

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

Registered number: 08447006



Diageo UK Turkey Holdings Limited

Registered number: 08447006

Year ended 30 June 2020

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Diageo UK Turkey Holdings Limited
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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 29 November 2019, the company's ordinary share capital was reduced from TRY 110,219,749 to TRY 1, by the reduction of the nominal value of the ordinary shares from TRY 1 of each to TRY 0.00000001. In addition, share premium totaling TRY 1,892,690,953 was cancelled and extinguished. An equivalent value of the reduction of the ordinary shares and the cancellation of share premium were credited to retained earnings.

On 5 December 2019, Diageo UK Turkey Limited, (a wholly owned subsidiary of the company), paid an interim dividend in the amount of TRY 425,073,000 to the company. Subsequent to the dividend receipt, the company paid an interim preferential dividend to Diageo Investment Holdings Limited in the amount of TRY 83,765,000.

On 12 December 2019, the company repaid its outstanding debt of TRY 1,966,839,000 to Diageo Financing Turkey Limited.

On 12 December 2019 dividend income in the amount of TRY 7,718,218,000 was received from Diageo UK Turkey Limited, which has been recognised in other comprehensive income as a dividend in specie as it arose from an intra-group restructuring, with a subsequent onward distribution of TRY 6,093,685,000 to Diageo Investment Holdings Limited, the company's parent company. Predominantly as a result of the receipt of the dividend in specie of TRY 7,718,218,000, the company's investment in Diageo UK Turkey Limited has been impaired by TRY 3,639,039,000. To the extent that the impairment on the investment the company holds in Diageo UK Turkey 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.

Profit before tax for the year ended 30 June 2020 was TRY 251,991,000 (2019 - loss of TRY 265,628,000). Net finance charges have decreased by 47% as the company settled its loan with Diageo Financing Turkey Limited. The company's net assets decreased by TRY 1,813,394,000 from TRY 2,097,779,000 to TRY 284,385,000, due to the impairment recognised in respect of the company's investment.

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.

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STRATEGIC REPORT (continued)

Business review (continued)

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.

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.

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STRATEGIC REPORT (continued)

Business review (continued)

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

One company-specific risk has been identified, which is the recoverability of the company's investment in subsidiaries.

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.

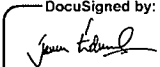
The company has therefore had regard to the matters set out in Section 172 of the Act in a manner that is consistent with the approach adopted by Diageo, while at the same time ensuring the directors of the company are fulfilling their duties.

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 Holdings Limited
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DIRECTORS' REPORT

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

On 12 December 2019, the company's immediate parent undertaking, Diageo Holdings Netherlands B.V., made a dividend in specie of all of the ordinary shares it held in the company to its sole shareholder, Diageo Investment Holdings Limited for nil consideration. From this date, Diageo Investment Holdings Limited became the immediate parent of the company.

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 on 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 an 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 284,877,000 (2019 - loss of TRY 265,628,000) and the other comprehensive income for the year was TRY 4,079,179,000 (2019 - TRY nil).

Dividends paid during the year ended 30 June 2020 and 30 June 2019 were TRY 6,177,450,000 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

V Rao (resigned 1 May 2021)

C-L Jordan (appointed 1 May 2021)

K E Major

P Viswanathan (resigned 1 August 2020)

C M Lewin (appointed 1 August 2020)

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DIRECTORS' REPORT (continued)

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).

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.

Post balance sheet events

On 2 December 2020, the company's preference share capital in the amount of \$194,505,440 - represented by 19,450,544 preference shares of \$10 each at 1.7994 TRY/\$ - was cancelled and an equivalent value of the cancelled preference shares was credited to retained earnings.

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, 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.

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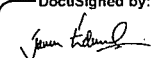
Year ended 30 June 2020

DIRECTORS' REPORT (continued)

Disclosure of information to the auditors

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

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 Holdings Limited
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Statement of directors' responsibilities in respect of the financial statements

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

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

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

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

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

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

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 30 June 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.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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.

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. This description forms part of our auditors' report.

Use of this report

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

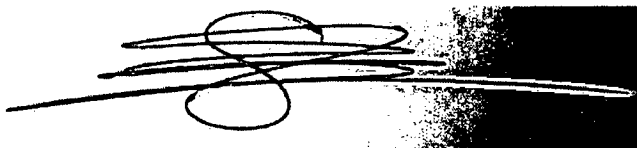
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Steve Reid (Senior Statutory Auditor)

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

29 June 2021

Diageo UK Turkey Holdings Limited
Registered number: 08447006
Year ended 30 June 2020

INCOME STATEMENT

		Year ended 30 June 2020	Year ended 30 June 2019
	Notes	TRY 000	TRY 000
Operating costs	2	(2)	(2)
Income from shares in group undertakings	3	4,064,112	—
Provision against subsidiary undertakings	6	(3,639,039)	—
Operating profit/(loss)		425,071	(2)
Net finance charges	4	(173,080)	(327,934)
Profit/(loss) before taxation on ordinary activities		251,991	(327,936)
Taxation on profit/(loss) on ordinary activities	5	32,886	62,308
Profit/(loss) for the financial year		284,877	(265,628)

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
Profit/(loss) for the financial year		284,877	(265,628)
Other comprehensive income			
Items that may be recycled subsequently to the income statement			
Dividend in specie	3	<u>4,079,179</u>	<u>—</u>
Other comprehensive income for the year, net of tax		<u>4,079,179</u>	<u>—</u>
Total comprehensive income for the year		<u><u>4,364,056</u></u>	<u><u>—</u></u>

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

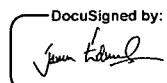
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BALANCE SHEET

	Notes	30 June 2020 TRY 000	30 June 2019 TRY 000
Non-current assets			
Investments in subsidiaries	6	163,892	3,802,931
Trade and other receivables	7	20,699	21,513
		<u>184,591</u>	<u>3,824,444</u>
Current assets			
Trade and other receivables	7	99,814	62,308
Cash and cash equivalents		—	—
Total assets		<u>284,405</u>	<u>3,886,752</u>
Current liabilities			
Trade and other payables	8	(20)	(338,973)
Non-current liabilities			
Trade and other payables	8	—	(1,450,000)
Total liabilities		<u>(20)</u>	<u>(1,788,973)</u>
Net assets		<u>284,385</u>	<u>2,097,779</u>
Equity			
Called up share capital	9	350,000	460,220
Share premium		—	1,892,691
Accumulated deficit	10	(65,615)	(255,132)
Total equity		<u>284,385</u>	<u>2,097,779</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:

DocuSigned by:

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J M C Edmunds
 Director

Diageo UK Turkey Holdings Limited
Registered number: 08447006
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STATEMENT OF CHANGES IN EQUITY

ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

	Called up share capital TRY 000	Share premium TRY 000	(Accumulated deficit)/ Retained earnings TRY 000	Total TRY 000
Balance at 30 June 2018	460,220	1,892,691	10,496	2,363,407
Loss for the financial year and total comprehensive expense for the year	—	—	(265,628)	(265,628)
Balance at 30 June 2019	460,220	1,892,691	(255,132)	2,097,779
Profit for the financial year	—	—	284,877	284,877
Other comprehensive income	—	—	4,079,179	4,079,179
Total comprehensive income for the year	—	—	4,364,056	4,364,056
Capital reduction	(110,220)	(1,892,691)	2,002,911	—
Dividends to shareholders	—	—	(6,177,450)	(6,177,450)
Balance at 30 June 2020	350,000	—	(65,615)	284,385

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

On 12 December 2019 the company received a dividend in specie from Diageo UK Turkey Limited in the amount of TRY 7,718,218,000 and the company declared an onward distribution in the amount of TRY 6,093,685,000 to Diageo Investment Holdings Limited, the company's parent company. At the time of the dividend payment on 12 December 2019, the company had sufficient distributable reserves after considering the anticipated impairment in respect of the company's investment in Diageo UK Turkey Limited in the amount of TRY 3,460,135,000. Subsequent to the dividend payment, Diageo UK Turkey Limited recognised a provision in respect of a potential corporate tax liability in the amount of £28,086,000 (TRY 236,207,000) and provision for the related interest expense of £2,082,000 (TRY 17,513,000). As a result, the company had to recognise an additional impairment in respect of the company's investment in Diageo UK Turkey Limited in the amount of TRY 178,904,000, increasing the total impairment recognised to TRY 3,639,039,000. This was higher than anticipated on 12 December 2019. This resulted in the recognition of an accumulated deficit at 30 June 2020.

Diageo UK Turkey Holdings 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 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).

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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)

Diageo UK Turkey Holdings Limited
Registered number: 08447006
Year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

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 income statement 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 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.

Diageo UK Turkey Holdings Limited
Registered number: 08447006
Year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

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

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

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

Taxation

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

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

Diageo UK Turkey Holdings Limited
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Year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. OPERATING COSTS

Other external charges include bank charges of TRY 2,000 (2019 - TRY 2,000).

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 nil).

3. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	Year ended 30 June 2020 TRY 000	Year ended 30 June 2019 TRY 000
Dividend income from shares in group undertakings		
Diageo UK Turkey Limited	<u>4,064,112</u>	<u>—</u>
Dividend in specie recognised in other comprehensive income		
Diageo UK Turkey Limited	7,718,218	—
Other comprehensive income - released subsequently to the income statement	<u>(3,639,039)</u>	<u>—</u>
	<u>4,079,179</u>	<u>—</u>

During the year ended 30 June 2020 the company received a dividend in specie from its subsidiary undertaking of TRY 7,718,218,000, which has been recognised in other comprehensive income as it arose from an intra-group restructuring, with a subsequent onward distribution of TRY 6,093,685,000 to Diageo Investment Holdings Limited, the company's parent company. Predominantly as a result of the receipt of the dividend in specie of TRY 7,718,218,000, the company's investment in Diageo UK Turkey Limited has been impaired by TRY 3,639,039,000, 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 425,073,000 (2019 - TRY nil) have been settled by receiving an amount due from a fellow group undertaking. Dividend in specie of TRY 7,718,218,000 has been settled through a promissory note.

Diageo UK Turkey Holdings Limited
Registered number: 08447006
Year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. FINANCE INCOME AND CHARGES

	Year ended 30 June 2020 TRY 000	Year ended 30 June 2019 TRY 000
Net interest		
Interest income from fellow group undertakings		
Diageo Finance plc	4,804	4,664
Total interest income	4,804	4,664
Interest charge to fellow group undertakings		
Diageo Financing Turkey Limited	(177,884)	(332,598)
Total interest charges	(177,884)	(332,598)
Net finance charges	(173,080)	(327,934)

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

	Year ended 30 June 2020 TRY 000	Year ended 30 June 2019 TRY 000
(a) Analysis of taxation credit for the year		
Current tax	32,886	62,308
Deferred tax	—	—
Taxation on profit/(loss) on ordinary activities	32,886	62,308
(b) Factors affecting total tax credit for the year		
Profit/(loss) on ordinary activities before taxation	251,991	(327,936)
Taxation on profit/(loss) on ordinary activities at UK corporation tax rate of 19% (2019 - 19%)	(47,878)	62,308
Expenses not deductible for tax purposes	(691,417)	—
Income not taxable	772,181	—
Total tax credit for the year	32,886	62,308

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.

Diageo UK Turkey Holdings Limited
Registered number: 08447006
Year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INVESTMENTS IN SUBSIDIARIES

Shares in group undertakings and other investments

	Subsidiaries
	TRY 000
Cost	
At 30 June 2020 and at 30 June 2019	<u>3,802,931</u>
Provisions	
At 30 June 2019	—
Provision for impairment	<u>(3,639,039)</u>
At 30 June 2020	<u>(3,639,039)</u>
Carrying amount	
At 30 June 2020	<u>163,892</u>
At 30 June 2019	<u>3,802,931</u>

On 12 December 2019 dividend income in the amount of TRY 7,718,218,000 was received from Diageo UK Turkey Limited, which has been recognised in other comprehensive income as a dividend in specie as it arose from an intra-group restructuring, with a subsequent onward distribution of TRY 6,093,685,000 to Diageo Investment Holdings Limited, the company's parent company. Predominantly as a result of the receipt of the dividend in specie of TRY 7,718,218,000, the company's investment in Diageo UK Turkey Limited has been impaired by TRY 3,639,039,000. To the extent that the impairment on the investment the company holds in Diageo UK Turkey 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.

Diageo UK Turkey Holdings Limited
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Year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of investment	Registered office address	Proportion of ownership interest %*	Proportion of effective interest %**
Direct holdings			
<i>Subsidiary undertakings</i>			
Diageo UK Turkey Limited	Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom	100%	100%
Indirect holdings			
<i>Subsidiary undertakings</i>			
Diageo Europe Holdings Limited	St. James's Gate, Dublin 8, Republic of Ireland	100%	100%

The investments in subsidiaries are held at cost less, where appropriate, provision for impairment in value.

In the opinion of the directors, the investment in the company's subsidiary undertaking 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

**Effective percentage of shares owned by the company directly and indirectly

Diageo UK Turkey Holdings Limited
Registered number: 08447006
Year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. TRADE AND OTHER RECEIVABLES

	30 June 2020		30 June 2019	
	Due within one	Due after one	Due within one	Due after one
	year	year	year	year
	TRY 000	TRY 000	TRY 000	TRY 000
Amounts owed by fellow group undertakings				
Diageo Finance plc	66,928	20,699	—	21,513
Diageo Scotland Limited	32,886	—	62,308	—
	99,814	20,699	62,308	21,513

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, 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.

As the company was loss-making in the previous financial year, and it had an accumulated deficit, the tax credit for the previous year was received by Diageo Scotland Limited and subsequently repaid to the company in the amount of TRY 62,308,000. The same treatment is applied for the year ended 30 June 2020, where TRY 32,886,000 is expected to be repaid to the company in the following financial year.

8. TRADE AND OTHER PAYABLES

	30 June 2020		30 June 2019	
	Amounts	Amounts	Amounts	Amounts
	falling due	falling due	falling due	falling due
	within one	after one	within one	after one
	year	year	year	year
	TRY 000	TRY 000	TRY 000	TRY 000
Amounts owed to fellow group undertakings				
Diageo Financing Turkey Limited	—	—	338,953	1,450,000
Diageo UK Turkey Limited	20	—	10	—
Diageo US Turkey LLC	—	—	10	—
	20	—	338,973	1,450,000

On 12 December 2019, the company repaid its outstanding debt to Diageo Financing Turkey Limited, including the principal in the amount of TRY 1,450,000,000 and accrued unpaid interest in the amount of TRY 516,839,000.

Diageo UK Turkey Holdings Limited
Registered number: 08447006
Year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. TRADE AND OTHER PAYABLES (continued)

Amounts owed to Diageo UK Turkey Limited are interest free promissory notes repayable on demand. Amounts owed to Diageo US Turkey LLC was an interest free promissory note repayable on demand which was assigned to Diageo UK Turkey Limited for no consideration in the current financial year.

9. CALLED UP SHARE CAPITAL

30 June 2020
TRY 000

Allotted, called up and fully paid:

110,219,749 (2019 - 110,219,749) ordinary shares of TRY 0.00000001 (2019 - TRY 1) each	1
19,450,544 (2019 - 19,450,544) preference shares of \$10 each at 1.7994/\$	350,000
	<u><u>350,000</u></u>

On 29 November 2019, the company's ordinary share capital was reduced from TRY 110,219,749 to TRY 1, by the reduction of the nominal value of the ordinary shares from TRY 1 to TRY 0.00000001 of each.

The preference shares have full voting rights and are non-redeemable. The holder of the preference share is entitled to a fixed cumulative preferential dividend on the nominal value of each preference share at a rate of 7.5% per annum, which is payable at the discretion of the directors.

10. ACCUMULATED DEFICIT

On 12 December 2019 the company received a dividend in specie from Diageo UK Turkey Limited in the amount of TRY 7,718,218,000 and the company declared an onward distribution in the amount of TRY 6,093,685,000 to Diageo Investment Holdings Limited, the company's parent company. At the time of the dividend payment on 12 December 2019, the company had sufficient distributable reserves after considering the anticipated impairment in respect of the company's investment in Diageo UK Turkey Limited in the amount of TRY 3,460,135,000. Subsequent to the dividend payment, Diageo UK Turkey Limited recognised a provision in respect of a potential corporate tax liability in the amount of £28,086,000 (TRY 236,207,000) and provision for the related interest expense of £2,082,000 (TRY 17,513,000). As a result, the company had to recognise an additional impairment in respect of the company's investment in Diageo UK Turkey Limited in the amount of TRY 178,904,000, increasing the total impairment recognised to TRY 3,639,039,000. This was higher than anticipated on 12 December 2019. This resulted in the recognition of an accumulated deficit at 30 June 2020.

11. POST BALANCE SHEET EVENTS

On 2 December 2020, the company's preference share capital in the amount of \$194,505,440 - represented by 19,450,544 preference shares of \$10 each at 1.7994 TRY/\$ - was cancelled and an equivalent value of the cancelled preference shares was credited to retained earnings.

Diageo UK Turkey Holdings Limited
Registered number: 08447006
Year ended 30 June 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

On 12 December 2019, the company's immediate parent undertaking, Diageo Holdings Netherlands B.V., a company incorporated and registered in the Netherlands, made a dividend in specie of all of the ordinary shares it held in the company to its sole shareholder, Diageo Investment Holdings Limited for nil consideration. From this date, Diageo Investment Holdings Limited became the immediate parent of the company. Diageo Investment Holdings Limited is 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.