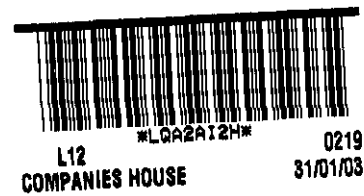


GRAND METROPOLITAN PUBLIC LIMITED COMPANY

FINANCIAL STATEMENTS

30 June 2002

Registered Number: 291848



Year ended 30 June 2002**DIRECTORS' REPORT**

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2002.

Activities

The company is an investment holding company that owns subsidiaries which hold assets in global alcoholic drink and food retail sectors. The directors foresee no changes in the nature of the company's activities.

During the year an indirect subsidiary of the company disposed of The Pillsbury Company and acquired certain of the spirits and wine businesses of Seagram. Subsequent to the year end an indirect subsidiary of the company sold the Burger King Corporation to a third party.

Financial

The results for the year ended 30 June 2002 are shown on page 6. Interim dividends have been paid of £3,350m (2001 - £3,231m). The directors do not recommend the payment of a final dividend.

After deducting the total ordinary dividends of £3,350m (2001 - £3,231m) the loss for the year transferred from reserves is £1,615m (2001 - £2,887m loss).

Directors

The directors who served during the year were as follows:

P S Binning	
J M J Keenan	(resigned 30 October 2001)
R J Moore	(appointed 30 October 2001)
N C Rose	
P S Walsh	
J Walters	
A Williams	(appointed 1 May 2002)

Directors' emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company (2001 - £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.

DIRECTORS' REPORT (continued)

Directors' interests (continued)

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

(i) Ordinary shares and conditional rights to ordinary shares

	Ordinary shares		Conditional rights to ordinary shares				
	At beginning of year (or year of appointment)	At end of year	At beginning of year (or year of appointment)	Granted in year	Vested in year	Lapsed in year	At end of year
P S Binning	21,099	25,693	60,750	11,827	(4,350)	(4,350)	63,877
J Walters	3,016	26,244	25,984	13,600	(5,400)	(5,400)	28,784
R J Moore	130	130	16,568	14,660	0	0	31,228
A Williams	3,214	3,258	-	-	-	-	-

The directors were granted conditional rights to receive ordinary shares or ADSs (one ADS is equivalent to four ordinary shares) or, exceptionally, a cash sum under certain long term incentive plans, the Share Incentive Plan and the Total Shareholder Return Plan ('TSR'). Any conditional rights to ADSs are shown in the table as ordinary share equivalents. The conditional rights to ordinary shares or ADSs are subject to share performance criteria of Diageo plc ordinary shares. Full details of the performance criteria are disclosed in the annual report of the ultimate holding company, Diageo plc.

(ii) Options over ordinary shares

	At beginning of year (or year of appointment)	Granted during the year	Exercised during the year	At end of year
UK options				
P S Binning	112,572	51,133	0	163,705
A Williams	19,243	-	-	19,243
US options				
J Walters	161,584	70,084	0	231,668
R J Moore	148,648	0	0	148,648

The directors held the above options under Diageo plc share option schemes at prices between 447p and 687p per ordinary share exercisable between 2002 and 2011 for UK grants and at prices between US\$29.38 and US\$41.98 per ADS exercisable between 2002 and 2011 for US grants. US options were granted over ADSs at dollar prices (one ADS is equivalent to four ordinary shares). The ADS option holdings in the table are stated as ordinary share equivalents. 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.

DIRECTORS' REPORT (continued)

Options granted under Senior Executive Share Option Plan ('SESOP') may not normally be exercised unless a performance condition is satisfied. The performance condition applicable to the grants of options to date under the SESOP is linked to the increase in earnings per share and is initially applied over the three year period commencing on the date the options are granted. Full details of the performance condition are disclosed in the annual report of the ultimate holding company, Diageo plc.

At 30 June 2002 N C Rose and P S Walsh were directors of the parent company, Diageo plc. Details of their beneficial interests in the shares of Diageo plc are shown in the Diageo plc Annual Report and Accounts, copies of which are available from 8 Henrietta Place, London W1G 0NB.

The mid-market share price of Diageo plc shares fluctuated between 644p and 940.5p during the year. The mid-market share price on 30 June 2002 was 852p.

At 30 June 2002, P S Binning, R J Moore and J Walters had an interest in 3,763,799 shares held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes; R J Moore and J Walters had an interest in 18,164,656 shares and 574,300 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes; P S Binning and A Williams had an interest in 16,259,763 shares and 6,124,020 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes; and J Walters had an interest in 144,098 shares and 502,360 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes.

Supplier payment policy

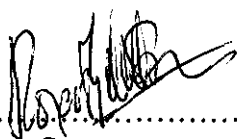
Given the international nature of the group's operations, there is no group standard in respect of payments of suppliers. Operating companies are responsible for agreeing terms and conditions for their business transactions when orders for goods and services are placed, ensuring that suppliers are aware of the terms of payment and including the relevant terms in contracts were 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 2002. 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 their re-appointment as auditor of the company will be submitted to the Annual General Meeting.

By order of the board



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R H Myddelton, Secretary
8 Henrietta Place, London, W1G 0NB

31 January 2003

**DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS**

The following statement, which should be read in conjunction with the independent auditor's report on page 5, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors 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 the financial statements consider that, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed, and that it is appropriate to prepare the financial statements on the 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 as 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 6 to 19.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the directors' report and, as described on page 4, 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 an audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of 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 the company's affairs as at 30 June 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
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KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

31 January 2003

PROFIT AND LOSS ACCOUNT

		<u>30 June 2002</u>	<u>30 June 2001</u> (restated)
	Notes	£m	£m
Operating costs	3-4	(40)	(34)
Operating loss		<u>(40)</u>	<u>(34)</u>
Loss on sale of operations	5	(7)	-
Provision against investments in subsidiary undertakings	12	(17)	-
Income from fixed asset investments	6	1,552	2
Interest receivable	7	309	380
Interest payable	8	<u>(56)</u>	<u>(6)</u>
Profit on ordinary activities before taxation		1,741	342
Taxation on profit on ordinary activities	9	<u>(6)</u>	<u>2</u>
Profit on ordinary activities after taxation		1,735	344
Dividends paid	10	<u>(3,350)</u>	<u>(3,231)</u>
Loss for the financial year	20	<u>(1,615)</u>	<u>(2,887)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<u>30 June 2002</u>	<u>30 June 2001</u> (restated)
	£m	£m
Total recognised gains for the financial year	1,735	<u>344</u>
Prior year adjustment on implementation of FRS 19 (note 1)	<u>3</u>	
Total recognised gains since the last annual report	<u>1,738</u>	

The notes on pages 8 to 19 form part of these financial statements.

There is no difference between the result for the year shown in the profit and loss account and the result for the relevant year restated on an historical basis and consequently no note of historical cost profits and losses has been presented as part of the financial statements.

BALANCE SHEET

		<u>30 June 2002</u>		<u>30 June 2001</u> (restated)	
	Notes	£m	£m	£m	£m
Fixed assets					
Tangible assets	11	1		-	
Investments	12	<u>10,872</u>		<u>7,222</u>	
			10,873		7,222
Current assets					
Debtors – due within one year	14	3,905		5,340	
Debtors – due after more than one year	14	425		451	
Cash at bank and in hand	15	<u>27</u>		<u>15</u>	
		4,357		5,806	
Creditors – due within one year					
Other creditors	17	<u>(4,310)</u>		<u>(504)</u>	
Net current assets			<u>47</u>		<u>5,302</u>
Total assets less current liabilities			10,920		12,524
Creditors – due after more than one year					
Amounts owed to group undertakings	17		(14)		-
Provisions for liabilities and charges	18		(22)		(25)
			<u>10,884</u>		<u>12,499</u>
Capital and reserves					
Called up share capital	19		690		690
Reserves					
Share premium account	20	9,070		9,070	
Other reserves	20	530		530	
Profit and loss account	20	<u>594</u>		<u>2,209</u>	
Reserves attributable to equity shareholders			10,194		11,809
			<u>10,884</u>		<u>12,499</u>

The notes on pages 8 to 19 form part of these financial statements.

The financial statements on pages 6 to 19 were approved by the board of directors on 31 January 2003 and signed on its behalf by:



Director
N C Rose

ACCOUNTING POLICIES

Basis of preparation

The financial statements 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 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
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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 declared by the paying company. Investments are stated individually at cost less, where appropriate, provision for diminution in values where such diminution 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.

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 forward 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 forward currency contract.

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

ACCOUNTING POLICIES (continued)

Pensions and other post employment benefits

The employees of the company are members of a group scheme managed by Diageo plc. The cost of providing pensions and other post employment benefits is charged against profits on a systematic basis, with pension surpluses and deficits allocated over the expected remaining service lives of current employees. Differences between the amounts charged in the profit and loss account and payments made to pension or other plans are treated as assets or liabilities in the balance sheet. Deferred taxation is accounted for on these assets and liabilities. Particulars of the valuations of the group schemes are contained in the financial statements of Diageo plc. Unfunded post employment medical benefit liabilities are included in provisions in the balance sheet.

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.

NOTES TO THE FINANCIAL STATEMENTS

1. New accounting standards

The financial statements comply, to the extent detailed below, with the following new Financial Reporting Standards issued by the UK Accounting Standards Board.

FRS 17 – Retirement benefits. This standard replaces the use of actuarial values for assets in a pension scheme 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, interest cost and expected return on assets. Fluctuations in market values and changes in actuarial assumptions are reflected in the statement of total recognised gains and losses. The employees of the company are members of the Diageo UK pension fund. The assets and liabilities of the Diageo UK pension fund cannot be separately identified or attributed to Grand Metropolitan Public Limited Company. The disclosures required by FRS 17 for the Diageo UK pension fund are included in the consolidated financial statements of Diageo plc which are publicly available.

FRS 19 – Deferred tax. This standard requires full provision to be made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation. It only requires recognition when the resulting deferred tax can be justified as an asset or liability in its own right, thus excluding, for example, deferred tax on periodic revaluations of fixed assets and on retained profits in overseas subsidiaries and associates prior to any commitment to remit those profits. The standard allows the optional discounting of all or none of the deferred tax assets and liabilities, and the company has elected not to discount.

The impact of adopting FRS 19 in the year ended 30 June 2002 has been to increase the ordinary and total tax charge by £nil. Compliance with FRS 19 has increased the 30 June 2001 deferred tax asset and deferred tax provision by £3m. The tax charge for the year ended 30 June 2001 decreased by £3m.

2. Analysis of profit before taxation

All activities were carried out in the United Kingdom.

3. Operating costs

	<u>2002</u>	<u>2001</u>
	£m	£m
Other external charges	28	16
Staff costs (note 4)	18	16
Depreciation and other amounts written off tangible fixed assets	-	2
Other operating income	(6)	-
	<u>40</u>	<u>34</u>

A cost sharing contract exists between Grand Metropolitan Public Limited Company (“the company”) and another group company. The operating costs include the company’s share of costs incurred. Directors emoluments and auditor’s remuneration have been paid by Diageo plc. All staff are employed by Diageo plc or one of its subsidiaries.

Operating costs include operating lease rentals of £3m (2001 - £4m).

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Staff costs

All staff are employed by Diageo plc or one of its subsidiaries and recharged to the company.

	<u>2002</u>	<u>2001</u>
	£m	£m
Wages and salaries	16	14
Employer's social security costs	2	2
Employer's pension costs	-	-
	<u>18</u>	<u>16</u>

5. Loss on sale of operations

	<u>2002</u>	<u>2001</u>
	£m	£m
Pillsbury (UK) Limited (a 100% subsidiary)	<u>7</u>	<u>-</u>

6. Income from fixed asset investments

	<u>2002</u>	<u>2001</u>
	£m	£m
Dividend income from shares in group undertakings	<u>1,552</u>	<u>2</u>

7. Interest receivable

	<u>2002</u>	<u>2001</u>
	£m	£m
Loans to group undertakings	307	365
Other interest receivable	<u>2</u>	<u>15</u>
	<u>309</u>	<u>380</u>

8. Interest payable

	<u>2002</u>	<u>2001</u>
	£m	£m
Loans from group undertakings	<u>56</u>	<u>6</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Taxation

	<u>2002</u> £m	<u>2001</u> £m
(i) Analysis of taxation charge in the year		
Current tax		
UK corporation tax on profits for the year	-	-
Adjustment to prior years taxation charges	<u>-</u>	<u>(1)</u>
Total current tax	-	(1)
Deferred tax		
Credit for the year	-	3
Adjustment in respect of prior periods	<u>(6)</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>(6)</u>	<u>2</u>

	<u>2002</u> £m	<u>2001</u> £m
(ii) Factors affecting current tax charge for the year		
Profit on ordinary activities before taxation	<u>1,741</u>	<u>342</u>
Notional charge at UK corporation tax rate of 30%	522	103
Group relief for nil consideration	(64)	(102)
Income from UK investments not taxable	(458)	(1)
Prior period adjustment	<u>-</u>	<u>(1)</u>
Current ordinary tax charge for the year	<u>-</u>	<u>(1)</u>

10. Dividends

	<u>2002</u> £m	<u>2001</u> £m
Equity shares:		
Interim dividend	<u>3,350</u>	<u>3,231</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Fixed tangible assets

	Fixtures and fittings £m
Cost or valuation:	
At 30 June 2001	12
Additions	<u>1</u>
At 30 June 2002	<u>13</u>
Amortisation/depreciation:	
At 30 June 2001	12
Provided during the year	<u>-</u>
At 30 June 2002	<u>12</u>
Net book value:	
At 30 June 2002	<u>1</u>
At 30 June 2001	<u>-</u>

12. Fixed assets - investments

	Shares in Diageo plc £m	Subsidiary undertakings £m	Other investments £m	Total £m
Cost:				
At 30 June 2001	1	7,402	2	7,405
Additions	-	3,708	-	3,708
Disposals	-	(41)	-	(41)
At 30 June 2002	<u>1</u>	<u>11,069</u>	<u>2</u>	<u>11,072</u>
Provisions:				
At 30 June 2001	-	183	-	183
Movement in year	-	17	-	17
At 30 June 2002	<u>-</u>	<u>200</u>	<u>-</u>	<u>200</u>
Net book value:				
At 30 June 2002	<u>1</u>	<u>10,869</u>	<u>2</u>	<u>10,872</u>
At 30 June 2001	<u>1</u>	<u>7,219</u>	<u>2</u>	<u>7,222</u>

Included within fixed asset investments is the company's interest of 172,626 ordinary shares in Diageo plc, a company incorporated in the United Kingdom and listed on the London stock Exchange. At 30 June 2002 Diageo plc's mid-market share price was 852p valuing the company's interest at £1m.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Fixed assets – investments (continued)

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

	<u>Country of incorporation</u>	<u>Principal activity</u>	<u>Percentage of ordinary shares held</u>
<u>Subsidiary undertakings</u>			
Diageo Ireland (formerly Guinness UDV Ireland and prior to that Guinness Ireland Group)	Ireland	Brewing, marketing and distribution of beer.	100
Diageo Scotland Limited (formerly Guinness United Distillers & Vintners Scotland Limited)	Scotland	Production, marketing and distribution of premium drinks.	100
Diageo Great Britain Limited (formerly Guinness United Distillers & Vintners Limited)	England	Production, marketing and distribution of premium drinks.	100
Guinness United Distillers & Vintners BV	Holland	Production, marketing and distribution of premium drinks.	100
Guinness United Distillers & Vintners Amsterdam BV	Holland	Production, marketing and distribution of premium drinks.	100
Diageo North America, Inc (formerly Guinness UDV North America, Inc)	United States	Production, importing and marketing of premium drinks.	100
Joseph E Seagram & Sons, Inc	United States	Production, importing and marketing of premium drinks	100

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Fixed assets – investments (continued)

Burger King Corporation	United States	Quick service restaurants.	100
Diageo Investment Corporation	United States	Financing company for US group companies.	100
<u>Associated undertakings</u>			
Moët Hennessy, SA	France	Production and distribution of premium drinks	34
General Mills, Inc	United States	Manufacture and marketing of consumer food products.	21

Subsequent to the year end as of 1 October 2002 Moët Hennessy, SA was converted into a French General Partnership called Moët Hennessy, SNC and a new company was established between Diageo plc and Moët Hennessy called Moët Hennessy International, SA, both of which are associated undertakings of the company.

Subsequent to the year-end an indirect subsidiary of the company sold its interest in the Burger King Corporation.

Subsequent to the year-end Joseph E Seagram & Sons, Inc has merged into Diageo North America, Inc.

All percentages relate to holdings of ordinary share capital. None of the subsidiary or associated undertakings are directly owned by Grand Metropolitan Public Limited Company with the exception of Diageo Great Britain Limited.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Debtors

	2002		2001	
	Due within one year £m	Due after one year £m	Due within one year £m	Due after one year £m
Amounts owed by subsidiary undertakings	3,902	412	5,325	438
Other debtors	3	-	10	-
Pension prepayments	-	13	-	13
Deferred taxation (note 16)	-	-	5	-
	3,905	425	5,340	451

15. Cash at bank and in hand and overdrafts

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.

16. Deferred taxation

	2002 £m	2001 £m
Pension prepayments	(4)	(4)
Provisions	1	4
Other timing differences	2	5
Deferred tax (provision)/asset	(1)	5
	2002 £m	2001 £m
Asset at beginning of the year	5	2
Profit and loss (charge)/credit	(6)	3
(Provision)/asset at end of the year	(1)	5

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Creditors

	<u>2002</u>	<u>2001</u>
	Due within one year £m	Due after one year £m
Amounts owed to group undertakings	4,304	14
Other creditors and taxation	4	-
Accruals and deferred income	<u>2</u>	<u>-</u>
	<u>4,310</u>	<u>14</u>

18. Provisions for liabilities and charges

	<u>(a) Post employment</u>	<u>(b) Disposal</u>	<u>(c) Deferred taxation</u>	<u>(d) Other</u>	<u>Total</u>
	£m	£m	£m	£m	£m
At 30 June 2001	3	3	-	19	25
Transferred from debtors	-	-	(5)	-	(5)
Profit and loss	-	-	6	1	7
Utilised	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>(2)</u>	<u>(5)</u>
At 30 June 2002	<u>3</u>	<u>-</u>	<u>1</u>	<u>18</u>	<u>22</u>

Provisions at 30 June 2002 comprise:

- (a) Post employment provisions of £3m (2001 - £3m) represent post employment medical provisions. These provisions are generally long term and the timing of their utilisation is not known.
- (b) Disposal provisions of £nil (2001 - £3m) arising from commitments in respect of businesses sold.
- (c) Deferred taxation provision of £1m (2001 - £nil) (see note 16).
- (d) Other provisions of £18m (2001 - £19m) represent 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.

19. Share capital

	<u>2002</u>	<u>2001</u>
	£m	£m
Authorised		
Equity - 3,000,000,000 Ordinary shares of 25p each	<u>750</u>	<u>750</u>
Allotted, called up and fully paid		
Equity - 2,759,144,946 Ordinary shares of 25p each	<u>690</u>	<u>690</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Reserves

	<u>Share premium</u> £m	<u>Other reserves</u> £m	<u>Profit and loss account</u> £m	<u>Total</u> £m
At 30 June 2001	9,070	530	2,206	11,806
Prior year adjustment (note 1)	-	-	3	3
	9,070	530	2,209	11,809
Retained deficit for year	-	-	(1,615)	(1,615)
At 30 June 2002	<u>9,070</u>	<u>530</u>	<u>594</u>	<u>10,194</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 agreement, or until such time that these creditors cease to exist.

21. Movement in shareholders' funds

	<u>2002</u> £m	<u>2001</u> £m
Profit for the year	1,735	344
Ordinary dividends	<u>(3,350)</u>	<u>(3,231)</u>
	(1,615)	(2,887)
New share capital issued	-	375
Net movement in shareholders' funds	(1,615)	(2,512)
Shareholders' funds at beginning of the year	<u>12,499</u>	<u>15,011</u>
Shareholders' funds at end of the year	<u>10,884</u>	<u>12,499</u>

Shareholders' funds at 30 June 2001 were originally £12,496m before the £3m restatement generated by the adoption of FRS 19 Deferred Tax, as described in note 1.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Commitments

At 30 June 2002, the company had minimum annual commitments under non-cancellable operating leases as follows:

	<u>2002</u> Land and buildings £m	<u>2001</u> Land and buildings £m
Operating leases which expire:		
After five years	10	13
From one to five years	2	-
Within one year	<u>-</u>	<u>-</u>
	<u>12</u>	<u>13</u>

23. Contingent liabilities

The company has guaranteed certain borrowings, liabilities and commitments of subsidiaries which amounted to £1,702m, £9m and £1m respectively (2001: £2,047m, £17m and £3m respectively).

24. Post balance sheet events

Subsequent to the year end an indirect subsidiary of the company sold its interest in the Burger King Corporation.

25. Ultimate parent undertaking

The ultimate parent undertaking of the company is Diageo plc, a company incorporated and registered in England. The consolidated financial statements of Diageo plc for the year ended 30 June 2002, can be obtained from the Registered Office at 8 Henrietta Place, London W1G 0NB.