23307

DIAGEO PLC

INTERIM ACCOUNTS FOR THE PERIOD 1 JANUARY 1997 TO 31 DECEMBER 1997

(PRODUCED FOR THE PURPOSES OF SECTION 270 AND 272 OF THE COMPANIES ACT 1985)

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DIAGEO PLC

INTERIM ACCOUNTS FOR THE PERIOD 1 JANUARY 1997 TO 31 DECEMBER 1997

PROFIT AND LOSS ACCOUNT

	Notes	For the Period to 31 December 1997 £m
Profit on ordinary activities before taxation	2	249
Taxation on profit on ordinary activities		23
Profit on ordinary activities after taxation		272
Dividends	3	(93)
Retained earnings for the period	8	**179**

DIAGEO PLC

INTERIM ACCOUNTS FOR THE PERIOD 1 JANUARY 1997 TO 31 DECEMBER 1997

BALANCE SHEET AS AT 31 DECEMBER 1997

	Notes	31 December 1997 £m	£m
Fixed assets			
Tangible assets			29
Investments			16,721
			16,750
Current assets			
Debtors	4	8,980	
Cash at bank and in hand		32	
		9,012	
Creditors: (Amounts falling due within one year)			
Bank loans and overdrafts		(1,085)	
Other creditors	5	(92)	
		(1,177)	
Net current assets			**7,835**
Total assets less current liabilities			**24,585**
Creditors: (Amounts falling due after more than one year)	6		**(5,491)**
			19,094
Capital and reserves	7, 8		
Called up share capital			1,006
Share premium		654	
Capital redemption reserve		107	
Merger reserve		12,041	
Other reserves		4,326	
Profit and loss account		960	
Total reserves			**18,088**
			19,094

Approved on behalf of the board by

Philip E Yea
Finance Director

2 February 1998

Sir George Bull
Joint Chairman

2 February 1998

DIAGEO PLC

INTERIM ACCOUNTS FOR THE PERIOD 1 JANUARY 1997 TO 31 DECEMBER 1997

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	£m
Profit for the financial year attributable to shareholders	272
Unrealised gain on disposal of United Distillers Limited	4,326
Total recognised gains and losses	**4,598**

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£m
Profit for the financial year attributable to shareholders	272
Dividends	(93)
	179
Issue of shares	66
Repurchase of shares (note 8(a))	(183)
Merger with Grand Metropolitan Public Limited Company (note 8(b))	12,571
Unrealised gain on disposal of United Distillers Limited (note 8(c))	4,326
Net increase in shareholders' funds	**16,959**
Shareholders' funds at 1 January 1997	2,135
Shareholders' funds at 31 December 1997	19,094
Movement	**16,959**

DIAGEO PLC

INTERIM ACCOUNTS FOR THE PERIOD 1 JANUARY 1997 TO 31 DECEMBER 1997

ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared under the historical cost convention.

Investments in subsidiaries

Investments in subsidiary companies are stated at cost or valuation.

Foreign currencies

Exchange differences arising from currency conversions in the normal course of trading are dealt with in the profit and loss account.

Exchange gains and losses arising on the translation of monetary current assets and liabilities are taken to the profit and loss account.

Taxation

Deferred taxation is provided only to the extent that a liability is expected to become payable within the foreseeable future.

Advance corporation tax not recoverable against the mainstream corporation tax liability for the current or previous years is written off, unless its future recovery is foreseeable.

Dividends receivable

Dividends are accounted for when they are declared.

DIAGEO PLC

INTERIM ACCOUNTS FOR THE PERIOD 1 JANUARY 1997 TO 31 DECEMBER 1997

NOTES TO THE ACCOUNTS

1. INTERIM ACCOUNTS

These accounts have been prepared for the purposes of Section 270 and are in accordance with the requirements of Section 272 of the Companies Act 1985.

2. PROFIT BEFORE TAXATION

Profit on ordinary activities before taxation includes dividends from subsidiary companies of £670m.

3. DIVIDENDS

	£m
Interim dividend paid	93
	93

4. DEBTORS

	£m
Amounts owed by group companies	8,879
Other debtors	5
Dividend receivable	78
Prepayments and accrued income	18
	8,980

5. OTHER CREDITORS (amounts falling due within one year)

	£m
Accruals and deferred income	85
Other creditors	7
	92

6. CREDITORS (amounts falling due after more than one year)

	£m
Provisions and liabilities	5
Bank loans	573
Loans from group companies	4,913
	5,491

7. CALLED UP SHARE CAPITAL

	£m
(a) Authorised share capital	
5,820m Ordinary shares of 25p each	1,455
	1,455
(b) Issued and fully paid	
4,022m Ordinary shares of 25p each	1,006
	1,006

DIAGEO PLC

INTERIM ACCOUNTS FOR THE PERIOD 1 JANUARY 1997 TO 31 DECEMBER 1997

NOTES TO THE ACCOUNTS (Continued)

8. RESERVES

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Other reserve £m	Profit and loss account £m	Total shareholders' funds £m
At 1 January 1997	**483**	**590**	**96**	**0**	**0**	**966**	**2,135**
Profit for year						272	272
Issues of shares	4	64				(2)	66
Repurchase of shares	(11)		11			(183)	(183)
Merger with GrandMet	530			12,041			12,571
Unrealised gain on disposal of United Distillers Limited					4,326		4,326
Dividends						(93)	(93)
At 31 December 1997	**1,006**	**654**	**107**	**12,041**	**4,326**	**960**	**19,094**

(a) The Company purchased, and subsequently cancelled, 44m Ordinary Shares on 17 January 1997 at a price of 414p per share. The repurchase arose following LVMH selling approximately 135m Ordinary Shares in the Company. The total cost of the repurchase, including expenses, was £183m and is charged against distributable reserves

(b) On 17 December 1997, the merger between the Company and Grand Metropolitan Public Limited Company ("GrandMet") became effective. The merger was effected by way of a scheme of arrangement of GrandMet under section 425 of the Companies Act. Under this scheme of arrangement, all the issued share capital of GrandMet was cancelled and 1,999,999,997 new shares were issued by GrandMet to Diageo. In consideration for the cancellation of the GrandMet share capital, former GrandMet shareholders were issued one Ordinary Share in the Company for each GrandMet share.

(c) On 18 December 1997, the Company restructured its investment in certain of its subsidiary undertakings. The restructuring was effected by disposing of the Company's investment in United Distillers Limited to another wholly owned subsidiary, Anyslam Limited. The disposal resulted in an increase in shareholders' funds of £4,326m, which as at 31 December 1997 has been treated as an unrealised profit and credited to other reserves.

9. POST BALANCE SHEET EVENTS

On 2 February 1998, £2,900m of the unrealised profit included within other reserves was realised following the repayment of a corresponding amount of the loan to Diageo Capital PLC.