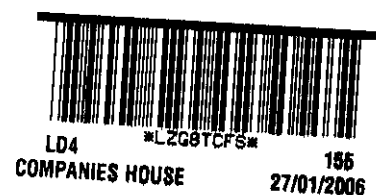


# **Grand Metropolitan Public Limited Company**

## **Financial statements 30 June 2005**

Registered number: 291848



**Grand Metropolitan Public Limited Company**  
**Year ended 30 June 2005**

**Directors' report**

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2005.

**Activities**

The principal activity of the company is that of an investment holding company owning subsidiaries which hold assets in the global alcoholic drink sector. The directors foresee no changes in the nature of the company's activities.

During the year, as part of a group re-organisation, the company acquired ownership of Grand Metropolitan International Holdings Limited from Grand Metropolitan Holdings Limited.

**Financial**

The results for the year ended 30 June 2005 are shown on page 7. The directors do not recommend the payment of a dividend for the year (2004 - £nil). The profit for the year transferred to reserves was £19,752m (2004 - £86m).

**Directors**

The directors who held office during the year were as follows:

C D Coase	(appointed 7 April 2005)
M C Flynn	(appointed 17 May 2005)
M J Lester	
R Rajagopal	(resigned 7 April 2005)
N C Rose	
P S Walsh	

**Directors' emoluments**

None of the directors received any remuneration during the year in respect of their services as directors of the company (2004 - £nil).

**Directors' interests**

No directors had any interest, beneficial or non-beneficial, in the share capital of the company or had a material interest during the year in any significant contract with the company or any subsidiary.

At 30 June 2005, N C Rose and P S Walsh were directors of the ultimate parent company, Diageo plc. Details of their beneficial interests in the ordinary shares of Diageo plc are shown in the Diageo plc Annual Report 2005, copies of which are available from 8 Henrietta Place, London W1G 0NB.

**Grand Metropolitan Public Limited Company**  
**Year ended 30 June 2005**

**Directors' report (continued)**

**Directors' interests (continued)**

The other directors who held office at the end of the financial year had the following beneficial interests in the ordinary shares of 28<sup>101/108</sup> pence each in the ultimate parent company, Diageo plc:

(i) Ordinary shares and conditional rights to ordinary shares

	<b>Ordinary shares</b>		<b>Conditional rights to ordinary shares</b>				
	At beginning of year (or date of appointment)	At end of year	At beginning of year (or date of appointment)	Granted in year	Vested in year	Lapsed in year	At end of year
C D Coase	14,207	14,207	-	-	-	-	-
M C Flynn	11,721	11,743	-	-	-	-	-
M J Lester	20,658	26,306	34,311	-	(3,521)	-	30,790

The directors were granted conditional rights to receive ordinary shares or, exceptionally, a cash sum under certain long term incentive plans. Any conditional rights are shown in the table as ordinary share equivalents. The conditional rights to ordinary shares are subject to share performance criteria of Diageo plc ordinary shares. The numbers disclosed in the above table represent the maximum number of conditional rights. Full details of the performance criteria are disclosed in the annual report of the ultimate holding company, Diageo plc.

(ii) Options

	<b>Options over ordinary shares</b>			
	At beginning of year (or date of appointment)	Granted in year	Exercised during year	At end of year
C D Coase	141,269	-	-	141,269
M C Flynn	17,991	-	-	17,991
M J Lester	150,846	23,758	(61,037)	113,567

The directors held the above options under Diageo plc share option schemes at prices between 460 pence and 863 pence per ordinary share exercisable between 2005 and 2014. Certain options granted in the Republic of Ireland were granted at a price of Euros 7.37 per ordinary share. The options are granted at market value on the date the option is granted and the option price is payable when the option is exercised.

The mid-market share price of Diageo plc shares fluctuated between 658 pence and 824 pence per share during the year. The mid-market share price on 30 June 2005 was 823 pence.

At 30 June 2005, all the directors had an interest in 21,465,587 shares and 8,233,337 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes.

**Grand Metropolitan Public Limited Company**  
**Year ended 30 June 2005**

**Directors' report (continued)**

**Supplier payment policy**

The company agrees terms and conditions for its business transactions when orders for goods and services are placed, ensuring that suppliers are aware of the terms of payment and including the relevant terms in contracts where appropriate. These arrangements are adhered to when making payments, subject to the terms and conditions being met by the supplier.

Credit days have not been calculated for the company, as the company had no trade creditors at 30 June 2005. The company's invoices for goods and services are settled by fellow subsidiary undertakings acting as agents for the company.

**Auditor**

The auditor, KPMG Audit Plc, is willing to continue in office and a resolution for its re-appointment as auditor of the company will be submitted to the Annual General Meeting.

By order of the board



S M Bunn  
Secretary  
8 Henrietta Place  
London  
W1G 0NB  
26 January 2006

**Grand Metropolitan Public Limited Company**  
**Year ended 30 June 2005**

**Statement of directors' responsibilities in relation to the financial statements**

The following statement, which should be read in conjunction with the independent auditor's report set out on page 6, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditor in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss for the financial year.

The directors, in preparing these financial statements, consider that the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, that all applicable accounting standards have been followed and that it is appropriate to prepare the financial statements on a going concern basis.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps that are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Independent auditor's report to the members of Grand Metropolitan Public Limited Company**

We have audited the financial statements on pages 7 to 19.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

The directors are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditor, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 June 2005 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor  
London  
26 January 2006

**Grand Metropolitan Public Limited Company**  
**Year ended 30 June 2005**

**Profit and loss account**

	<i>Notes</i>	<b>Year ended 30 June 2005 £m</b>	<b>Year ended 30 June 2004 £m</b>
Operating costs	3,4	—(6)	—(17)
<b>Operating loss</b>		(6)	(17)
Provision against investment in subsidiary undertakings		(17)	-
Dividends receivable	5	19,637	-
Interest receivable	6	137	201
Interest payable	7	—(68)	—(61)
<b>Profit on ordinary activities before taxation</b>		19,683	123
Taxation on profit on ordinary activities	8	—69	—(37)
<b>Profit for the year transferred to reserves</b>	17	<u>19,752</u>	<u>86</u>

There are no recognised gains and losses other than the result for the year and consequently a statement of total recognised gains and losses has not been presented as part of the financial statements.

There is no difference between the results for the years shown in the profit and loss account and the results for the relevant years restated on an historical cost basis.

All results arise from continuing activities.

**Grand Metropolitan Public Limited Company**  
**Year ended 30 June 2005**

**Balance sheet**

		<b>30 June 2005</b>		<b>30 June 2004</b>	
	<i>Notes</i>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Fixed assets</b>					
Tangible assets	9	5		6	
Investments	10	<u>40,779</u>		<u>10,877</u>	
			40,784		10,883
<b>Current assets</b>					
Debtors – due within one year	11	844		4,577	
Cash at bank and in hand	12	<u>3</u>		<u>2</u>	
		847		4,579	
<b>Current liabilities</b>					
Creditors – due within one year	14	<u>(10,793)</u>		<u>(4,372)</u>	
<b>Net current (liabilities)/assets</b>			<u>(9,946)</u>		<u>207</u>
<b>Total assets less current liabilities</b>			30,838		11,090
<b>Provisions for liabilities and charges</b>	15		<u>(14)</u>		<u>(17)</u>
<b>Net assets before post employment liabilities</b>			30,824		11,073
Post employment liabilities	4		<u>(1)</u>		<u>(1)</u>
<b>Net assets</b>			<u>30,823</u>		<u>11,072</u>
<b>Capital and reserves</b>					
<b>Capital</b>					
Called up share capital	16		690		690
<b>Reserves</b>					
Share premium account		9,070		9,070	
Other reserves		530		530	
Profit and loss account		<u>20,533</u>		<u>782</u>	
Reserves attributable to equity shareholders	17		30,133		10,382
<b>Equity shareholders' funds</b>	18		<u>30,823</u>		<u>11,072</u>

The financial statements on pages 7 to 19 were approved by the board of directors on 26 January 2006 and signed on its behalf by:



N C Rose,  
Director



**Grand Metropolitan Public Limited Company**  
**Year ended 30 June 2005**

**Notes to the financial statements**

**1. New UK GAAP accounting policies**

No new UK accounting pronouncements have been issued in the year which impact on the UK GAAP information reported.

**2. Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

**Basis of preparation**

The financial statements of the company are prepared under the historical cost convention and in accordance with applicable UK accounting standards.

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. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard No 1 (Revised 1996).

The company is also exempt under the terms of Financial Reporting Standard No 8 from disclosing related party transactions (but not balances) with entities that are part of the Diageo plc group ("group undertakings") or investees of the Diageo plc group.

The company is exempt from the requirement to prepare group accounts under section 228 of the Companies Act 1985 as its results are included in the consolidated accounts of Diageo plc.

**Tangible fixed assets**

Fixed assets are depreciated on a straight-line basis to estimated residual values over their expected useful lives within the following ranges:

Fixtures and fittings      5 to 10 years

Reviews are carried out if there is some indication that impairment may have occurred, to ensure that fixed assets are not carried at above their recoverable amounts.

**Grand Metropolitan Public Limited Company**  
**Year ended 30 June 2005**

**Notes to the financial statements (continued)**

**2. Accounting policies (continued)**

**Fixed asset investments**

Income from fixed asset investments is credited to the profit and loss account when it is declared by the paying company. Investments are stated individually at cost less, where appropriate, provision for impairment in value where such impairment is expected by the directors to be permanent.

**Pensions and other post employment benefits**

The former employees of the company are members of the Diageo UK pension plan. With effect from 1 July 2003, the Diageo group has adopted FRS 17 - *Retirement benefits* in its consolidated financial statements.

FRS 17 replaces the use of actuarial values for assessing pension costs in favour of a market-based approach. In order to cope with the volatility inherent in this measurement basis, the standard requires that the profit and loss account shows the relatively stable ongoing service cost, the expected return on assets and the interest on the liabilities. Differences between expected and actual return on assets, and the impact on the liabilities of changes in assumptions, are reflected in the statement of total recognised gains and losses.

It is not possible to allocate the assets and liabilities of the pension plan between individual companies and therefore the company accounts for it as a defined contribution scheme. The assets and liabilities of the Diageo UK pension plan are recognised in the Diageo plc consolidated financial statements.

**Leases**

Operating lease payments and receipts are taken to the profit and loss account on a straight-line basis over the life of the lease.

**Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged forward, at the rate of exchange under the related foreign currency contract. Assets and liabilities in foreign currencies are translated into sterling at the financial year end exchange rates or, if hedged forward, at the rate of exchange under the related foreign currency contract.

All exchange gains and losses are taken to the profit and loss account.

**Deferred taxation**

Full provision for deferred tax is made for timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation, using current tax rates. The company does not discount these balances.

**Grand Metropolitan Public Limited Company**  
**Year ended 30 June 2005**

**Notes to the financial statements (continued)**

**3. Operating costs**

	<b>Year ended 30 June 2005</b>	<b>Year ended 30 June 2004</b>
	<b>£m</b>	<b>£m</b>
Other external charges	6	12
Foreign exchange loss	-	4
Depreciation	2	2
Other operating income	<u>(2)</u>	<u>(1)</u>
	<u>6</u>	<u>17</u>

Other external charges include operating lease rentals of £3m (2004 - £3m).

The auditor's remuneration was paid on behalf of the company by a fellow group undertaking. There were no fees payable to the auditor in respect of non-audit services (2004 - £nil).

**4. Directors and employees**

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 (2004 - £nil).

Details of the directors' share interests and any share options exercised during the year are included within the directors' report on pages 2 and 3.

**Retirement benefits**

The company operates the GrandMet brewing medical plan which provides former employees with post employment benefits in respect of medical costs. The plan is unfunded. The most recent full valuation was carried out on 31 March 2003. The measurement dates used to calculate the disclosures in the financial statements are the respective balance sheet dates.

(a) The following weighted average assumptions were used to determine the company's deficit in the post retirement medical plan at 30 June in the relevant year:

	<b>Year ended 30 June 2005</b>	<b>Year ended 30 June 2004</b>
	<b>%</b>	<b>%</b>
Rate of medical inflation	5.0	5.0
Discount rate for plan liabilities	<u>5.7</u>	<u>5.7</u>

**Grand Metropolitan Public Limited Company**  
**Year ended 30 June 2005**

**Notes to the financial statements (continued)**

**4. Directors and employees (continued)**

**Retirement benefits (continued)**

(b) The present values of the Grandmet brewing medical plan were as follows:

	30 June 2005 £m	30 June 2004 £m
Present value of plan liabilities	(2)	(2)
Deficit in the GrandMet brewing medical plan	(2)	(2)
Related deferred tax assets	1	1
Net post retirement medical benefit plan liabilities	<u>(1)</u>	<u>(1)</u>

**5. Dividends receivable**

	Year ended 30 June 2005 £m	Year ended 30 June 2004 £m
A.G.S. Insurance Company Limited	3	-
Grand Metropolitan Holdings Limited	17,073	-
Grand Metropolitan International Holdings Limited	2,500	-
Grand Metropolitan Capital Company Limited	61	-
	<u>19,637</u>	<u>-</u>

**6. Interest receivable**

	Year ended 30 June 2005 £m	Year ended 30 June 2004 £m
<b>Interest receivable from subsidiary undertakings:</b>		
Grand Metropolitan International Holdings Limited	50	-
Diageo Great Britain Limited	33	34
<b>Interest receivable from other group undertakings:</b>		
Grand Metropolitan International Holdings Limited	-	57
Diageo plc	20	9
Diageo Finance plc	15	60
Grand Metropolitan Estate Holdings Limited	5	4
Diageo Investment Corporation	14	35
Diageo Holdings Netherlands B.V.	-	2
	<u>137</u>	<u>201</u>

**Grand Metropolitan Public Limited Company**  
**Year ended 30 June 2005**

**Notes to the financial statements (continued)**

**7. Interest payable**

	Year ended 30 June 2005 £m	Year ended 30 June 2004 £m
Interest payable to Grand Metropolitan Holdings Limited	67	61
External interest	<u>1</u>	<u>-</u>
	<u>68</u>	<u>61</u>

**8. Taxation**

	Year ended 30 June 2005 £m	Year ended 30 June 2004 £m
<b>(i) Analysis of taxation charge in the year</b>		
<b>Current tax</b>		
Payment for group relief received	-	(37)
Adjustment in respect of prior years	<u>69</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>69</u>	<u>(37)</u>
<b>(ii) Factors affecting current tax charge for the year</b>		
Profit on ordinary activities before taxation	19,683	123
Notional charge at UK corporation tax rate of 30% (2004 – 30%)	(5,905)	(37)
Dividend income not subject to UK income tax	5,891	-
Expenses not deductible for tax purposes	(5)	-
Group relief received for nil consideration	19	-
Adjustment in respect of prior years	<u>69</u>	<u>-</u>
Current ordinary tax charge for the year	<u>69</u>	<u>(37)</u>

**Grand Metropolitan Public Limited Company**  
**Year ended 30 June 2005**

**Notes to the financial statements (continued)**

**9. Tangible assets**

	<b>Fixtures and fittings £m</b>
<b>Cost:</b>	
At beginning of the year	21
Disposals	<u>(4)</u>
At end of the year	<u>17</u>
<b>Depreciation:</b>	
At beginning of the year	(15)
Disposals	5
Depreciation charge for the year	<u>(2)</u>
At end of the year	<u>(12)</u>
<b>Net book value:</b>	
At beginning of the year	<u>6</u>
At end of the year	<u>5</u>

**10. Fixed assets – investments**

	<b>Subsidiary undertakings £m</b>	<b>Other investments £m</b>	<b>Total £m</b>
<b>Cost:</b>			
At beginning of the year	10,921	3	10,924
Additions	29,923	-	29,923
Disposals	<u>(4)</u>	<u>-</u>	<u>(4)</u>
At end of the year	<u>40,840</u>	<u>3</u>	<u>40,843</u>
<b>Provision:</b>			
At beginning of the year	(46)	(1)	(47)
Provision made in the year	<u>(17)</u>	<u>-</u>	<u>(17)</u>
At end of the year	<u>(63)</u>	<u>(1)</u>	<u>(64)</u>
<b>Net book value:</b>			
At beginning of the year	<u>10,875</u>	<u>2</u>	<u>10,877</u>
At end of the year	<u>40,777</u>	<u>2</u>	<u>40,779</u>

**Grand Metropolitan Public Limited Company**  
**Year ended 30 June 2005**

**Notes to the financial statements (continued)**

**10. Fixed assets – investments (continued)**

The principal subsidiary and associated undertakings and the percentage of equity owned are as follows:

<b>Subsidiary undertakings</b>	<b>Country of incorporation</b>	<b>Principal activity</b>	<b>Percentage of ordinary shares held</b>
Diageo Ireland*	Ireland	Production, marketing and distribution of premium drinks.	100
Diageo Scotland Limited*	Scotland	Production, marketing and distribution of premium drinks.	100
Diageo Great Britain Limited	England	Production, marketing and distribution of premium drinks.	100
Grand Metropolitan International Holdings Limited	England	Investment holding company	100
Diageo Brands B.V.*	Netherlands	Production, marketing and distribution of premium drinks.	100
Diageo North America, Inc.*	United States	Production, importing and marketing of premium drinks.	100
Diageo Investment Corporation*	United States	Financing company for US group companies.	100
R & A Bailey & Co*	Ireland	Investment holding company.	100
Grand Metropolitan Capital Company Limited	England	Investment holding company.	83

**Grand Metropolitan Public Limited Company**  
**Year ended 30 June 2005**

**Notes to the financial statements (continued)**

**10. Fixed assets – investments (continued)**

Grand Metropolitan Holdings Limited	England	Investment holding company.	100
Grand Metropolitan Investments Limited	England	Investment holding company.	100

**Associated undertakings**

Moët Hennessy, SNC*	France	Production and distribution of premium drinks.	34
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In the opinion of the directors, the investments in and amounts due from the company's subsidiary and associated undertakings are worth at least the amount at which they are stated in the financial statements. Certain undertakings have been omitted from the lists above as they are either dormant or not material. A full list of subsidiary and associated undertakings will be annexed to the company's annual return.

**11. Debtors – due within one year**

	<b>30 June 2005</b>	<b>30 June 2004</b>
	<b>£m</b>	<b>£m</b>
Amounts owed by subsidiary undertakings	477	314
Amounts owed by other group undertakings	364	4,261
Other debtors	2	1
Deferred taxation (note 13)	<u>1</u>	<u>1</u>
	<u>844</u>	<u>4,577</u>

**12. Cash at bank and in hand**

The company has entered into a joint and several guarantee with certain other Diageo plc UK subsidiary undertakings such that any balance on the company's bank accounts within the cashpool may be offset against the bank balances or overdrafts of those companies included in the cashpool.



**Grand Metropolitan Public Limited Company**  
**Year ended 30 June 2005**

**Notes to the financial statements (continued)**

**13. Deferred taxation**

**Other timing  
differences  
£m**

At beginning and end of the year 1

**14. Creditors – due within one year**

	<b>30 June 2005</b>	<b>30 June 2004</b>
	<b>£m</b>	<b>£m</b>
Amounts owed to subsidiary undertakings	85	1,763
Amounts owed to other group undertakings	10,705	2,607
Other creditors	<u>3</u>	<u>2</u>
	<u>10,793</u>	<u>4,372</u>

**15. Provisions for liabilities and charges**

	<b>Vacant property £m</b>
At 30 June 2004	<u>17</u>
Profit and loss movement	<u>(3)</u>
At 30 June 2005	<u>14</u>

The vacant property provision of £14m (2004 - £17m) represents the estimated discounted rental shortfall in respect of vacant properties. This provision is based on the estimated discounted rental shortfall over the terms of the leases.

**16. Called up share capital**

	<b>30 June 2005</b>	<b>30 June 2004</b>
	<b>£m</b>	<b>£m</b>
<b>Authorised:</b>		
Equity - 3,000,000,000 ordinary shares of 25p each	<u>750</u>	<u>750</u>
<b>Allotted, called up and fully paid:</b>		
Equity - 2,759,144,946 ordinary shares of 25p each	<u>690</u>	<u>690</u>

**Grand Metropolitan Public Limited Company**  
**Year ended 30 June 2005**

**Notes to the financial statements (continued)**

**17. Reserves**

	Share premium £m	Other reserves £m	Profit and loss account		Total £m
			Own shares £m	Other £m	
At 30 June 2004	9,070	530	(1)	783	10,382
Movement in year	-	-	(1)	-	(1)
Profit for the year	-	-	-	19,752	19,752
At 30 June 2005	<u>9,070</u>	<u>530</u>	<u>(2)</u>	<u>20,535</u>	<u>30,133</u>

'Other reserves' comprise a merger reserve of £62m, a special reserve of £426m, a preference share redemption reserve of £12m, and an other reserve of £30m. The merger reserve of £62m arose in 1992 on the issue of shares at a premium in connection with an acquisition. The special reserve was created, with shareholder and court approval, in 1988 by a transfer from the share premium account. The other reserve of £30m was created in 1998, with shareholder and court approval, following the cancellation and reissue of the company's shares to Diageo plc. This reserve is distributable on agreement from all of the creditors of the company which were existing at the date of the scheme of arrangement, or until such time that these creditors cease to exist.

'Own shares' is the company's interest of 459,180 (2004 – 200,139) ordinary shares in Diageo plc, a company incorporated in the United Kingdom and listed on the London Stock Exchange. These shares are held by share trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes. At 30 June 2005 Diageo plc's mid-market share price was 823 pence valuing the company's interest at £4m (2004 - £1m).

**18. Reconciliation of movement in shareholders' funds**

	2005 £m	2004 £m
Shareholders' funds at beginning of year	11,072	10,986
Movement in own shares	(1)	-
Profit for the year	<u>19,752</u>	<u>86</u>
Shareholders' funds at end of year	<u>30,823</u>	<u>11,072</u>

**19. Commitments**

At 30 June 2005, the company had minimum annual commitments under non-cancellable operating leases as follows:

	30 June 2005 £m	30 June 2004 £m
Operating leases which expire:		
Within one to five years	-	-
After five years	<u>11</u>	<u>11</u>
	<u>11</u>	<u>11</u>

**Grand Metropolitan Public Limited Company**  
**Year ended 30 June 2005**

**Notes to the financial statements (continued)**

**20. Contingent liabilities**

The company has guaranteed certain borrowings and liabilities of subsidiaries which amounted to £556m and £1m respectively (2004 - £859m and £1m, respectively).

**21. Immediate and ultimate parent undertaking**

The immediate parent undertaking of the company is Diageo Holdings Limited, a company incorporated and registered in England. The ultimate parent undertaking of the company is Diageo plc, a company incorporated and registered in England. The consolidated financial statements of Diageo plc can be obtained from the Registered Office at 8 Henrietta Place, London W1G 0NB.