

DIAGEO PLC
Form 6-K
March 27, 2006

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

**Report of Foreign Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934**

DIAGEO plc

(Exact name of Registrant as specified in its charter)

England

(Jurisdiction of incorporation)

8 Henrietta Place, London W1G 0NB

(Address of principal executive offices)

indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b). _____

This report on Form 6-K shall be deemed to be filed and incorporated by reference in the registration statements on Form F-3 (File Nos. 333-10410, 333-14100 and 333-110804) and registration statements on Form S-8 (File Nos. 333-08090, 333-08092, 333-08094, 333-08096, 333-08098, 333-08100, 333-08102, 333-08104, 333-08106, 333-09770, 333-11460, 333-11462) and to be a part thereof from the date on which this report is furnished, to the extent not superseded by documents or reports subsequently filed or furnished.

INDEX TO FORM 6-K

	Page
<u>Introduction</u>	2
<u>Presentation of financial information</u>	2
<u>Cautionary statement concerning forward-looking statements</u>	3
<u>Trademarks, Trade Names and Market Data</u>	4
<u>Selected Consolidated Financial Data</u>	5
<u>Capitalisation and Indebtedness</u>	10
<u>Operating and Financial Review</u>	11
<u>Information presented</u>	11
<u>Operating results for the six months ended 31 December 2005 compared with the six months ended 31 December 2004</u>	13
<u>Liquidity and capital resources</u>	29
<u>New Accounting Standards</u>	33
<u>Conversion to International Financial Reporting Standards</u>	33
<u>Accounting policies</u>	34
<u>International Financial Reporting Standards</u>	38
<u>United States</u>	38
<u>Reconciliation to US Generally Accepted Accounting Principles (US GAAP)</u>	40
<u>Trend Information</u>	44
<u>Recent Developments</u>	44
<u>Unaudited Financial Information for the Six Months Ended 31 December 2005 and 31 December 2004</u>	F-1
<u>Unaudited consolidated income statement</u>	F-2
<u>Unaudited consolidated statement of recognised income and expense</u>	F-3
<u>Unaudited consolidated balance sheet</u>	F-4
<u>Unaudited consolidated cash flow statement</u>	F-5
<u>Notes to the unaudited consolidated financial information</u>	F-6
<u>Impacts of IFRS adjustments</u>	F-14
<u>US GAAP unaudited consolidated financial information</u>	F-18
<u>Unaudited Computation of Ratio of Earnings to Fixed Charges and Preferred Share Dividends</u>	F-34
<u>Signature</u>	

INTRODUCTION

Diageo plc is a public limited company incorporated under the laws of England and Wales. As used herein, except as the context otherwise requires, the term *company* refers to Diageo plc and the terms *group* and *Diageo* refer to the company and its consolidated subsidiaries. References used herein to *shares* and *ordinary shares* are, except where otherwise specified, to Diageo plc's ordinary shares.

Presentation of financial information

Diageo plc's fiscal year ends on 30 June. The company publishes its consolidated financial statements in pounds sterling. In this document, references to *pounds sterling*, *sterling*, *£*, *pence* or *p* are to UK currency, references to *US dollars*, *US\$*, *\$* or *dollars* are to the US currency and references to the *euro* or *€* are to the euro currency. For the convenience of the reader, this document contains translations of certain pounds sterling amounts into US dollars at specified rates, or, if not so specified, the noon buying rate in New York City for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York (the *noon buying rate*) on 31 December 2005 of £1 = \$1.72. No representation is made that the pounds sterling amounts have been, could have been or could be converted into US dollars at the rates indicated or at any other rates.

For all periods up to and including the year ended 30 June 2005, Diageo prepared its primary financial statements under UK generally accepted accounting principles (UK GAAP). From 1 July 2005 the group is required to comply with all current International Accounting Standards, International Financial Reporting Standards and interpretations of the International Financial Reporting Interpretations Committee (IFRS) as adopted for use in the European Union (EU) in its consolidated annual financial statements. These interim financial statements comply with applicable IFRS and have been prepared in accordance with *IAS 34 Interim Financial Reporting*. There is no difference between IFRS as applied in this document by Diageo and applicable IFRS as adopted by the International Accounting Standards Board (IASB). Further information on the basis of preparation is presented in the notes to the unaudited financial information for the six month period ended 31 December 2005, specifically note 1 *Basis of preparation* and note 12 *Explanation of transition to IFRS*.

IFRS are subject to ongoing review and endorsement by the EU or possible amendment by interpretative guidance from the IASB and are therefore subject to change. Accordingly, the information presented in the interim financial statements and the format of presentation may be subject to change as accounting standards and interpretations are endorsed by the EU, new guidance is issued or practice develops. Diageo has taken advantage of the US GAAP Condensed Information Option, announced by the US Securities Exchange Commission in the *Final Rule: First-time Application of IFRS*, under which the group is permitted to use condensed US GAAP information for periods where IFRS information is unavailable.

The operating and financial review, IFRS selected consolidated financial data and IFRS financial information included in this document for the six month periods ended 31 December 2005 and 31 December 2004 have been derived from the published Diageo interim financial statements. In addition, this document contains separate financial information of the group under US GAAP and details of the principal differences between IFRS and US GAAP relevant to Diageo.

The principal executive office of the company is located at 8 Henrietta Place, London, W1G 0NB, England and its telephone number is +44 (0) 20 7927 5200.

Cautionary statement concerning forward-looking statements

This document contains statements with respect to the financial condition, results of operations and business of Diageo and certain of the plans and objectives of Diageo with respect to these items. These forward-looking statements are made pursuant to the Safe Harbor provisions of the United States Private Securities Litigation Reform Act of 1995. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of interest or exchange rates, the availability of financing to Diageo, anticipated costs savings or synergies and the completion of Diageo's strategic transactions, are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including factors that are outside Diageo's control.

These factors include, but are not limited to:

- increased competitive product and pricing pressures and unanticipated actions by competitors that could impact Diageo's market share, increase expenses and hinder growth potential;
- the effects of future business combinations, partnerships, acquisitions or disposals, existing or future, and the ability to realise expected synergies and/or costs savings;
- Diageo's ability to complete future acquisitions and disposals;
- legal and regulatory developments, including changes in regulations regarding consumption of, or advertising for, beverage alcohol, changes in accounting standards, taxation requirements, such as the impact of excise tax increases with respect to the business, environmental laws and laws governing pensions;
- developments in the alcohol advertising class actions and any similar proceedings or other litigation directed at the drinks and spirits industry;
- developments in the Colombian litigation and any similar proceedings;
- changes in consumer preferences and tastes, demographic trends or perception about health related issues;
- changes in the cost of raw materials and labour costs;
- changes in economic conditions in countries in which Diageo operates, including changes in levels of consumer spending;
- levels of marketing, promotional and innovation expenditure by Diageo and its competitors;
- renewal of distribution rights on favourable terms when they expire;
- termination of existing distribution rights on agency brands;
- technological developments that may affect the distribution of products or impede Diageo's ability to protect its intellectual property rights; and
- changes in financial and equity markets, including significant interest rate and foreign currency rate fluctuations, which may affect Diageo's access to or increase the cost of financing or which may affect Diageo's financial results.

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All oral and written forward-looking statements made on or after the date of this document and attributable to Diageo are expressly qualified in their entirety by the above factors and the risk factors contained in the annual report on Form 20-F for the year ended 30 June 2005 filed with the

3

US Securities and Exchange Commission. Any forward-looking statements made by or on behalf of Diageo speak only as of the date they are made. Diageo does not undertake to update forward-looking statements to reflect any changes in Diageo's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any additional disclosures that Diageo may make in documents it files with the US Securities and Exchange Commission.

The information in this document does not constitute an offer to sell or an invitation to buy shares in Diageo plc or any other invitation or inducement to engage in investment activities.

This document includes disclosure about Diageo's debt rating. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation. Each rating should be evaluated independently of any other rating.

Past performance cannot be relied upon as a guide to future performance.

TRADEMARKS, TRADE NAMES AND MARKET DATA

This report on Form 6-K includes names of Diageo's products, which constitute trademarks or trade names which Diageo owns or which others own and license to Diageo for its use.

The market data contained in the document is taken from independent industry sources in the markets in which Diageo operates.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data set forth below should be read in conjunction with, and are qualified in their entirety by reference to, the unaudited financial information and notes presented elsewhere in this document and to Diageo's annual report on Form 20-F for the year ended 30 June 2005.

Selected Consolidated Financial Data

The following table presents selected consolidated financial data for Diageo as of and for the six month periods ended 31 December 2005 and 31 December 2004, derived from the unaudited financial information presented elsewhere in this document, and as of and for the year ended 30 June 2005 and as at the appropriate period ends. The US GAAP financial data as of and for the year ended 30 June 2005 has been derived from Diageo's consolidated financial statements, which have been audited by Diageo's independent auditor. The IFRS financial data as of and for the year ended 30 June 2005 has not been audited. The unaudited consolidated interim financial statements, in the opinion of Diageo management, include all adjustments, consisting solely of normal, recurring adjustments, necessary to present fairly the information contained therein. The results of operations for the six month period ended 31 December 2005 are not necessarily indicative of the results for the year ending 30 June 2006. All data relates to continuing operations unless otherwise stated.

	Six months ended 31 December		2004 (restated) (unaudited) £ million	Year ended 30 June 2005 (restated) (unaudited) £ million
	2005 (unaudited) \$ million	2005 (unaudited) £ million		
Income statement data ⁽¹⁾⁽²⁾⁽⁹⁾				
IFRS				
Sales	9,217	5,359	4,946	8,968
Operating profit before exceptional items ⁽²⁾	2,169	1,261	1,185	1,932
Exceptional items charged to operating profit ⁽⁴⁾			(16)	(201)
Operating profit	2,169	1,261	1,169	1,731
Other exceptional items ⁽⁴⁾				
Continuing operations	260	151	218	214
Discontinued operations ⁽³⁾				53
Total other exceptional items	260	151	218	267
Profit for the period				
Continuing operations	2,073	1,205	1,002	1,326
Discontinued operations ⁽³⁾				73
Total profit for the period	2,073	1,205	1,002	1,399
Per share data				
IFRS				
Dividend per share (declared) ⁽⁵⁾	0.21	11.95	11.35	29.55
Earnings per share				
Continuing operations				
Basic	0.69	40.4	32.2	42.8
Diluted	0.69	40.4	32.2	42.8
Discontinued operations ⁽³⁾				
Basic				2.4
Diluted				2.4
Continuing and discontinued operations				
Basic	0.69	40.4	32.2	45.2
Diluted	0.69	40.4	32.2	45.2

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Income statement data ⁽²⁾⁽⁹⁾	Six months ended 31 December			Year ended
	2005 (unaudited) \$ million	2005 (unaudited) £ million	2004 (unaudited) £ million	30 June 2005 £ million
US GAAP				
Sales	9,436	5,486	5,175	9,170
Gains/(losses) on disposal of businesses	28	16	3	(2)
Operating income	2,057	1,196	1,153	1,768
Net income before cumulative effect of accounting change	1,746	1,015	934	1,470
Cumulative effect of accounting change ⁽⁶⁾	(4)	(2)		
Net income	1,742	1,013	934	1,470

Per share data	Six months ended 31 December			Year ended
	2005 (unaudited) \$	2005 (unaudited) pence	2004 (unaudited) pence	30 June 2005 pence
US GAAP				
Basic earnings per ordinary share before cumulative change of accounting	0.61	35.2	31.1	49.5
Cumulative effect of accounting change ⁽⁶⁾	(0.01)	(0.1)		
Basic earnings per ordinary share	0.60	35.1	31.1	49.5
Diluted earnings per ordinary share before cumulative change of accounting	0.61	35.2	31.1	49.4
Cumulative effect of accounting change ⁽⁶⁾	(0.01)	(0.1)		
Diluted earnings per ordinary share	0.60	35.1	31.1	49.4
Basic earnings per ADS	2.41	140.4	124.4	198.0
Diluted earnings per ADS	2.41	140.4	124.4	197.6

Balance sheet data ⁽¹⁾⁽²⁾⁽⁹⁾	As at 31 December			As at
	2005 (unaudited) \$ million	2005 (unaudited) £ million	2004 (unaudited) £ million	30 June 2005 (unaudited) £ million
IFRS				
Total assets	25,270	14,692	14,728	13,921
Net borrowings ⁽⁷⁾	6,727	3,911	3,484	3,706
Equity attributable to the parent company's equity shareholders	7,898	4,592	4,839	4,459
Called up share capital ⁽⁸⁾	1,519	883	883	883
	million	million	million	million
Number of ordinary shares⁽⁸⁾	3,051	3,051	3,050	3,050

Balance sheet data ⁽²⁾⁽⁹⁾	As at 31 December			As at
	2005 (unaudited) \$ million	2005 (unaudited) £ million	2004 (unaudited) £ million	30 June 2005 £ million
US GAAP				
Total assets	36,278	21,092	22,582	21,570
Long term obligations ⁽⁷⁾	6,741	3,919	2,979	3,751
Shareholders' equity	16,457			