring unit of financial year 30 June 2023 - provision for impairment		—	(6,536,129)	(6,536,129)
Presentational adjustment on hyperinflation*		—	61,217	61,217
Balance at 30 June 2022 (as restated in terms of the measuring unit of 30 June 2023)		—	221,388	221,388
Balance at 30 June 2022 (as reported)		—	160,171	160,171
Profit for the financial year and total comprehensive income for the year		—	20,396	20,396
Balance at 30 June 2023		—	180,567	180,567

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

The comparatives have been restated due to application of hyperinflation accounting. The details of the restatement can be found in note 1 of the financial statements.

* Hyperinflation adjustment due to presentational uplift

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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 out 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 UK (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 and endorsed by the UK and EU, have been adopted by the group and therefore by the company from 1 July 2022 with no impact on the company's results, financial position or disclosures:

- Amendments to IFRS 3 Updating a Reference to the Conceptual Framework;
- Amendments to IAS 16 Property, Plant and equipment: Proceeds before Intended Use;
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract;
- Amendments to Annual Improvements 2018-2020 – IFRS 9 – Fees in the '10 per cent' Test, IFRS 16 – Lease incentive, IAS 41 – Taxation in Fair Value Measurements;
- Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules.

The following standard and amendments issued by the IASB have been endorsed by the UK and the EU and have not been adopted by the company:

- IFRS 17 – Insurance contracts (effective from the year ending 30 June 2024) is ultimately intended to replace IFRS 4;
- Amendments to IAS 12 – Income taxes (effective from the year ending 30 June 2024).

There are a number of other amendments and clarifications to IFRSs, effective in future years, which are not expected to significantly impact the company's results or financial position.

Hyperinflationary accounting

Turkey has been a hyperinflationary economy where cumulative inflation for the three years ended 30 June 2022 exceeded 100%. Consequently, since March 2022, the company applies hyperinflationary accounting. The company's financial statements include the results and financial position of its operations restated to the measuring unit current at the end of the reporting period, being 30 June 2023. Comparative amounts presented in these financial statements have also been restated. In applying the requirements of IAS 29 - "Financial Reporting in Hyperinflationary Economies", the effects of the restatement of non-monetary items in terms of the measuring unit at 30 June 2021 have been recognised in retained earnings.

Diageo UK Turkey Holdings Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Hyperinflationary accounting (continued)

Additional adjustments in respect of non-monetary items which reflect the difference between the measuring unit at the beginning of the reporting period and on the reporting date have been recognised as other finance income / (charges) on hyperinflation. Adjustments to monetary items to reflect the measuring unit at the reporting period have been recognised in other finance income / (charges) on hyperinflation. Current year changes in the statement of comprehensive income are presented in other finance charges.

The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy shall be stated in terms of the measuring unit current at the end of the reporting period. The corresponding figures for the previous period and any information in respect of earlier periods shall also be stated in terms of the measuring unit current at the end of the reporting period.

Balance sheet amounts not already expressed in terms of the measuring unit current at the end of the reporting period are restated by applying a general price index:

- Non-monetary items at the beginning of the reporting period and on the reporting date are adjusted for the impact of hyperinflation from the date of acquisition or purchase. Adjustments to these items up until the value which reflects the measuring unit at 30 June 2021 are recognised in retained earnings. Additional adjustments in respect of non-monetary items which reflect the measuring unit at the beginning of the reporting period and on the reporting date are recognised as other finance income / (charges) on hyperinflation in each of the years ended 30 June 2022 and 30 June 2023 respectively.
- Monetary items at the beginning of the reporting period are adjusted for the impact of hyperinflation to reflect their purchasing power at the reporting date. Adjustments to reflect the measuring unit at the reporting period end are recognised as other finance income / (charges) on hyperinflation.
- Monetary items are already expressed in terms of the measuring unit at the end of the reporting period, thus monetary amounts held at the reporting date do not require restatement.
- The current year and prior year income and expenses are adjusted for the impact of hyperinflation by applying the change in the general price index from the dates when the items of income and expenses are initially recorded. Adjustments to reflect the measuring unit at the reporting period end are recognised as other finance income / (charges) on hyperinflation.

The financial statements are based on historical cost approach. The inflation rate used by the company is the official published rate by the Turkish Statistical Institute, TurkStat. The movement in the publicly available official price index for the year ended 30 June 2023 was 38% (2022 – 79%).

Hyperinflationary adjustments for the year ended 30 June 2022 resulted in a decrease to retained earnings in the amount of TRY 61,217,000 and nil impact to the company's loss for the year ended 30 June 2022.

The loss for the year included other finance charges on hyperinflation in the amount of TRY 3,347,000 (2022 restated - other finance income on hyperinflation of TRY 58,113,000).

Reconciliation of total comprehensive income and the balance sheet for year ended 30 June 2022 between the previously reported and the restated amounts is the following;

Diageo UK Turkey Holdings Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Hyperinflationary accounting (continued)

STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June 2022 TRY 000 (reported)	Hyperinflation adjustment TRY 000	Year ended 30 June 2022 TRY 000 (restated)
Operating costs	(5)	(2)	(7)
Provision against subsidiary undertakings	(213,485)	(81,594)	(295,079)
Operating loss	(213,490)	(81,596)	(295,086)
Finance income	34,755	13,284	48,039
Other finance (charges) /income on hyperinflation	(10,199)	68,312	58,113
Loss before taxation on ordinary activities	(188,934)	—	(188,934)
Taxation on loss on ordinary activities	—	—	—
Loss for the financial year and total comprehensive expense for the year	(188,934)	—	(188,934)

Diageo UK Turkey Holdings Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Hyperinflationary accounting (continued)

BALANCE SHEET

	30 June 2022 TRY 000 (reported)	Hyperinflation adjustment TRY 000	30 June 2022 TRY 000 (restated)
Non-current assets			
Investments in subsidiaries	—	—	—
Trade and other receivables	28,662	10,954	39,616
	28,662	10,954	39,616
Current assets			
Trade and other receivables	131,533	50,273	181,806
Cash and cash equivalents	—	—	—
Total assets	160,195	61,227	221,422
Current liabilities			
Borrowings	(4)	(2)	(6)
Trade and other payables	(20)	(8)	(28)
Total liabilities	(24)	(10)	(34)
Net assets	160,171	61,217	221,388
Equity			
Called up share capital	—	—	—
Retained earnings	160,171	61,217	221,388
Total equity	160,171	61,217	221,388

Functional and presentational currency

These financial statements are presented in Turkish Lira (TRY), which is the company's functional currency.

All financial information presented in Turkish Lira (TRY) 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 they are earned/incurred.

Diageo UK Turkey Holdings Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

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.

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.

Diageo UK Turkey Holdings Limited
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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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The critical accounting policy, which the directors consider is of greater complexity and particularly subject to the exercise of judgements and estimates, is set out in detail in the accounting policy for investments in subsidiaries.

2. OPERATING COSTS

Operating costs include bank charges of TRY 3,000 (2022 restated - TRY 4,000) and foreign exchange losses of TRY nil (2022 restated - TRY 3,000).

The auditors' remuneration of TRY 200,622 (2022 - TRY 70,560 as reported) was paid on behalf of the company by a fellow group undertaking. There were no fees payable to the independent auditors in respect of non-audit services (2022 - TRY 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 (2022 - TRY nil). The directors were paid by fellow group undertakings, and no cost was recharged to the company.

3. FINANCE INCOME

	Year ended 30 June 2023 TRY 000	Year ended 30 June 2022 TRY 000 (restated)
Interest income from fellow group undertakings		
Diageo Finance plc	23,746	48,039
Total interest income	23,746	48,039

Diageo UK Turkey Holdings Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

4. OTHER FINANCE (CHARGES)/INCOME ON HYPERINFLATION

	Year ended 30 June 2023 TRY 000	Year ended 30 June 2022 TRY 000 (restated)
Other finance (charges)/income		
Hyperinflation adjustments	(3,347)	58,113
Other finance (charges)/income on hyperinflation	(3,347)	58,113

Other finance charges due to hyperinflation during the year ended 30 June 2023 consist of hyperinflation adjustment on interest income (charge of TRY 3,347,000) (2022 - charge of TRY 23,483,000), hyperinflation adjustment on provision for impairment (nil) (2022 - gain of TRY 81,594,000) and hyperinflation adjustment on operating costs (nil) (2022 - gain of TRY 2,000).

5. TAXATION ON PROFIT/ (LOSS) ON ORDINARY ACTIVITIES

	Year ended 30 June 2023 TRY 000	Year ended 30 June 2022 TRY 000 (restated)
(a) Analysis of taxation credit/ (charge) for the year		
Current tax	—	—
Deferred tax	—	—
Taxation on profit/ (loss) on ordinary activities	—	—
(b) Factors affecting total tax credit/ (charge) for the year		
Profit/(loss) on ordinary activities before taxation	20,396	(188,934)
Taxation on profit/ (loss) on ordinary activities at UK corporation tax rate of 20.5% (2022 - 19%)	(4,180)	35,897
Expenses not deductible for tax purposes	—	(40,562)
Group relief surrendered for nil consideration	4,180	4,665
Total tax credit/ (charge) for the year	—	—

The UK corporation tax rate increased from 19% to 25% on 1 April 2023 and so an average tax rate of 20.50% is applied for the year ended 30 June 2023.

Diageo UK Turkey Holdings Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INVESTMENTS IN SUBSIDIARIES

	Subsidiaries
	TRY 000
Cost	
At 30 June 2022 (as reported)	17,101,545
Presentational adjustment on hyperinflation*	6,536,129
At 30 June 2022 (as restated) and 30 June 2023	<u>23,637,674</u>
Provision for impairment	
At 30 June 2022 (as reported)	(17,101,545)
Presentational adjustment on hyperinflation*	(6,536,129)
At 30 June 2022 (as restated) and 30 June 2023	<u>(23,637,674)</u>
Carrying amount	
At 30 June 2023	<u>—</u>
At 30 June 2022 (as restated)	<u>—</u>

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

Name of investment	Notes	Registered office address	Proportion of ownership interest	Proportion of effective interest
			%*	%**
Direct holdings				
Subsidiary undertakings				
Diageo UK Turkey Limited		16 Great Marlborough Street, London, W1F 7HS, United Kingdom	100%	100%

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 undertaking is worth at least the amount at which it is stated in the financial statements.

* Hyperinflation adjustment due to presentational uplift

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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. TRADE AND OTHER RECEIVABLES

	30 June 2023		30 June 2022	
	Due within one	Due after one	Due within one	Due after one
	year	year	year	year
	TRY 000	TRY 000	TRY 000	TRY 000
			(restated)	(restated)
Amounts owed by fellow group undertakings				
Diageo Finance plc	148,181	32,406	181,806	39,616
	148,181	32,406	181,806	39,616

The amounts owed by Diageo Finance plc are loans which are unsecured, repayable on demand and bears interest at variable rates from 7.62% to 16.45% for the year ended 30 June 2023 (2022 - from 12.73% to 19.95%).

Amounts, due after one year, owed by fellow group undertakings represent transactions with companies in the group with which the company has a long term financing relationship. These financing relationships are expected to continue for the foreseeable future. Certain amounts owed by fellow group undertakings are reclassified to non-current assets as they are not expected to be repaid in the foreseeable future. Amounts owed by group undertakings are considered to have a fair value which is not materially different to the book value.

8. BORROWINGS

	30 June 2023	30 June 2022
	TRY 000	TRY 000
		(restated)
Bank overdraft	—	6
	—	6

9. TRADE AND OTHER PAYABLES

	30 June 2023	30 June 2022
	TRY 000	TRY 000
		(restated)
Amounts owed to fellow group undertakings		
Diageo UK Turkey Limited	20	28
	20	28

Amount owed to Diageo UK Turkey Limited is an interest free promissory note repayable on demand.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

10. CALLED UP SHARE CAPITAL

	30 June 2023	30 June 2022
	TRY	TRY
<i>Allotted, called up and fully paid:</i>		(restated)
1 (2022 - 1) ordinary shares of TRY 1 each hyperinflated to TRY 6	<u>6</u>	<u>6</u>

11. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

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

The ultimate parent undertaking of the company is Diageo plc which is the ultimate controlling party of the group. The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Diageo plc. Diageo plc is incorporated and registered in England, United Kingdom. The consolidated financial statements of Diageo plc can be obtained from the registered office at Diageo, 16 Great Marlborough Street, London, W1F 7HS, United Kingdom.