

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2002

Registered in England No. 14172



EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED
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 company and the directors foresee no material change in the nature of the company's activities.

Financial

The results for the year ended 30 June 2002 are shown on page 7. The directors do not recommend the payment of a dividend for the year (2001 - £nil). The profit for the year transferred to reserves is £9,043,000 (2001 - profit of £5,165,000).

Directors

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

R J Gardner
R H Myddelton

R J Gardner and R H Myddelton both resigned as directors of the company on 3 July 2002 and Diageo Corporate Officer A Limited and Diageo Corporate Officer B Limited were appointed as directors on that date.

Directors' emoluments

The directors did not receive any remuneration during the year in respect of their services as directors of the company (2001 - £nil).

Directors' interests

The directors had no 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.

The directors who held office at the end of the financial year had the following beneficial interests in the ordinary shares of 28¹⁰¹/₁₀₈ pence each in the ultimate parent company, Diageo plc:-

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DIRECTORS' REPORT (continued)

(i) Ordinary shares and conditional rights to ordinary shares

	Ordinary shares		Conditional rights to ordinary shares				
	At beginning of year	At end of year	At beginning of year	Granted in year	Vested in year	Lapsed in year	At end of year
R J Gardner	3,086	10,574	850	-	(425)	(425)	-
R H Myddelton	33,411	32,666	29,682	5,760	(8,422)	(8,422)	18,598

The directors were granted conditional rights to receive ordinary shares, or exceptionally, a cash sum under certain long term incentive plans. The conditional rights to ordinary shares 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.

(iii) Options

	Options over ordinary shares				
	At beginning of year	Granted in year	Exercised during year	Lapsed in year	At end of year
R J Gardner	8,632	-	(8,507)	(125)	-
R H Myddelton	144,898	27,055	(78,748)	-	93,205

The directors held the above options under Diageo plc share option schemes at prices between 456 pence and 687 pence per ordinary share exercisable between 2002 and 2011. 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.

Options granted under the Senior Executive Share Option Plan ('SESOP') may not normally be exercised unless a performance condition is satisfied. The performance condition applicable to 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.

Options granted during the year for R H Myddelton are options granted under the SESOP, which are subject to performance conditions as detailed above.

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

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DIRECTORS' REPORT (continued)

At 30 June 2002, R H Myddelton had an interest in 20,023,562 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.

Secretary

R J Gardner resigned as secretary of the company on 3 July 2002 and Diageo Corporate Officer A Limited was appointed on that date.

Auditor

A resolution is to be proposed at the annual general meeting for the re-appointment of KPMG Audit Plc as auditor of the company.

By order of the board



J Nicholls
For and on behalf of
Diageo Corporate Officer A Limited
Secretary
8 Henrietta Place
London
W1G 0NB

9 April 2003

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Year ended 30 June 2002

DIRECTORS' RESPONSIBILITIES IN RELATION TO 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, and that all applicable accounting standards have been followed and that it is appropriate to use 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 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 EXPRESS FOODS GROUP
(INTERNATIONAL) LIMITED**

We have audited the financial statements on pages 7 to 12.

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 the directors and auditor

The directors are responsible for preparing the directors' report and the financial statements. As described on page 5, this includes responsibility for preparing 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 2002 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

// April 2003

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED
Year ended 30 June 2002

PROFIT AND LOSS ACCOUNT

	Note	Year ended 30 June 2002 £'000	Year ended 30 June 2001 £'000
Release of prior period provisions – disposal of business		-	(7)
Interest receivable from group undertaking		<u>9,043</u>	<u>5,172</u>
Profit on ordinary activities before taxation		9,043	5,165
Taxation	3	<u>-</u>	<u>-</u>
Profit for the financial year transferred to reserves		<u>9,043</u>	<u>5,165</u>

The results for the current and preceding year arise from continuing business activities.

There are no recognised gains and losses other than the profit for the financial years 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 profit for the years and the historical profit for the years and consequently no note of historical cost profits and losses has been presented as part of the financial statements.

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Year ended 30 June 2002

BALANCE SHEET

	Notes	£'000 30 June 2002 £'000	£'000 30 June 2001 £'000
Fixed assets			
Investments	4	5,016	5,016
Current assets			
Debtors – due within one year	5	225,469	216,426
Current liabilities			
Creditors - amounts owed to group undertakings due within one year		(187,900)	(187,900)
Net current assets		<u>37,569</u>	<u>28,526</u>
Provision for disposal warranty claims		<u>(64)</u>	<u>(64)</u>
Total assets less liabilities		<u>42,521</u>	<u>33,478</u>
Capital and reserves			
Share capital	6	15,139	15,139
Reserves			
Share premium account		772	772
Other reserves		2,937	2,937
Profit and loss account		<u>23,673</u>	<u>14,630</u>
	7	<u>27,382</u>	<u>18,339</u>
Shareholder's funds		<u>42,521</u>	<u>33,478</u>

The notes on page 9 to page 12 form part of these financial statements.

The financial statements on pages 7 to 12 were approved by the board of directors on 9 April 2003 and were signed on its behalf by:



G P Crickmore
For and on behalf of
Diageo Corporate Officer B Limited,
Director

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED
Year ended 30 June 2002

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

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 bases used are consistent with those used in the previous year. The company has not presented group financial statements by virtue of section 228 of the Companies Act 1985.

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.

Investments

Investments are valued individually at the lower of cost and net realisable value. All investments are unlisted and net realisable value is estimated by the directors.

2. Operating costs

The company has no employees.

The auditor's remuneration was paid on behalf of the company by a fellow group undertaking.

The directors have not received any remuneration during the year, or previous year, for their services as a director of the company.

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Taxation

	2002	2001
	£'000	£'000
UK corporation tax at 30% (2001 – 30%) on the profit for the year on ordinary activities	<u>—</u>	<u>—</u>

Companies in the Diageo plc group generally apply group relief rules in administering their taxation positions and this group relief is settled for nil consideration. As a consequence the company has neither a current tax charge nor credit for the two years ended 30 June 2002.

4. Investments

	£'000
Shares in subsidiary undertakings	
At cost at beginning and end of the year	127,721
Provisions at beginning and end of the year	<u>(122,705)</u>
Net book value at beginning and end of the year	<u>5,016</u>

The company's principal subsidiary undertakings are as follows:

Subsidiary undertakings	Principal activity	Class of shares held
Spiers and Pond Limited	Dormant	Ordinary shares of 25p each 4.55% cumulative preference shares of £1 each
PSP (Sales and Distribution) Limited	Dormant	Ordinary shares of 10p each 'A' ordinary non-voting shares of 10p each
Express Foods Nominee Limited	Dormant	Unclassified shares of £1 each
FDL Transport Services Limited	Dormant	Ordinary shares of £1 each
Kaysen's Limited	Dormant	Ordinary shares of £1 each
Parry's Butterfull Cakes, Limited	Dormant	Ordinary shares of £1 each
Precis (12000) Limited	Dormant	Ordinary shares of £0.25 each
Precis (9000) Limited	Dormant	Ordinary shares of £1 each
S. Reece (Liverpool) Limited	Dormant	Ordinary shares of £1 each

All the subsidiary undertakings are incorporated and registered in England, with the exception of Precis (12000) Limited which is incorporated and registered in Scotland, and are 100% directly owned by the company.

In the opinion of the directors of the company, the aggregate value of the shares of the subsidiary undertakings is not less than the aggregate of the amounts at which the investments are stated in the balance sheet.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Debtors - due within one year

	2002	2001
	£'000	£'000
Amounts owed by group undertakings	224,613	215,570
Corporation tax	<u>856</u>	<u>856</u>
	<u>225,469</u>	<u>216,426</u>

6. Share capital

	2002	2001
	£'000	£'000
Authorised		
800,000 ordinary shares of 25p each	200	200
53,800,000 'A' ordinary shares of 25p each	13,450	13,450
100,000 7% cumulative preference stock of £1 each	100	100
1,000,000 7% 'A' cumulative preference stock of £1 each	1,000	1,000
200,000 6% cumulative preference stock of £1 each	200	200
550,000 6% 'A' cumulative preference stock of £1 each	<u>550</u>	<u>550</u>
	<u>15,500</u>	<u>15,500</u>
Allotted, called up and fully paid		
799,999 ordinary shares of 25p each	200	200
52,918,181 'A' ordinary shares of 25p each	13,229	13,229
100,000 7% cumulative preference stock of £1 each	100	100
902,601 7% 'A' cumulative preference stock of £1 each	903	903
200,000 6% cumulative preference stock of £1 each	200	200
507,110 6% 'A' cumulative preference stock of £1 each	<u>507</u>	<u>507</u>
	<u>15,139</u>	<u>15,139</u>
 Total equity share capital	 13,429	 13,429
Total non-equity share capital	<u>1,710</u>	<u>1,710</u>
	<u>15,139</u>	<u>15,139</u>

None of the preference stock is redeemable.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Reserves

	Share premium account £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At beginning of the year	772	2,937	14,630	18,339
Retained profit for the year	-	-	9,043	9,043
At end of the year	<u>772</u>	<u>2,937</u>	<u>23,673</u>	<u>27,382</u>

8. Movement in shareholder's funds

	2002 £'000	2001 £'000
Shareholder's funds		
At beginning of the year	33,478	28,313
Profit for the year	9,043	5,165
At end of the year	<u>42,521</u>	<u>33,478</u>

9. Immediate and ultimate parent undertaking

The immediate parent undertaking is Grandmet Foods (UK) 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 for the year ended 30 June 2002 can be obtained from the Registered Office at 8 Henrietta Place, London W1G 0NB.