

**Diageo UK Turkey Limited**  
**Directors' report and financial statements**  
**30 June 2022**

Registered number: 08449344



**Diageo UK Turkey Limited**  
**Registered number: 08449344**  
**Year ended 30 June 2022**

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**Diageo UK Turkey Limited**  
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**Year ended 30 June 2022**

## **DIRECTORS' REPORT**

The directors are pleased to submit their directors' report together with the audited financial statements for the year ended 30 June 2022.

The company is incorporated and domiciled as a private company limited by shares in England United Kingdom.

The registered address changed from Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom to 16 Great Marlborough Street, London, W1F 7HS, United Kingdom on 21 March 2022.

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 principal activity of the company is to act as a financing vehicle for the Diageo group ("the group").

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

### **Business review**

On 23 July 2021 Diageo Europe Holdings Limited, the wholly owed subsidiary undertaking of the company was dissolved, resulting in neither a gain nor loss to the company, as the investment was previously fully impaired.

In March 2022, the three-year cumulative inflation in Turkey exceeded 100% and as a result, hyperinflationary accounting was applied for the year ended 30 June 2022 in respect of the company. 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 2022. Comparative amounts presented in these financial statements have also been restated for the impact of applying hyperinflationary accounting up to 30 June 2021 (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 2022 was 79% (2021 – 18%).

Hyperinflationary adjustments for the year ended 30 June 2021 resulted in an increase to retained earnings in the amount of TRY 93,946,000 and nil impact to the company's loss for the year ended 30 June 2021.

The loss for the year ended 30 June 2022 was TRY 496,405,000 (2021 restated - loss of TRY 44,353,000), predominantly due to an increase in the tax charge arising from an increase in the provision for uncertain tax provisions, together with the impact of the hyperinflationary environment and weakening of Turkish Lira against sterling. The loss for the year included other finance changes on hyperinflation in the amount of TRY 27,826,000 (2021 restated - other finance income on hyperinflation of TRY 27,124,000).

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

### **Going concern**

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 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 to provide financial support for this period. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **Financial**

The result for the year ended 30 June 2022 is shown on page 12.

The loss for the year transferred to reserves was TRY 496,405,000 (2021 restated - TRY 44,353,000).

No dividend was paid during the year (2021 - TRY nil) and there is no dividend proposed to be distributed to the shareholders in regards to the financial year (2021 - 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

C M Lewin (resigned 30 September 2021)

I Thrustle (appointed 30 September 2021)

### **Directors' remuneration**

None of the directors received any remuneration during the year in respect of their services as directors of the company (2021 - TRY nil). The directors were paid by fellow group undertakings, and no cost was recharged to the company.

### **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.

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

### **Principal risks and uncertainties facing the company as at 30 June 2022**

The principal risks identified by the group are disclosed on page 42 to 45 of Diageo plc's 2022 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 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 intercompany financing structure.

#### *Hyperinflation*

The company is exposed to foreign currency risk arising principally due to the hyperinflation of Turkish Lira. The company has exposure to foreign currency in respect of its liabilities denominated in sterling. The group and other fellow group undertaking will provide financial support to the company when it is required.

#### *Pandemic and business interruption*

A significant interruption to business due to external events, such as a public health threat, pandemic, war or natural hazard, could restrict access to Diageo's products, that would negatively affect the operations and brands, or pose a threat to the safety of employees; any of which could have a negative impact on the group's commercial and financial performance.

To mitigate these challenges the group operates global crisis management and business continuity management programmes, to enhance the capability to react effectively to a crisis and minimise damage and disruption.

The directors believe that the risk mitigation actions taken by the group in relation to the recent Covid-19 pandemic and associated business interruption have been agile and effective and that the group will maintain adequate liquidity and be strongly positioned for further growth and a resilient and sustainable business. Further information on the group's risk management measures in relation to Covid-19 are disclosed on page 43 of Diageo plc's 2022 Annual Report and on pages 55-56 of Diageo plc's interim results for the six months ended 31 December 2022.

#### *Geopolitical and macroeconomic volatility*

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 global recovery from Covid-19 is continuing, but momentum has slowed and there is a risk of imbalanced recovery across geographies. The Russian invasion of Ukraine has caused significant volatility in the region and beyond.

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.

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

### **Principal risks and uncertainties facing the company as at 30 June 2022 (continued)**

#### *Geopolitical and macroeconomic volatility (continued)*

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 introduced a new strategic planning and performance function with a stronger governance model for financial and non-financial decision-making, which will enable closer monitoring of external volatility/risk and multi-country investment strategy with a central hedging and currency monitoring to manage volatility.

#### *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 an IT disaster recovery and business continuity testing across the key systems. The group continue to enhance and deploy next-generation security technologies to tackle advanced attacks.

#### *Climate risk*

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 company only has an intercompany receivable and liabilities in respect of uncertain tax positions on the balance sheet and has corresponding interest income and expense in the statement of comprehensive income; therefore the only assessed risk associated with climate 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 climate risk and therefore impact Diageo Finance plc's ability to settle the intercompany receivable balance. Details of the specific climate 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.

Further information on the group's risk assessment and risk management in relation to climate change is disclosed on page 47-56 of Diageo plc's 2022 Annual Report and on pages 55-56 of Diageo plc's interim results for the six months ended 31 December 2022.

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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 2022 on page 97 at [www.diageo.com](http://www.diageo.com), which does not form part of this report.

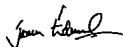
### **Independent auditors**

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for 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.



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

## Report on the audit of the financial statements

### Opinion

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

- give a true and fair view of the state of the company's affairs as at 30 June 2022 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, 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 2022; 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 2022 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 Companies Act 2006 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 provisions recorded in respect of the uncertain tax position relating to an HMRC enquiry, and 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](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.

## **Other required reporting**

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

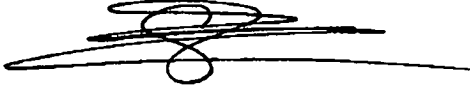
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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.

A handwritten signature in black ink, appearing to be 'Steve Reid', written over a horizontal line.

Steve Reid (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
23 March 2023

**Diageo UK Turkey Limited**  
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**STATEMENT OF COMPREHENSIVE INCOME**

	Notes	Year ended 30 June 2022 TRY 000	Year ended 30 June 2021 TRY 000 (restated)
Operating expense	2	(250,316)	(198,362)
Income from shares in group undertakings	3	—	10
<b>Operating loss</b>		<b>(250,316)</b>	<b>(198,352)</b>
Net finance income	4	64,260	126,937
Other finance (charges)/income on hyperinflation	5	(27,826)	27,124
<b>Loss before taxation on ordinary activities</b>		<b>(213,882)</b>	<b>(44,291)</b>
Taxation on loss on ordinary activities	6	(282,523)	(62)
<b>Loss for the financial year and total comprehensive expense for the year</b>		<b>(496,405)</b>	<b>(44,353)</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 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.

**Diageo UK Turkey Limited**  
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**BALANCE SHEET**

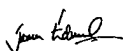
	Notes	30 June 2022 TRY 000	30 June 2021 TRY 000 (restated)
<b>Non-current assets</b>			
Investments in subsidiaries	7	—	—
Trade and other receivables	8	5,335	8,067
		<u>5,335</u>	<u>8,067</u>
<b>Current assets</b>			
Trade and other receivables	8	574,446	869,731
Cash and cash equivalents		5	9
		<u>574,451</u>	<u>869,740</u>
<b>Total assets</b>		<u>579,786</u>	<u>877,807</u>
<b>Current liabilities</b>			
Trade and other payables	9	(107,916)	(59,828)
Corporate tax payable		(848,736)	(604,494)
<b>Total liabilities</b>		<u>(956,652)</u>	<u>(664,322)</u>
<b>Net (liability)/assets</b>		<u>(376,866)</u>	<u>213,485</u>
<b>Equity</b>			
Called up share capital	11	—	—
(Accumulated deficit)/Retained earnings		(376,866)	213,485
<b>Total equity</b>		<u>(376,866)</u>	<u>213,485</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 27 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 27 were approved by the Board on 23 March 2023 and were signed on its behalf by:



.....  
J M C Edmunds  
Director

**Diageo UK Turkey Limited**  
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# **STATEMENT OF CHANGES IN EQUITY**

## **ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY**

	<b>Called up share capital TRY 000</b>	<b>(Accumulated deficit)/ Retained earnings TRY 000</b>	<b>Total TRY 000</b>
<b>Balance at 30 June 2020 (as reported)</b>	<u>—</u>	<u>163,892</u>	<u>163,892</u>
Loss for the financial year	—	(44,353)	(44,353)
<b>Balance at 30 June 2021 (as reported)</b>	<u>—</u>	<u>119,539</u>	<u>119,539</u>
Presentation adjustment on hyperinflation*	—	93,946	93,946
<b>Balance at 30 June 2021 (as restated in terms of the measuring unit of 30 June 2022)</b>	<u>—</u>	<u>213,485</u>	<u>213,485</u>
<b>Balance at 30 June 2021 (as restated in terms of the measuring unit of 30 June 2021)**</b>	<u>—</u>	<u>119,539</u>	<u>119,539</u>
Loss for the financial year	—	(496,405)	(496,405)
<b>Balance at 30 June 2022</b>	<u>—</u>	<u>(376,866)</u>	<u>(376,866)</u>

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

\*\*Restated number - previously reported excluding presentational adjustment

**Diageo UK Turkey Limited**  
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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).



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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 amendment to the accounting standards, issued by the IASB and endorsed by the UK and EU, has been adopted by the group and therefore by the company from 1 July 2021 with no impact on the company's results, financial position or disclosures:

- Amendments to IFRS 16 - Covid-19 - Related Rent Concessions beyond 30 June 2021;

The following amendment issued by the IASB and endorsed by the UK and EU, has been adopted by the company:

- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform (phase 2)

The following standard issued by the IASB has been endorsed by the UK and the EU and has 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.

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**

In March 2022, the three-year cumulative inflation in Turkey exceeded 100% and as a result, hyperinflationary accounting was applied for the year ended 30 June 2022 in respect of the company. 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 2022. 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 2020 have been recognised in retained earnings.

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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 charges / (income) on hyperinflation. Adjustments to monetary items to reflect the measuring unit at the reporting period have been recognised in other finance charges / (income) 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 2020 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 / (expense) on hyperinflation in each of the years ended 30 June 2021 and 30 June 2022 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 / (expense) 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 / (expense) 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 2022 was 79% (2021 – 18%).

Hyperinflationary adjustments for the year ended 30 June 2021 resulted in an increase to retained earnings in the amount of TRY 93,946,000 and nil impact to the company's loss for the year ended 30 June 2021.

The loss for the year included other finance changes on hyperinflation in the amount of TRY 27,826,000 (2021 restated - other finance income on hyperinflation of TRY 27,124,000).

Reconciliation of total comprehensive income and the balance sheet for year ended 30 June 2021 between the previously reported and the restated amounts is the following;

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

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

#### **Hyperinflationary accounting (continued)**

#### **STATEMENT OF COMPREHENSIVE INCOME**

	<b>Year ended 30 June 2021 TRY 000 (reported)</b>	<b>Hyperinflation adjustment TRY 000</b>	<b>Year ended 30 June 2021 TRY 000 (restated)</b>
Operating expense	(111,071)	(87,291)	(198,362)
Income from shares in group undertakings	5	5	10
<b>Operating loss</b>	<b>(111,066)</b>	<b>(87,286)</b>	<b>(198,352)</b>
Net finance income	66,775	60,162	126,937
Other finance income on hyperinflation	—	27,124	27,124
<b>Loss before taxation on ordinary activities</b>	<b>(44,291)</b>	<b>—</b>	<b>(44,291)</b>
Taxation on loss on ordinary activities	(62)	—	(62)
<b>Loss for the financial year and total comprehensive expense for the year</b>	<b>(44,353)</b>	<b>—</b>	<b>(44,353)</b>

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

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

#### **Hyperinflationary accounting (continued)**

#### **BALANCE SHEET**

	<b>30 June 2021</b>	<b>Hyperinflation adjustment</b>	<b>30 June 2021</b>
	<b>TRY 000</b>	<b>TRY 000</b>	<b>TRY 000</b>
	<b>(reported)</b>		<b>(restated)</b>
<b>Non-current assets</b>			
Investments in subsidiaries	—	—	—
Trade and other receivables	4,517	3,550	8,067
	<u>4,517</u>	<u>3,550</u>	<u>8,067</u>
<b>Current assets</b>			
Trade and other receivables	486,997	382,734	869,731
Cash and cash equivalents	5	4	9
	<u>487,002</u>	<u>382,738</u>	<u>869,740</u>
<b>Total assets</b>	<u>491,519</u>	<u>386,288</u>	<u>877,807</u>
<b>Current liabilities</b>			
Trade and other payables	(33,500)	(26,328)	(59,828)
Corporate tax payable	(338,480)	(266,014)	(604,494)
<b>Total liabilities</b>	<u>(371,980)</u>	<u>(292,342)</u>	<u>(664,322)</u>
<b>Net assets</b>	<u>119,539</u>	<u>93,946</u>	<u>213,485</u>
<b>Equity</b>			
Called up share capital	—	—	—
Retained earnings	119,539	93,946	213,485
<b>Total equity</b>	<u>119,539</u>	<u>93,946</u>	<u>213,485</u>

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

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

#### **Going concern**

The financial statements have been prepared on a going concern basis as a fellow group undertaking has agreed to provide financial support for the foreseeable future which is for a period of at least 12 months from the date the financial statements are approved and signed.

#### **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/costs**

Finance income/costs are recognised in the statement of comprehensive income in the year in which they are earned/incurred.

#### **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 Turkish Lira at the financial year end exchange rates and these foreign exchange differences are recognised in the statement of comprehensive income.

#### **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.

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

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

**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.

**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.

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

#### **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 relevant accounting policies:

#### **Taxation**

The evaluation of uncertain tax positions requires judgements to be made, specifically regarding the outcome of ongoing HMRC enquiries impacting the company. The directors believe that the company has complied with all applicable tax laws, however there are several outcomes that are possible. As such the directors have made an estimate of the amounts to be provided in the financial statements in accordance with IFRIC 23.

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

### **2. OPERATING EXPENSE**

	<b>Year ended 30 June 2022 TRY 000</b>	<b>Year ended 30 June 2021 TRY 000 (restated)</b>
<b>Operating expense</b>		
Foreign exchange loss	(250,316)	(198,362)
	<u><b>(250,316)</b></u>	<u><b>(198,362)</b></u>

Operating expense includes a foreign exchange loss of TRY 250,316,000 (2021 - TRY 198,362,000, as restated) that was recognised in respect of the uncertain tax provision denominated in sterling.

The auditors' remuneration of TRY 70,560 (2021 - TRY 35,945) 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 (2021 - 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 (2021 - TRY nil). The directors were paid by fellow group undertakings, and no cost was recharged to the company.

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

	<b>Year ended 30 June 2022 TRY 000</b>	<b>Year ended 30 June 2021 TRY 000 (restated)</b>
<b>Dividend income from shares in group undertakings</b>		
Diageo Europe Holdings Limited	—	10
	<u><b>—</b></u>	<u><b>10</b></u>

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

### **4. NET FINANCE INCOME**

		<b>Year ended 30 June 2022</b>	<b>Year ended 30 June 2021</b>
	<b>Note</b>	<b>TRY 000</b>	<b>TRY 000 (restated)</b>
Interest income from fellow group undertakings			
Diageo Finance plc		124,770	140,843
<b>Total interest income</b>		<b>124,770</b>	<b>140,843</b>
Other interest expense	6	(60,510)	(13,906)
<b>Total interest expense</b>		<b>(60,510)</b>	<b>(13,906)</b>
<b>Net finance income</b>		<b>64,260</b>	<b>126,937</b>

Other interest expense represents interest on the provision for uncertain tax positions (note 6).

### **5. OTHER FINANCE (CHARGES)/INCOME ON HYPERINFLATION**

		<b>Year ended 30 June 2022</b>	<b>Year ended 30 June 2021</b>
		<b>TRY 000</b>	<b>TRY 000 (restated)</b>
Other finance (charges)/income on hyperinflation		(27,826)	27,124
<b>Other finance (charges)/ income on hyperinflation</b>		<b>(27,826)</b>	<b>27,124</b>

Other finance charges due to hyperinflation during the year ended 30 June 2022 comprises of the hyperinflation adjustment on interest income (charge of TRY 36,505,000) (2021 - charge of TRY 66,880,000), hyperinflation adjustment on other interest expense (gain of TRY 8,679,000) (2021 - gain of TRY 6,718,000), hyperinflation adjustment on income from shares (nil) (2021 - charge of TRY 5,000) and hyperinflation adjustment on operating expense (nil) (2021 - gain of TRY 87,291,000).



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

### **6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

	<b>Year ended 30 June 2022 TRY 000</b>	<b>Year ended 30 June 2021 TRY 000 (restated)</b>
<b>(a) Analysis of taxation charge for the year</b>		
<b>Current tax</b>		
UK corporation tax	(282,523)	—
Adjustments in respect of prior years	—	(62)
<b>Total current tax</b>	<b>(282,523)</b>	<b>(62)</b>
<b>Deferred tax</b>	<b>—</b>	<b>—</b>
<b>Taxation on profit on ordinary activities</b>	<b>(282,523)</b>	<b>(62)</b>
<b>(b) Factors affecting total tax charge for the year</b>		
Loss on ordinary activities before taxation	<b>(213,882)</b>	<b>(44,291)</b>
Taxation on loss on ordinary activities at UK corporation tax rate of 19% (2021 - 19%)	40,638	8,415
Expenses not deductible for tax purposes	(64,344)	(40,330)
Income not taxable	—	17,862
Group relief received for nil consideration	23,706	14,053
Adjustments in respect of prior periods	—	(62)
Provision for uncertain tax positions	(282,523)	—
<b>Total tax charge for the year</b>	<b>(282,523)</b>	<b>(62)</b>

The UK corporation tax rate for the year ended 30 June 2022 is 19% which has been effective since 1 April 2017. Legislation increasing the corporation tax rate to 25% with effect from 1 April 2023 was substantively enacted on 24 May 2021.

There is an ongoing HMRC enquiry in relation to the amount of interest that is deductible for tax purposes in respect of loan payables due by the company for years from 2015 to 2020. The company has engaged with HMRC over an extended period to seek to resolve the enquiry. In January 2022, HMRC issued tax assessments which the company has appealed. The company calculates the maximum potential liability to be £63,270,000 (TRY 1,275,523,000), including interest of £7,137,000 (TRY 143,882,000).

The company continues to engage with HMRC and has updated its provision for uncertain tax positions at 30 June 2022 accordingly. The corporation tax liability provision and the provision for interest at 30 June 2022 are £42,100,000 (TRY 848,736,000) (2021 - £28,086,000 (TRY 604,494,000)) and £5,353,000 (TRY 107,916,000) (2021 - £2,782,000 (TRY 59,828,000)) respectively.

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

### **7. INVESTMENTS IN SUBSIDIARIES**

#### *Shares in group undertakings*

	<b>Subsidiaries</b> <b>TRY 000</b>
<b>Cost</b>	
<b>At 30 June 2021 (as reported)</b>	<b>1,796,938</b>
Hyperinflation adjustment to reflect the measuring unit of the financial year	2,698,108
Presentation adjustment on hyperinflation*	3,532,687
<b>At 30 June 2021 (as restated)</b>	<b>8,027,733</b>
<b>At 30 June 2021 (as restated in terms of the measuring unit of 30 June 2021)**</b>	<b>4,495,046</b>
Presentation adjustment on hyperinflation*	3,532,687
Disposal	(8,027,733)
<b>At 30 June 2022</b>	<b>—</b>
<b>Provision for impairment</b>	
<b>At 30 June 2021 (as reported)</b>	<b>(1,796,938)</b>
Hyperinflation adjustment to reflect the measuring unit of the financial year	(2,698,108)
Presentation adjustment on hyperinflation*	(3,532,687)
<b>At 30 June 2021 (as restated)</b>	<b>(8,027,733)</b>
<b>At 30 June 2021 (as restated in terms of the measuring unit of 30 June 2021)**</b>	<b>(4,495,046)</b>
Presentation adjustment on hyperinflation*	(3,532,687)
Disposal	8,027,733
<b>At 30 June 2022</b>	<b>—</b>
<b>Carrying amount</b>	
<b>At 30 June 2022</b>	<b>—</b>
<b>At 30 June 2021</b>	<b>—</b>

On 23 July 2021 Diageo Europe Holdings Limited, the wholly owed subsidiary undertaking of the company was dissolved, resulting in neither a gain nor loss to the company.

\* Hyperinflation adjustment due to presentational uplift

\*\*Restated number - previously reported excluding presentational adjustment

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

### **8. TRADE AND OTHER RECEIVABLES**

	<b>30 June 2022</b>		<b>30 June 2021</b>	
	<b>Due within one year TRY 000</b>	<b>Due after one year TRY 000</b>	<b>Due within one year TRY 000 (restated)</b>	<b>Due after one year TRY 000 (restated)</b>
Amounts owed by fellow group undertakings				
Diageo Finance plc	574,426	5,335	869,695	8,067
Diageo UK Turkey Holdings Limited	20	—	36	—
	<b><u>574,446</u></b>	<b><u>5,335</u></b>	<b><u>869,731</u></b>	<b><u>8,067</u></b>

The amounts owed by Diageo Finance plc are loans which are unsecured, repayable on demand and bear interest at a floating rate.

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.

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

### **9. TRADE AND OTHER PAYABLES**

	<b>30 June 2022 TRY 000</b>	<b>30 June 2021 TRY 000 (restated)</b>
Other payables	107,916	59,828
	<b><u>107,916</u></b>	<b><u>59,828</u></b>

Other payables represent interest on the provision for uncertain tax provisions (note 6).

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

### **10. DEFERRED TAX ASSETS**

#### **Unrecognised deferred tax assets**

Deferred tax assets have been recognised to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. The total value of recognised deferred tax assets at 30 June 2022 is TRY 26,979,000. Where this is not the case, deferred tax assets have not been recognised, as set out below:

	<b>30 June 2022</b>		<b>30 June 2021</b>	
	<b>Gross amount</b>	<b>Tax effected</b>	<b>Gross amount</b>	<b>Tax effected</b>
	<b>TRY 000</b>	<b>TRY 000</b>	<b>TRY 000</b>	<b>TRY 000</b>
			<b>(restated)</b>	<b>(restated)</b>
Temporary timing differences - uncertain tax positions	107,916	26,979	59,828	14,957
	<b>107,916</b>	<b>26,979</b>	<b>59,828</b>	<b>14,957</b>

### **11. CALLED UP SHARE CAPITAL**

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

	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>TRY</b>	<b>TRY</b>
		<b>(restated)</b>
1 ordinary shares of TRY 1 each hyperinflated to TRY 4	<u>4</u>	<u>4</u>

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

The immediate parent undertaking of the company is Diageo UK Turkey 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.