

DIAGEO PLC  
Form 20-F  
November 12, 2002

---

---

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

---

**FORM 20-F**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended:

**30 June 2002**

Commission file number:

**1-10691**

**DIAGEO plc**

*(Exact name of Registrant as specified in its charter)*

**England**

*(Jurisdiction of incorporation or organisation)*

**8 Henrietta Place, London, W1G 0NB, England**

*(Address of principal executive offices)*

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
American Depositary Shares	New York Stock Exchange
Ordinary shares of 28 101/108 pence each	New York Stock Exchange*
9.42% Cumulative guaranteed preferred securities, series A**	New York Stock Exchange

\* Not for trading, but only in connection with the registration of American Depositary Shares representing such ordinary shares, pursuant to the requirements of the Securities and Exchange Commission.

\*\* Issued by Grand Metropolitan Delaware, LP, of which the Registrant is the sole general partner, and guaranteed as to certain payments by the Registrant.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the Annual Report: 3,214,904,744 ordinary shares of 28 101/108 pence each

Yes x No o

Edgar Filing: DIAGEO PLC - Form 20-F

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Indicate by check mark which financial statement item the Registrant has elected to follow.

Item 17  Item 18

---

---

---

## TABLE OF CONTENTS

	<b>Page</b>
Introduction	4
<b>PART I</b>	
Item 1. Identity of Directors, Senior Management and Advisers	n/a
Item 2. Offer Statistics and Expected Timetable	n/a
Item 3. Key Information	6
Selected consolidated financial data	6
Capitalisation and indebtedness	n/a
Reasons for offer and use of proceeds	n/a
Risk factors	11
Item 4. Information on the Company	15
History and development of the company	15
Business overview	17
Organisational structure	31
Properties, plants and equipment	31
Item 5. Operating and Financial Review and Prospects	31
Operating results	31
Critical UK GAAP accounting policies	58
Liquidity and Capital Resources	59
Reconciliation to US generally accepted accounting principles	63
New accounting standards	64
Research and development, patents and licences, etc	65
Trend information	65
Item 6. Directors, Senior Management and Employees	68
Directors and senior management	68
Compensation and shareholdings	71
Board practices	75
Employees	78
Share ownership	78
Item 7. Major Shareholders and Related Party Transactions	81
Major shareholders	81
Related party transactions	81
Interests of experts and counsel	n/a
Item 8. Financial Information	82
Consolidated statements and other financial information	82
Legal proceedings	82
Dividends	83
Item 9. The Offer and Listing	84
Trading market for shares	84
Item 10. Additional Information	85
Share capital	85
Memorandum and articles of association	85
Material contracts	89
Exchange controls	92
Taxation	92
Documents on display	95



	<b>Page</b>	
Item 11.	Quantitative and Qualitative Disclosures about Market Risk	95
Item 12.	Description of Securities Other than Equity Securities	n/a
<b>PART II</b>		
Item 13.	Defaults, Dividend Arrearages and Delinquencies	n/a
Item 14.	Material Modifications to the Rights of Security Holders and Use of Proceeds	n/a
Item 15.	[Reserved]	n/a
Item 16.	[Reserved]	n/a
<b>PART III</b>		
Item 17.	Financial Statements	n/a
Item 18.	Financial Statements	99
Item 19.	Exhibits	100

## 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. Diageo was formed by a merger (the "Merger") of Guinness PLC and Grand Metropolitan Public Limited Company, which became effective on 17 December 1997. As used herein, except as the context otherwise requires, the term "the Guinness Group" refers to the former Guinness PLC and its consolidated subsidiaries, the term "GrandMet PLC" refers to Grand Metropolitan Public Limited Company, and the term "GrandMet" refers to GrandMet PLC 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. GrandMet PLC's fiscal year ended on 30 September of any particular year up until 1997. The company publishes its consolidated financial statements in pounds sterling. In this Annual Report, references to "pounds sterling", "sterling", "£", "pence" or "p" are to UK currency and references to "US dollars", "US\$", "\$" or "¢" are to US currency. For the convenience of the reader, this Annual Report 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 28 June 2002 of £1.00 = \$1.52. 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. See Item 3. Key Information - Selected Consolidated Financial Data - Exchange rates for information regarding the noon buying rates from 1 October 1997 to the present.

Diageo's consolidated financial statements included in this Annual Report have been prepared in accordance with accounting principles generally accepted in the United Kingdom (UK GAAP), which is the group's primary reporting framework. Unless otherwise indicated all other financial information contained in this document has been prepared in accordance with UK GAAP. Under UK GAAP, the Merger has been accounted for using merger accounting principles and the results of operations and financial position of Diageo reflect the historical UK GAAP results and financial position of the Guinness Group and GrandMet on a combined basis as though the group had always been one. Under accounting principles generally accepted in the United States (US GAAP), the Merger has been accounted for as an acquisition of the Guinness Group by GrandMet in a purchase transaction on 17 December 1997. The principal differences between UK and US GAAP are summarised in this Annual Report under Item 5. Operating and Financial Review and Prospects - Reconciliation to US generally accepted accounting principles, and in note 33 to the consolidated financial statements of Diageo.

In this Annual Report on Form 20-F, reference is made to information regarding the premium distilled spirits market segments from Impact International, an international drinks magazine that is independent from industry participants. Impact International collects information on the premium distilled spirits market from a variety of sources, including brand owners, import and export enterprises, trade associations and government agencies such as the US Commerce Department. Impact International is aware of, and has consented to, being named in this registration statement. Diageo believes that all of the information in this registration statement that is based on statements from Impact International is reliable.

This Report includes names of Diageo's products, which constitute trademarks or trade names which Diageo owns or which others own and licence to Diageo for their use.

---

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.

**PART I**

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.



**ITEM 3. KEY INFORMATION****SELECTED CONSOLIDATED FINANCIAL DATA****Selected Consolidated Financial Data Under UK GAAP**

The following table presents selected consolidated financial data for Diageo in accordance with UK GAAP for the five years ended 30 June 2002 and as at the appropriate year ends. The selected consolidated financial data for the four years ended 30 June 2002 and as at the appropriate year ends has been derived from Diageo's consolidated financial statements, which have been audited by Diageo's independent auditor. The selected consolidated financial data in accordance with UK GAAP for the year ended 30 June 1998 is derived from unaudited information. The unaudited consolidated financial information, in the opinion of Diageo management, includes all adjustments necessary to present fairly the information contained therein.

	Year ended 30 June					
	2002(1)	2002	2001	2000	1999	1998
	\$	£	(restated) £	(restated) £	(restated) £	(unaudited) £
<b>Profit and loss account data under UK GAAP (6)</b>						
	(in millions, except dividend and per ordinary share data)					
<b>Turnover</b>						
Premium drinks	13,230	8,704	7,580	7,117	7,163	7,503
Quick service restaurants	1,707	1,123	1,042	941	875	869
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Continuing operations	14,937	9,827	8,622	8,058	8,038	8,372
Discontinued operations (2)	2,212	1,455	4,199	3,812	3,757	3,657
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total turnover</b>	<b>17,149</b>	<b>11,282</b>	<b>12,821</b>	<b>11,870</b>	<b>11,795</b>	<b>12,029</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Operating profit before goodwill amortisation and exceptional items</b>						
Premium drinks	2,687	1,768	1,432	1,286	1,240	1,317
Quick service restaurants	244	160	177	202	185	179
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Continuing operations	2,931	1,928	1,609	1,488	1,425	1,496
Discontinued operations (2)	288	190	518	492	478	446
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total operating profit before goodwill amortisation and exceptional items</b>	<b>3,219</b>	<b>2,118</b>	<b>2,127</b>	<b>1,980</b>	<b>1,903</b>	<b>1,942</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Goodwill amortisation and exceptional items charged to operating profit (3)</b>	<b>(707)</b>	<b>(465)</b>	<b>(254)</b>	<b>(198)</b>	<b>(386)</b>	<b>(572)</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Operating profit</b>	<b>2,512</b>	<b>1,653</b>	<b>1,873</b>	<b>1,782</b>	<b>1,517</b>	<b>1,370</b>
Other exceptional items (3)	1,152	758	(4)	(166)	86	405
Profit for the period (4)	2,458	1,617	1,207	990	937	879
Dividend per share (5)	\$0.36	23.8p	22.3p	21.0p	19.5p	23.3p
<b>Earnings per share (4)</b>						
basic	\$0.74	48.8p	35.7p	29.2p	26.5p	23.0p
diluted	\$0.74	48.7p	35.7p	29.1p	26.4p	22.8p
<b>Earnings before goodwill amortisation and exceptional items per ordinary share (4)</b>						

Edgar Filing: DIAGEO PLC - Form 20-F

basic	\$0.66	43.6p	42.4p	37.8p	33.6p	33.0p
diluted	\$0.66	43.5p	42.4p	37.7p	33.4p	32.7p

As at 30 June

	2002(1)	2002	2001	2000	1999	1998
	\$	£	(restated) £	(restated) £	(restated) £	(restated) £
<b>Balance sheet data under UK GAAP</b>						
(in millions)						
Net current (liabilities)/assets (4) (7)	(49)	(32)	226	(115)	(941)	(26)
Total assets (4)	28,109	18,493	17,644	16,089	16,216	17,199
Net borrowings (8)	8,354	5,496	5,479	5,545	6,056	4,508
Shareholders' equity (4)	9,122	6,001	5,123	4,664	3,964	4,574
Called up share capital (9)	1,414	930	987	990	992	1,139
	No.	No.	No.	No.	No.	No.
Number of ordinary shares (9)	3,215	3,215	3,411	3,422	3,428	3,594

This information should be read in conjunction with the notes on pages 8 and 9.

**Selected Consolidated Financial Data Under US GAAP**

The following table presents selected consolidated financial data for Diageo in accordance with US GAAP for each of the four years ended 30 June 2002, the nine months ended 30 June 1998 and as at the appropriate period ends. The selected consolidated financial data for the years ended 30 June 2002 and 30 June 2001 has been based on information contained in Diageo's UK GAAP consolidated financial statements. The selected consolidated financial data for the years ended 30 June 2000 and 30 June 1999 and for the 9 months ended 30 June 1998 has been extracted from Diageo's US GAAP audited consolidated financial statements.

	Year ended 30 June					9 months ended 30 June 1998
	2002(1)	2002	2001	2000	1999	1998
	\$	£	£	£	£	£
<b>Income statement data under US GAAP (2) (6) (13)</b>						
(in millions, except per ordinary share and ADS data)						
Sales (11)	16,355	10,760	11,868	11,015	11,579	7,399
Operating income (10) (11)	2,750	1,809	1,335	1,221	898	355
Gains/(losses) on disposals of businesses	2,801	1,843	(8)	75	(35)	559
Net income (11)	3,882	2,554	758	798	392	430
Basic earnings per ordinary share (11)	\$1.17	77.0p	22.4p	23.5p	11.1p	14.0p
Diluted earnings per ordinary share (11)	\$1.17	77.0p	22.4p	23.5p	11.0p	13.9p
Basic earnings per ADS (11)	\$4.68	308.0p	89.6p	94.0p	44.4p	56.0p

As at 30 June

	2002(1)	2002	2001	2000	1999	1998
	\$	£	£	£	£	£
<b>Balance sheet data under US GAAP</b>						
(in millions)						
Total assets	39,753	26,153	25,955	24,868	25,586	27,726
Long term obligations (12)	5,916	3,892	4,029			