

Grand Metropolitan Limited

Financial statements 30 June 2011

Registered number 291848



Directors' report

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2011

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

There were no significant changes to the nature of the business during the financial year ended 30 June 2011. During the year the company paid interest on some of its intercompany payables, received dividends on investments and wrote down its investments in subsidiary undertakings that have reduced their capital or have been placed into voluntary liquidation.

On 27 April 2011 the company subscribed for additional share capital in Grand Metropolitan International Holdings Limited, a wholly owned subsidiary, for a total price of £3,920 million.

On 22 November 2010 the company acquired Diageo CL3 Limited (formerly Express Foods Group (International) Limited), a subsidiary undertaking, from a fellow group undertaking for a consideration of £119 million.

In June 2010, the Diageo Group established a Pension Funding Partnership in which the UK Diageo Pension Scheme ('UK Scheme') acquired a limited interest, and as a partner, is entitled to a distribution of the profits of the Pension Funding Partnership each year, for 14 years. Under this structure the company as a designated member, together with Lochside MWS Limited Partnership agreed to form Lakeside MWS Limited Liability Partnership ('Lakeside') registered in the United Kingdom on 23 June 2010. The company made a capital contribution of £86 million to Lakeside, and as a member, is entitled to a distribution from the profits of Lakeside each year.

On 30 June 2011 the Diageo group terminated Grand Metropolitan plc No 1 Employee Share Trust and Grand Metropolitan plc No 2 Employee Share Trust. The trusts were consolidated into the company. In accordance with the deed of appointment and termination the trusts' assets were transferred to Appleby Trust (Jersey) Limited, the trustee of Diageo Employee Benefit Trust, for a consideration of £nil. As a result of the transfer the company incurred a loss of £5 million.

The directors foresee no changes in the nature of the company's activities.

Going concern

The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Diageo group 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 the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Financial

The results for the year ended 30 June 2011 are shown on page 5.

A dividend of £nil (2010 - £5,000 million) was paid during the year.

The profit for the year transferred to reserves is £12,970 million (2010 - £21 million).

Directors' report (continued)

Directors

The directors who held office during the year were as follows

S J Bolton	(appointed 1 April 2011)
C D Coase	(resigned 31 March 2011)
G P Crickmore	
D Heginbottom	(appointed 24 March 2011)
N Mákos	
S C Moore	(resigned 24 March 2011)
J J Nicholls	(appointed 24 March 2011)
A M Smith	
P D Tunncliffe	

On 16 December 2011, J A I Franco was appointed as a director of the company.

On 2 February 2012 S J Bolton, G P Crickmore, J A I Franco, D Heginbottom and A M Smith resigned as directors

Directors' remuneration

None of the directors received any remuneration during the year in respect of their services as directors of the company (2010 - £nil)

Secretary

On 2 February 2012 J J Nicholls resigned as secretary of the company and C Kynaston was appointed in his place

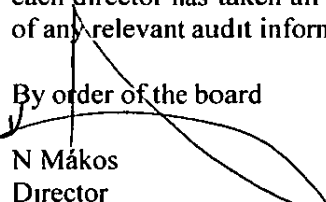
Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor, KPMG Audit Plc, is willing to continue in office and will be deemed to be reappointed on the expiry of its term in office in respect of the year ended 30 June 2011

Disclosure of information to 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 auditor is 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 auditor is aware of that information

By order of the board



N Mákos
Director
Lakeside Drive
Park Royal
London
NW10 7HQ
08 March 2012

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of Grand Metropolitan Limited

We have audited the financial statements of Grand Metropolitan Limited for the year ended 30 June 2011 set out on pages 5 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors

As explained more fully in the statement of director's responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

P Nichols

**P Nichols, Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants**

15 Canada Square
London
E14 5GL

14 March 2012

Profit and loss account

	<i>Notes</i>	Year ended 30 June 2011 £million	Year ended 30 June 2010 £million
Operating (loss)/profit	<i>1</i>	(3)	14
Dividend income from shares in group undertakings	<i>3</i>	19,694	1,386
Provision against subsidiary undertaking	<i>7</i>	(8)	(8)
Amounts written off investments	<i>7</i>	(6,540)	(1,166)
Net interest payable	<i>4</i>	(235)	(178)
Profit on ordinary activities before taxation		12,908	48
Taxation on profit on ordinary activities	<i>5</i>	62	(27)
Profit for the financial year	<i>13</i>	12,970	21

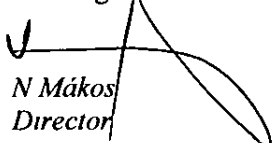
There is no difference between the results for the years shown in the profit and loss account and the results for the relevant years restated on an historical cost basis

All results arise from continuing operations

Balance sheet

	Notes	30 June 2011 £million	30 June 2010 £million
Fixed assets			
Tangible assets	6	-	-
Investments	7	37,138	39,551
		<u>37,138</u>	<u>39,551</u>
Current assets			
Debtors due within one year	8	6,596	1,984
Cash at bank		-	3
		<u>6,596</u>	<u>1,987</u>
Creditors: due within one year	10	<u>(2,647)</u>	<u>(13,420)</u>
Net current assets/(liabilities)		<u>3,949</u>	<u>(11,433)</u>
Total assets less current liabilities		<u>41,087</u>	<u>28,118</u>
Provision for liabilities and charges	11	<u>(4)</u>	<u>(7)</u>
Net assets before post employment liabilities		<u>41,083</u>	<u>28,111</u>
Post employment liabilities	2	(1)	(1)
Net assets		<u>41,082</u>	<u>28,110</u>
Capital and reserves			
Called up share capital	12	690	690
Share premium account	13	9,070	9,070
Other reserves	13	530	530
Profit and loss account	13	30,792	17,820
		<u>40,392</u>	<u>27,420</u>
Shareholders' funds	14	<u>41,082</u>	<u>28,110</u>

These financial statements on pages 5 to 21 were approved by the board of directors on 08 March 2012 and were signed on its behalf by


N Mákos
Director

Statement of total recognised gains and losses

	<i>Note</i>	Year ended 30 June 2011 £million	Year ended 30 June 2010 £million
Profit for the financial year		12,970	21
Actuarial gain on the pension scheme net of tax	2	-	1
Total recognised gains for the financial year		12,970	22

Accounting policies

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

Basis of preparation

The financial statements are prepared on a going concern basis 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 exempt under the terms of Financial Reporting Standard No 8 from disclosing related party transactions (but not balances) with entities that are wholly owned by a member of the Diageo plc group ("group undertakings")

The company is exempt from the requirement to prepare consolidated accounts under section 400 of the Companies Act 2006 as its results are included in the published consolidated financial statements of Diageo plc. These financial statements present information about the company as an individual undertaking and not about its group.

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
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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

Fixed asset investments

Income from fixed asset investments is credited to the profit and loss account when it is approved 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

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

Accounting policies (continued)

Provisions

Provisions are liabilities of uncertain timing or amount. A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are calculated on a discounted basis, where the effect is material to the original undiscounted provision. The carrying amounts of provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the financial year end exchange rates.

Exchange gains and losses are taken to the profit and loss account.

Taxation

Current tax, including UK corporation tax and overseas tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted at the balance sheet date. Except as otherwise required by FRS 19, deferred tax is provided in full on timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax, or a right to pay less tax, in the future. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Any interest or penalties on tax liabilities are provided in the tax charge.

Notes to the financial statements

1. Operating (loss)/profit

	Year ended 30 June 2011 £million	Year ended 30 June 2010 £million
Other external charges (a)	(10)	(14)
Other operating income (b)	7	28
	<u>(3)</u>	<u>14</u>

(a) **Other external charges** consist of operating lease rentals of £5 million (2010 - £12 million) and loss of £5 million (2010 - £nil) in respect of the transfer of the assets of Grand Metropolitan plc No 1 Employee Share Trust and Grand Metropolitan plc No 2 Employee Share Trust to Appleby Trust (Jersey) Limited, the trustee of Diageo Employee Benefit Trust

(b) **Other operating income** consists of rental income of £2 million (2010 - £4 million), intercompany management income of £2 million (2010 - £8 million), write back of a provision in respect of an intercompany receivable balance of £nil (2010 - £15 million) and vacant property provision released during the year of £3 million (2010 - £1 million)

The auditor's remuneration of £1,758 (2009 - £1,826) was settled on behalf of the company by a fellow group undertaking. There were no fees payable to the auditor in respect of non-audit services (2010 - £nil)

2. 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 (2010 - £nil)

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 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

	Year ended 30 June 2011 %	Year ended 30 June 2010 %
Discount rate for plan liabilities	5.4	5.4

Notes to the financial statements (continued)

2. Directors and employees (continued)

Retirement benefits (continued)

(b) The present values of the GrandMet Brewing medical plan were as follows

	30 June 2011 £million	30 June 2010 £million
Present value of plan liabilities	(1)	(1)
Deficit in the GrandMet Brewing medical plan	(1)	(1)
Related deferred tax assets	-	-
Net post retirement medical benefit plan liabilities	(1)	(1)

3. Dividend income from shares in group undertakings

	Year ended 30 June 2011 £million	Year ended 30 June 2010 £million
Grand Metropolitan International Holdings Limited	12,700	-
Grand Metropolitan Holdings Limited	6,599	121
Diageo Great Britain Limited	286	62
Grand Metropolitan Estates Limited	70	-
Diageo CL2 Limited (formerly Grand Hotels (Mayfair) Limited)	23	-
A G S Insurance Company Limited	12	14
Grand Metropolitan Capital Company Limited	3	14
Diageo CL1 Limited	-	1,095
Diageo Sub 3 Limited	-	53
Other	1	27
	19,694	1,386

Dividends of £19,324 million (2010 - £22 million) have been settled by receiving an amount due from fellow group undertaking

Notes to the financial statements (continued)

4. Net interest payable

	Year ended 30 June 2011 £million	Year ended 30 June 2010 £million
Interest payable to Diageo Finance plc	269	178
Less		
Interest receivable from fellow group undertakings	(34)	-
	<u>235</u>	<u>178</u>

Included within interest receivable from fellow group undertakings is an interest receivable from Lakeside of £31 million (note 7)

5. Taxation

	Year ended 30 June 2011 £million	Year ended 30 June 2010 £million
(i) Analysis of taxation (charge)/ credit for the year		
Current tax		
UK corporation tax at 27.5% (2010 – 28%)	2	(11)
	<u>2</u>	<u>(11)</u>
Total current tax credit/(charge)		
	2	(11)
Deferred tax		
Current year	60	(16)
	<u>60</u>	<u>(16)</u>
Total deferred tax (charge)/credit		
	60	(16)
	<u>62</u>	<u>(27)</u>
Taxation on profit on ordinary activities		
	62	(27)

Notes to the financial statements (continued)

5. Taxation (continued)

	Year ended 30 June 2011 £million	Year ended 30 June 2010 £million
(ii) Factors affecting current tax charge for the year		
Profit on ordinary activities before taxation	12,908	48
Taxation on profit on ordinary activities at UK corporation tax rate of 27.5% (2010 – 28%)	(3,550)	(14)
Expenses not deductible for tax purposes	(1,802)	(347)
Income not taxable for tax purposes	5,413	407
Group relief surrendered for nil consideration	(58)	(47)
Adjustment in respect of prior years	2	(11)
Tax losses	-	1
Taxable profits of controlled foreign company	(3)	-
Current ordinary tax credit/(charge) for the year	2	(11)

6. Fixed assets – tangible assets

	Fixtures and fittings £million
Cost	
At 30 June 2010	17
Disposals	(17)
At 30 June 2011	-
Depreciation	
At 30 June 2010	(17)
Disposals	17
At 30 June 2011	-
Net book value	
At 30 June 2010 and 30 June 2011	-

Notes to the financial statements (continued)

7. Fixed assets – investments

	30 June 2011 £ million	30 June 2010 £ million
Shares in group undertakings and other investments (i)	37,052	39,551
Loan to fellow group undertaking (ii)	86	-
	<u>37,138</u>	<u>39,551</u>

(i) Shares in group undertakings and other investments

	Subsidiary undertakings £million	Other investments £million	Total £million
Cost			
At 30 June 2010	39,562	1	39,563
Additions	4,049	-	4,049
Capital reduction in subsidiary undertakings	(6,544)	-	(6,544)
At 30 June 2011	<u>37,067</u>	<u>1</u>	<u>37,068</u>
Provisions			
At 30 June 2010	(11)	(1)	(12)
Impairment charge	(8)	-	(8)
Capital reduction in subsidiary undertakings	4	-	4
At 30 June 2011	<u>(15)</u>	<u>(1)</u>	<u>(16)</u>
Net book value			
At 30 June 2011	<u>37,052</u>	<u>-</u>	<u>37,052</u>
At 30 June 2010	<u>39,551</u>	<u>-</u>	<u>39,551</u>

Notes to the financial statements (continued)

7. Fixed assets – investments (continued)

On 27 April 2011 the company subscribed for additional share capital in Grand Metropolitan International Holdings Limited, a wholly owned subsidiary, for a total price of £3,920 million

On 22 November 2010 the company acquired Diageo CL3 Limited (formerly Express Foods Group (International) Limited), a subsidiary undertaking, from a fellow group undertaking for a consideration of £119 million

On 8 February 2011 Grand Metropolitan Holdings Limited, a wholly owned subsidiary, declared and settled a dividend of £193 million. Subsequently on 27 April 2011 declared a further dividend of £6,406 million. As a result, the company wrote down its investment by £6,530 million

On 14 October 2010 Diageo CL2 Limited (formerly Grand Hotels (Mayfair) Limited), a wholly owned subsidiary, declared a dividend of £23 million. As a result, the company wrote down its investment by £8 million

Diageo Corporate Officer A Limited, a wholly owned subsidiary, increased its share capital by issuing one new ordinary share of £1 at a premium of £245,996 to the sole shareholder, Grand Metropolitan Limited and was placed into voluntary liquidation. As a result, the company wrote down its investment in Diageo Corporate Officer A Limited to its recoverable amount resulting in a loss of £245,997 to the company

Diageo Corporate Officer B Limited, a wholly owned subsidiary, increased its share capital by issuing one hundred new ordinary shares of 1p each at a premium of £7,702,127 to the sole shareholder, Grand Metropolitan Limited, and was placed into voluntary liquidation. As a result, the company wrote down its investment in Diageo Corporate Officer B Limited to its recoverable amount resulting in a loss of £7,702,128 to the company

Park Royal Development Company Limited, a wholly owned subsidiary, was put into members voluntary liquidation during the financial year, resulting in neither a gain nor a loss to the company

Former subsidiary undertakings, Troubleshooters Limited, Grand Metropolitan Cardholders Limited, Diageo Funding Company No 1 Limited and Diageo Funding Company No 2 Limited were liquidated during the financial year, resulting in neither a gain nor a loss to the company

Notes to the financial statements (continued)

7. Fixed assets – investments (continued)

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

	Country of incorporation	Principal activity	Percentage of shares held
Subsidiary undertakings			
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	Marketing and distribution of premium drinks	100%
Grand Metropolitan International Holdings Limited	England	Investment holding company	100%
Diageo Brands B V *	The Netherlands	Marketing and distribution of premium drinks	100%
Diageo North America, Inc.*	USA	Production, importing and distribution of premium drinks	100%
Diageo Investment Corporation*	USA	Financing company for US group companies	100%
R & A Bailey & Co*	Ireland	Production, marketing and distribution of premium drinks	100%
Grand Metropolitan Capital Company Limited**	England	Investment holding company	100%
Grand Metropolitan Holdings Limited	England	Investment holding company	100%
Diageo Capital BV*	The Netherlands	Financing company for the group companies	100%
Diageo Finance BV*	The Netherlands	Financing company for the group companies	100%
The Old Bushmills Distillery Company Limited*	Northern Ireland	Distilling, blending and distribution of spirits	100%
Diageo CL3 Limited	England	Investment holding company	100%
Associated undertaking			
Moët Hennessy, SNC*	France	Production and distribution of premium drinks	34%

* Indirectly owned

** Directly owned – 83%, indirectly owned – 17%

Notes to the financial statements (continued)

7. Fixed assets – investments (continued)

The investments in subsidiary undertakings are held at cost less, where appropriate, provision for impairment in value

In the opinion of the directors, the investment in and amounts due from the company's subsidiary 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

(ii) Loan to fellow group undertaking

	30 June 2011 £million	30 June 2010 £million
Amounts owed by Lakeside	86	-

The company made a capital contribution to Lakeside in the value of £86 million and is entitled to a profit distribution from Lakeside each year allocated in line with the Partnership Agreement of Lakeside. As the distributions represent a contractual right for the company to receive cash from Lakeside, the capital contribution is shown as a loan to fellow group undertaking and the profit distribution received is presented as an interest receivable (note 4)

8. Debtors: due within one year

	30 June 2011 £million	30 June 2010 £million
Amounts owed by fellow group undertakings		
Diageo Finance plc	4,581	-
Diageo Great Britain Limited	1,655	1,656
Grand Metropolitan Estates Limited	263	263
Lakeside MWS Limited Liability Partnership	19	-
Grandmet Foods (UK) Limited	-	41
Other fellow group undertaking	2	8
Deferred taxation (note 9)	76	16
	6,596	1,984

Amounts owed by group undertakings are unsecured and are repayable on demand

Amounts owed by Diageo Finance plc of £4,581 million (2010 – amounts owed to Diageo Finance plc of £10,788 million) are interest bearing, other amounts owed by fellow group undertakings are interest free

Included in deferred taxation is an asset of £76 million (2010 - £16 million), which falls due after one year

Notes to the financial statements (continued)

9. Deferred taxation

	30 June 2011	30 June 2010
	£million	£million
Tax losses	76	16
	<hr/>	<hr/>
Deferred tax asset	76	16
	<hr/>	<hr/>
At 30 June 2010	16	32
Profit and loss account	60	(16)
	<hr/>	<hr/>
At 30 June 2011	76	16
	<hr/>	<hr/>

Deferred taxation assets have been recognised to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

The company has £151,540,745 capital loss carried forward (2010 - £151,540,745) The company has not recognised these losses as their recoverability is uncertain

10. Creditors: due within one year

	30 June 2011	30 June 2010
	£million	£million
Amounts owed to fellow group undertakings		
Diageo Finance plc	-	10,788
Grand Metropolitan (Cayman Islands) Limited	2,562	2,562
Grand Met Foods (UK) Limited	78	-
Other fellow group undertakings	5	58
Other creditors	2	1
Corporate tax creditor	-	11
	<hr/>	<hr/>
	2,647	13,420
	<hr/>	<hr/>

Amounts owed to fellow group undertakings are unsecured, interest free and repayable on demand

Notes to the financial statements (continued)

11. Provision for liabilities and charges

	Vacant property £million
At 30 June 2010	7
Provision released during the year	(3)
At 30 June 2011	4

The vacant property provision of £4 million (2010 - £7 million) represents the estimated discounted rental shortfall in respect of vacant properties over the terms of the leases

12. Share capital

	30 June 2011 £million	30 June 2010 £million
<i>Allotted, called up and fully paid:</i>		
2,759,144,946 ordinary shares of 25p each	690	690

13. Reserves

	Share premium account £million	Other reserves £million	Profit and loss account Own shares £million	Other £million	Total £million
At 30 June 2010	9,070	530	(2)	17,822	27,420
Profit for the financial year	-	-	-	12,970	12,970
Transfer of own shares	-	-	2	-	2
At 30 June 2011	9,070	530	-	30,792	40,392

'Other reserves' comprise a merger reserve of £62 million, a special reserve of £426 million, a preference share redemption reserve of £12 million, and another reserve of £30 million

The merger reserve of £62 million 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

Notes to the financial statements (continued)

13. Reserves (continued)

The other reserve of £30 million was created in 1998, with shareholder and court approval, following the cancellation and reissuance of the company's shares to Diageo plc. This reserve is distributable on agreement from all creditors of the company which were existing at the date of the scheme of arrangement, or until such time these creditors cease to exist.

'Own shares' represents the company's interest of nil (2010 - 459,180) ordinary shares in Diageo plc, a company incorporated in the United Kingdom and listed on the London Stock Exchange. These shares were held by share trusts to satisfy grants made under Diageo group incentive plans and savings related share option schemes, which were transferred at 30 June 2011 to the trustee of the Diageo Employee Benefit Trust, and the share trusts were subsequently terminated.

14. Reconciliation of movement in shareholders' funds

	30 June 2011 £million	30 June 2010 £million
Profit for the financial year	12,970	21
Dividends paid	-	(5,000)
Actuarial gain on pension scheme net of tax	-	1
Transfer of own shares	2	-
Net addition to/(reduction in) shareholders' funds	12,972	(4,978)
Shareholders' funds at the beginning of the year	28,110	33,088
Shareholders' funds at the end of the year	41,082	28,110

15. Commitments

At 30 June 2011, the company had minimum annual commitments under non-cancellable operating leases as follows:

	30 June 2011 £million	30 June 2010 £million
Annual payments under leases expiring		
After five years	-	5
From one to five years	6	1
	6	6

16. Contingent liabilities

The company undertakes to provide sufficient funds to various fellow group companies to enable them to meet their obligations, as and when required.

Notes to the financial statements (continued)

17. Related party transactions

Transactions between the company and its related party (group undertaking not wholly owned by Diageo group) are made on terms equivalent to those that prevail in arm's length transactions

Transactions between the company and other group undertaking not wholly owned by Diageo group were as follows

- Contribution paid to Lakeside MWS Limited Liability Partnership of £86 million
- Interest received from Lakeside MWS Limited Liability Partnership of £31 million

18. Post balance sheet events

Flexigage Limited, a wholly owned subsidiary, was dissolved on 16 August 2011, resulting in neither a gain nor a loss to the company.

GrandMet Limited, a wholly owned subsidiary, was dissolved on 19 August 2011, resulting in neither a gain nor a loss to the company

Precis (175) Limited, a wholly owned subsidiary, was dissolved on 19 August 2011, resulting in neither a gain nor a loss to the company

19. 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 Lakeside Drive, Park Royal, London NW10 7HQ