

**Diageo UK Turkey Limited**  
**Annual report and financial statements**  
**30 June 2020**

Registered number: 08449344



**Diageo UK Turkey Limited**  
**Registered number: 08449344**  
**Year ended 30 June 2020**

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**Diageo UK Turkey Limited**  
**Registered number: 08449344**  
**Year ended 30 June 2020**

## **STRATEGIC REPORT**

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

### **Activities**

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

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**

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

On 28 November 2019, the company assigned its loan receivable from Diageo Europe Holdings Limited (a wholly owned subsidiary of the company) to Diageo US Turkey LLC (a wholly owned subsidiary of the company), in the amount of TRY 1,816,774,000. On 28 November 2019, Diageo US Turkey LLC declared an interim dividend to the company in the amount of TRY 1,816,784,000, resulting in a decrease of the net assets of Diageo US Turkey LLC. An impairment of TRY 1,816,783,000 was charged to provisions against subsidiary undertakings in respect of the company's shares held in Diageo US Turkey LLC, reducing the investment value to TRY nil. On 3 December 2019, Diageo US Turkey LLC was dissolved, resulting in neither a gain nor loss to the company.

On 29 November 2019, the issued share capital of the company was reduced from TRY 380,293 to TRY 1, following the cancellation of 380,292 of the ordinary shares of TRY 1 each. In addition, the share premium reserve of TRY 3,802,550,000 was cancelled and extinguished. An equivalent value of the cancellations of the ordinary shares and the share premium reserve were credited to retained earnings.

On 5 December 2019, Diageo Europe Holdings Limited, paid an interim dividend, in the amount of TRY 58,598,000 to the company, and repaid part of the accrued interest on its outstanding debt, in the amount of TRY 366,475,000. Subsequent to the dividend receipt and payment of interest, the company paid an interim dividend to its immediate parent undertaking, Diageo UK Turkey Holdings Limited, in the amount of TRY 425,073,000. On 12 December 2019 Diageo Europe Holdings Limited repaid its outstanding debt, including the remaining part of accrued interest, in the amount of TRY 2,100,148,000.

On 12 December 2019, dividend income in the amount of TRY 5,618,070,000 was received from Diageo Europe Holdings Limited which has been recognised in other comprehensive income as a dividend in specie as it arose from an intra-group restructuring. On the same day, the company declared an interim dividend in the amount of TRY 7,718,218,000 to Diageo UK Turkey Holdings Limited, the company's immediate parent company.

As a result of the above transactions, the net asset of Diageo Europe Holdings Limited decreased, therefore the company has recognised provision for investment in the amount of TRY 1,796,938,000 in respect of its investment in Diageo Europe Holdings Limited. To the extent that the impairment on the investment the company holds in Diageo Europe Holdings Limited was recognised in the income statement, a corresponding amount has been released from other comprehensive income (that had earlier been recognised in relation to the dividend in specie) to the income statement, as it is deemed realised to the extent of the impairment.

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## **STRATEGIC REPORT (continued)**

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

Profit before tax for the year ended 30 June 2020 has decreased by TRY 121,369,000 to TRY 337,754,000. The company's net assets decreased by TRY 4,232,582,000 from TRY 4,396,474,000 to TRY 163,892,000 as the carrying amount of its investment for the year ended 30 June 2020 reduced to TRY nil (2019 - 3,613,721,000), as well as its receivable owed by Diageo Europe Holdings Limited was settled.

#### *Financial and other key performance indicators*

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

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

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

#### Covid-19

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

To mitigate these challenges the group regularly gathers data and obtains insights which enable management to assess conditions in the markets where the group operates and to amend forecasts and investment decisions appropriately. The directors believe that the risk mitigation actions taken in relation to the pandemic have been agile and effective and that the group will maintain adequate liquidity and be strongly positioned for a recovery in consumer demand. Further information on the group's risk management measures in relation to Covid-19 are disclosed on pages 38-40 of Diageo plc's 2020 Annual Report ("Annual Report") and on page 61 of Diageo plc's interim results for the six months ended 31 December 2020.

**Diageo UK Turkey Limited**  
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## **STRATEGIC REPORT (continued)**

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

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

#### Brexit

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

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

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

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

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

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

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## **STRATEGIC REPORT (continued)**

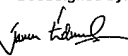
### **Business review (continued)**

#### *Main activities of the Board*

The main activities of the Board during the year include:

- Approval of various transactions relating to an intragroup reorganisation including the payment of interim dividends to its shareholder and reduction of capital in the company and in its subsidiary; and
- Approval of the financial statements for the financial year ended 30 June 2019.

On behalf of the board

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

Lakeside Drive  
Park Royal  
London  
NW10 7HQ

29 June 2021

**Diageo UK Turkey Limited**  
**Registered number: 08449344**  
**Year ended 30 June 2020**

## **DIRECTORS' REPORT**

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

### **Going concern**

The company's business activities, together with the factors likely to affect its future development and position, are set out in the business review section of the strategic report. The company is expected to continue to generate profit for its own account and 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 for this period.

In arriving at this conclusion, the directors have also considered the potential impact that the Covid-19 pandemic may have on the company and believe that it would not have impact on the company's ability to continue as a going concern. 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 2020 is shown on page 11.

The profit for the year transferred to reserves was TRY 89,577,000 (2019 - profit of TRY 441,847,000) and the other comprehensive income for the year was TRY 3,821,132,000 (2019 - TRY nil).

Dividends paid during the year ended 30 June 2020 and 30 June 2019 were TRY 8,143,291,000 and TRY nil respectively. There was no dividend proposed to be distributed in regards to the current financial year.

### **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 (appointed 1 May 2021)

V Rao (resigned 1 May 2021)

K E Major

C M Lewin (appointed 1 August 2020)

P Viswanathan (resigned 1 August 2020)

### **Directors' remuneration**

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

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

### **Business relationship statement**

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

### **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.

### **Internal control and risk management over financial reporting**

The company operates under the financial reporting processes and controls of the group. Diageo plc's internal control and risk management systems including its financial reporting process of Diageo plc, which include those of the company, are discussed in the group's Annual Report 2020 on page 79 at [www.diageo.com](http://www.diageo.com), which does not form part of this report.

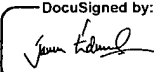
### **Independent auditors**

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

### **Disclosure of information to 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

DocuSigned by:  
  
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J M C Edmunds  
Director

Lakeside Drive  
Park Royal  
London  
NW10 7HQ

29 June 2021



**Diageo UK Turkey Limited**  
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**Year ended 30 June 2020**

## **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

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

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

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

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

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### **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 2020 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, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 30 June 2020; the income statement, 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.

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### **Basis for opinion**

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

### ***Independence***

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

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

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

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

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

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### **Reporting on other information**

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

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

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

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

## *Strategic Report and Directors' report*

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

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

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

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

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

### *Use of this report*

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

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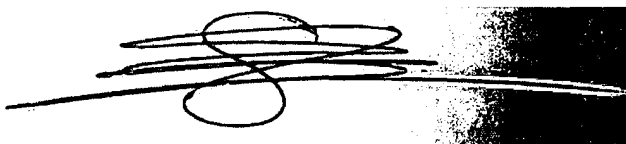
## **Other required reporting**

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

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

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

We have no exceptions to report arising from this responsibility.



Steve Reid (Senior Statutory Auditor)

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

29 June 2021

**Diageo UK Turkey Limited**  
**Registered number: 08449344**  
**Year ended 30 June 2020**

## **INCOME STATEMENT**

		<b>Year ended 30 June 2020</b>	<b>Year ended 30 June 2019</b>
	<b>Notes</b>	<b>TRY 000</b>	<b>TRY 000</b>
Operating income/(costs)	2	1,463	(12,524)
Income from shares in group undertakings	3	3,672,320	5,483
Provision against subsidiary undertakings	6	<u>(3,613,721)</u>	<u>(4,644)</u>
<b>Operating profit/(loss)</b>		<b>60,062</b>	<b>(11,685)</b>
Net finance income	4	<u>277,692</u>	<u>470,808</u>
<b>Profit before taxation on ordinary activities</b>		<b>337,754</b>	<b>459,123</b>
Taxation on profit on ordinary activities	5	<u>(248,177)</u>	<u>(17,276)</u>
<b>Profit for the financial year and total comprehensive income for the year</b>		<b><u>89,577</u></b>	<b><u>441,847</u></b>

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

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**STATEMENT OF COMPREHENSIVE INCOME**

	Notes	Year ended 30 June 2020 TRY 000	Year ended 30 June 2019 TRY 000
<b>Profit for the financial year</b>		89,577	441,847
<b>Other comprehensive income</b>			
<b>Items that may be recycled subsequently to the income statement</b>			
Dividend in specie	3	<u>3,821,132</u>	<u>—</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>3,821,132</u>	<u>—</u>
<b>Total comprehensive income for the year</b>		<u><u>3,910,709</u></u>	<u><u>441,847</u></u>

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

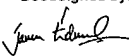
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**BALANCE SHEET**

	Notes	30 June 2020 TRY 000	30 June 2019 TRY 000
<b>Non-current assets</b>			
Investments in subsidiaries	6	—	3,613,721
Trade and other receivables	7	3,852	424,944
		<u>3,852</u>	<u>4,038,665</u>
<b>Current assets</b>			
Trade and other receivables	7	425,090	2,226,854
Cash and cash equivalents		—	—
<b>Total assets</b>		<u>428,942</u>	<u>6,265,519</u>
<b>Current liabilities</b>			
Trade and other payables	8	(28,843)	(1,860,407)
Corporate tax payable		(236,207)	(8,638)
<b>Total liabilities</b>		<u>(265,050)</u>	<u>(1,869,045)</u>
<b>Net assets</b>		<u>163,892</u>	<u>4,396,474</u>
<b>Equity</b>			
Called up share capital	10	—	380
Share premium		—	3,802,550
Retained earnings		163,892	593,544
<b>Total equity</b>		<u>163,892</u>	<u>4,396,474</u>

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

These financial statements on pages 11 to 25 were approved by the Board on 29 June 2021 and were signed on its behalf by:

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J M C Edmunds  
 Director

**Diageo UK Turkey Limited**  
**Registered number: 08449344**  
**Year ended 30 June 2020**

# **STATEMENT OF CHANGES IN EQUITY**

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

	<b>Called up share capital TRY 000</b>	<b>Share premium TRY 000</b>	<b>Retained earnings TRY 000</b>	<b>Total TRY 000</b>
Balance at 30 June 2018	380	3,802,550	151,697	3,954,627
Profit for the financial year and total comprehensive income for the year	—	—	441,847	441,847
Balance at 30 June 2019	380	3,802,550	593,544	4,396,474
Profit for the financial year	—	—	89,577	89,577
Other comprehensive income	—	—	3,821,132	3,821,132
<b>Total comprehensive income for the year</b>	—	—	3,910,709	3,910,709
Capital reduction	(380)	(3,802,550)	3,802,930	—
Dividends to shareholders	—	—	(8,143,291)	(8,143,291)
<b>Balance at 30 June 2020</b>	<b>—</b>	<b>—</b>	<b>163,892</b>	<b>163,892</b>

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

**Diageo UK Turkey Limited**  
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**Year ended 30 June 2020**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. ACCOUNTING POLICIES**

#### **Basis of preparation**

The principal accounting policies applied in the preparation of these financial statements are set 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 EU (IFRS), but makes amendments where necessary in order to comply with Companies Act 2006 and sets out below where the FRS 101 disclosure exemptions have been taken.

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

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

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

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

- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 79(a)(iv) (comparative information requirements);
  - 111 (cash flow statement information);
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'
- The following paragraphs of IAS 8, 'Accounting policies, changes in accounting estimates and errors':
  - 30 (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
  - 31 (disclosures relating to the new IFRS).
- The following paragraphs of IAS 24 'Related party disclosures':
  - 17 (key management compensation);
  - 18A (key management services provided by a separate management entity).



**Diageo UK Turkey Limited**  
**Registered number: 08449344**  
**Year ended 30 June 2020**

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

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

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

- 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.
- 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).

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

These financial statements are separate financial statements.

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

The following amendments to the accounting standards, issued by the IASB which have been endorsed by the EU, have been adopted by the group and therefore by the company from 1 July 2019 with no impact on the company's results, financial position or disclosures:

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

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

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

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

These financial statements are presented in 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.

**Diageo UK Turkey Limited**  
**Registered number: 08449344**  
**Year ended 30 June 2020**

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

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

#### **Finance income/costs**

Finance income/costs is recognised in the income statement in the year in which it is 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 income statement.

#### **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 income statement 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 income statement 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.

**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.

**Diageo UK Turkey Limited**  
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**Year ended 30 June 2020**

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

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

#### **Taxation**

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

#### **Dividends**

The interim dividend is included in the financial statements in the year in which it is approved by the directors, and the final dividend in the year in which it is approved by shareholders. Dividends received are included in the financial statements in the year in which they are receivable.

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

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 policies, which the directors consider are of greater complexity and/or particularly subject to the exercise of judgements, are set out in detail in the relevant accounting policy:

#### *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.

**Diageo UK Turkey Limited**  
**Registered number: 08449344**  
**Year ended 30 June 2020**

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

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

	<b>Year ended 30 June 2020 TRY 000</b>	<b>Year ended 30 June 2019 TRY 000</b>
Other operating income/(expenses)	<u>1,463</u>	<u>(12,524)</u>

Other operating income include a foreign exchange gain of TRY 1,463,000 (2019 - loss of TRY 12,524,000).

The auditors' remuneration of TRY 22,620 (2019 - TRY 21,660) 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 (2019 - 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 (2019 - TRY).

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

	<b>Year ended 30 June 2020 TRY 000</b>	<b>Year ended 30 June 2019 TRY 000</b>
<b>Dividend income from shares in group undertakings</b>		
Diageo Europe Holdings Limited	1,855,536	—
Diageo UK Turkey Finance Limited	—	5,483
Diageo US Turkey LLC	<u>1,816,784</u>	<u>—</u>
	<u><b>3,672,320</b></u>	<u><b>5,483</b></u>
<b>Dividend in specie recognised in other comprehensive income</b>		
Diageo Europe Holdings Limited	5,618,070	—
Other comprehensive income - released subsequently to the income statement	<u>(1,796,938)</u>	<u>—</u>
	<u><b>3,821,132</b></u>	<u><b>—</b></u>

During the year ended 30 June 2020 the company received a dividend in specie from its subsidiary undertaking of TRY 5,618,070,000, which has been recognised in other comprehensive income as it arose from an intra-group restructuring, with a subsequent onward distribution to Diageo UK Turkey Holdings Limited, the company's parent company. As a result of the receipt of the dividend in specie of TRY 5,618,070,000, the company's investment in Diageo Europe Holdings Limited has been impaired by TRY 1,796,938,000. and an amount equal to this has been released from other comprehensive income to the income statement, as it is deemed realised to the extent of the impairment (Note 6).

Dividends of TRY 1,875,382,000 (2019 - TRY 5,483,000) have been settled by receiving an amount due from fellow group undertakings. Dividend in specie of TRY 5,618,070,000 has been settled through a promissory note.

**Diageo UK Turkey Limited**  
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**Year ended 30 June 2020**

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

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

	Year ended 30 June 2020	Year ended 30 June 2019
Notes	TRY 000	TRY 000
<b>Interest income from fellow group undertakings</b>		
Diageo Europe Holdings Limited	239,778	379,949
Diageo Finance plc	55,427	90,859
Total finance income	295,205	470,808
Other interest expense	5 (17,513)	—
<b>Net finance income</b>	<b>277,692</b>	<b>470,808</b>

Other interest expense represents interest on the provision for uncertain tax positions (note 5).

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

	Year ended 30 June 2020	Year ended 30 June 2019
	TRY 000	TRY 000
<b>(a) Analysis of taxation charge for the year</b>		
<b>Current tax</b>		
UK corporation tax	(247,537)	(17,276)
Adjustments in respect of prior years	(640)	—
<b>Total current tax</b>	<b>(248,177)</b>	<b>(17,276)</b>
<b>Deferred tax</b>	<b>—</b>	<b>—</b>
<b>Taxation on profit on ordinary activities</b>	<b>(248,177)</b>	<b>(17,276)</b>
<b>(b) Factors affecting total tax charge for the year</b>		
Profit on ordinary activities before taxation	337,754	459,123
Taxation on profit on ordinary activities at UK corporation tax rate of 19% (2019 - 19%)	(64,173)	(87,233)
Expenses not deductible for tax purposes	(692,039)	(883)
Income not taxable	697,741	1,042
Group relief received for nil consideration	11,047	17,969
Adjustments in respect of prior periods	(640)	—
Foreign income subject to UK tax	(11,330)	(17,276)
Provision for uncertain tax positions	(236,207)	—
Other tax effects for reconciliation between accounting profit and tax expense	47,424	69,105
<b>Total tax charge for the year</b>	<b>(248,177)</b>	<b>(17,276)</b>

**Diageo UK Turkey Limited**  
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**Year ended 30 June 2020**

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

### **5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES (continued)**

The UK tax rate is 19% effective from 1 April 2017 which is applied for the year ended 30 June 2020. In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

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 however it has not been possible to agree on this matter. Following further discussions with HMRC, it is expected that HMRC will raise additional tax assessments which the company will appeal against at the First-tier Tribunal, although any litigation is not expected to progress within the next 12 months from the date of these financial statements.

The company believes it has complied with all applicable tax laws and will continue to defend the HMRC challenge. There are several potential outcomes. Given the developments, the company has considered the various outcomes and, based on the assessment of management, the company believes that a corporation tax liability of £28,086,000 (TRY 236,207,000) and related interest of £2,082,000 (TRY 17,513,000) should be provided in accordance with IFRIC 23. The company calculates the maximum potential liability to be £60,300,000 (TRY 507,000,000), including interest of £4,200,000 (TRY 35,000,000), and the minimum potential liability to be £nil.

### **6. INVESTMENTS IN SUBSIDIARIES**

#### *Shares in group undertakings and other investments*

	<b>Subsidiaries</b> <b>TRY 000</b>
<b>Cost</b>	
At 30 June 2019	4,108,427
Disposals	<u>(2,311,489)</u>
<b>At 30 June 2020</b>	<u><u>1,796,938</u></u>
<b>Provisions</b>	
At 30 June 2019	(494,706)
Provision for impairment	(3,613,721)
Disposals	<u>2,311,489</u>
<b>At 30 June 2020</b>	<u><u>(1,796,938)</u></u>
<b>Carrying amount</b>	
<b>At 30 June 2020</b>	<u><u>—</u></u>
At 30 June 2019	<u><u>3,613,721</u></u>

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

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

#### **Provision for impairment**

On 28 November 2019, Diageo US Turkey LLC declared an interim dividend to the company in the amount of TRY 1,816,784,000, resulting in a decrease of the net assets of Diageo US Turkey LLC. An impairment of TRY 1,816,783,000 was charged to provisions against subsidiary undertakings in respect of the company's shares held in Diageo US Turkey LLC, reducing the investment value to TRYnil.

On 12 December 2019, dividend income in the amount of TRY 5,618,070,000 was received from Diageo Europe Holdings Limited which has been recognised in other comprehensive income as a dividend in specie as it arose from an intra-group restructuring. As a result of the receipt of the dividend in specie of TRY 5,618,070,000, the company's investment in Diageo Europe Holdings Limited has been impaired by TRY 1,796,938,000. To the extent that the impairment on the investment the company holds in Diageo Europe Holdings Limited was recognised in the income statement, a corresponding amount has been released from other comprehensive income (that had earlier been recognised in relation to the dividend in specie) to the income statement, as it is deemed realised to the extent of the impairment.

#### **Disposals**

On 3 December 2019, Diageo US Turkey LLC was dissolved, resulting in neither a gain nor loss to the company.

On 17 December 2019 Diageo UK Turkey Finance Limited, (a wholly owned subsidiary of the company) was dissolved, therefore the cost of the investment and related provision, both amounting to TRY 494,706,000, were written off resulting in neither a gain nor a loss to the company.

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

<b>Name of investment</b>	<b>Notes</b>	<b>Registered office address</b>	<b>Proportion of ownership interest %*</b>
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#### **Direct holdings**

##### *Subsidiary undertakings*

Diageo Europe Holdings Limited		St. James's Gate, Dublin 8, Republic of Ireland	100%
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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 (and amounts due from) the company's subsidiary undertakings are worth at least the amount at which they are stated in the financial statements.

\*The percentage of shares owned by the immediate shareholder(s) of the subsidiary and the effective percentage of shares owned by the company are the same.

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

### **7. TRADE AND OTHER RECEIVABLES**

	<b>30 June 2020</b>		<b>30 June 2019</b>	
	<b>Due within one year TRY 000</b>	<b>Due after one year TRY 000</b>	<b>Due within one year TRY 000</b>	<b>Due after one year TRY 000</b>
Amounts owed by fellow group undertakings				
Diageo Finance plc	425,070	3,852	—	424,944
Diageo Europe Holdings Limited	—	—	2,226,844	—
Diageo UK Turkey Holdings Limited	20	—	10	—
	<b>425,090</b>	<b>3,852</b>	<b>2,226,854</b>	<b>424,944</b>

On 28 November 2019, the company assigned its loan receivable from Diageo Europe Holdings Limited (a wholly owned subsidiary of the company) to Diageo US Turkey LLC (a wholly owned subsidiary of the company), in the amount of TRY 1,816,774,000. The accrued interest owed by Diageo Europe Holdings Limited was repaid to the company through two payments made on 5 and 12 December 2019.

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

Amounts 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. In the current year, certain amounts owed by fellow group undertakings are reclassified to current assets as certain repayments are expected in the next twelve months. 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. On 28 November 2019, Diageo US Turkey LLC assigned its interest free promissory note receivable, owed to it by Diageo UK Turkey Holdings Limited, to Diageo UK Turkey Limited.



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

### **8. TRADE AND OTHER PAYABLES**

	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>TRY 000</b>	<b>TRY 000</b>
Amounts owed to fellow group undertakings		
Diageo US Turkey LLC	—	1,816,774
Diageo Investment Holdings Limited	—	34,995
Diageo Scotland Limited	11,330	8,638
	<u>17,513</u>	<u>—</u>
Other payables	<u><b>28,843</b></u>	<u><b>1,860,407</b></u>

Amount owed to Diageo US Turkey LLC represented a loan which was unsecured, interest free and repayable on demand. On 28 November 2019, Diageo UK Turkey Limited repaid its loan to Diageo US Turkey LLC in full by assigning the right to the full principal amount of its receivable from Diageo Europe Holdings Limited, in the amount of TRY 1,816,774,000.

Amount owed to Diageo Investment Holdings Limited was an unsecured and interest free short-term loan. The amount was settled in the current financial year.

Amounts owed to Diageo Scotland Limited is in respect of corporate tax paid on behalf of the company. TRY 8,638,000 was settled in the current financial year, whereas TRY 11,330,000 is expected to be settled in the following financial year.

Other payables represent interest on the provision for uncertain tax provisions (note 5).

### **9. 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. Where this is not the case, deferred tax assets have not been recognised, as set out below:

	<b>Year ended</b>	<b>Year ended</b>
	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>TRY 000</b>	<b>TRY 000</b>
Temporary timing differences - uncertain tax positions	3,327	—
	<u><b>3,327</b></u>	<u><b>—</b></u>

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

### **10. CALLED UP SHARE CAPITAL**

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

**30 June 2020**  
**TRY**

1 (2019 - 380,293) ordinary shares of TRY 1 each	<u><u>1</u></u>
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On 29 November 2019, the company's ordinary share capital was reduced from TRY 380,293 to TRY 1.

### **11. 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, Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom.