

14172

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2000

Registered in England No. 14172



EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**DIRECTORS' REPORT**

The directors have pleasure in submitting their annual report, together with the audited financial statements for the Twelve months ended 30 June 2000.

Activities

The company acts as an investment company and the directors foresee no material change in the nature of the company's activities.

Euro

The directors do not anticipate that there will be any implications on the activities of the company on the introduction of the Euro. There are no costs associated with the introduction of the Euro. A statement explaining the impact of the introduction of the Euro, and the programme put in place to deal with this along with associated costs, for the Diageo group is disclosed in the annual report of the ultimate parent undertaking, Diageo plc.

Financial

The results for the period shown on page 7 are for the twelve months from 1 July 1999 to 30 June 2000.

The directors do not recommend that an ordinary dividend be paid (1999 - £187,000,000).

Directors

The directors who served during the period were as follows:

J M Summerlin
R J Gardner

Emoluments

None of the directors received any remuneration during the period in respect of their services as directors of the company (1999:£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 period in any significant contract with the company.

The directors who held office at the end of the financial period had the following beneficial interests in the shares of the ultimate parent company, Diageo plc:-

- (i) Ordinary shares and conditional rights to ordinary shares

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**DIRECTORS' REPORT (continued)**

Director's Name	Ordinary Shares		Conditional Rights to Ordinary Shares			
	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	At end of Year
John Summerlin	NIL	3,000	13,820	NIL	(4,820)	9,000
Roger Gardner	2,018	2,506	1,800	NIL	NIL	1,800

The directors were granted conditional rights to receive ordinary shares, or exceptionally, a cash sum under certain long term incentive plans (The Grand Metropolitan Restricted Share Plan ('GrandMet RSP'), the Share Incentive Plan and the Total Shareholder Return Plan ('TSR')). The GrandMet RSP vested during the year and the directors received 56% of their conditional rights to ordinary shares. 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.

(ii) Options

Director's Name	Options Over Ordinary Shares			
	At beginning of Year (or date of appointment)	Granted during the Year	Exercised during the Year	At end of Year
John Summerlin	78,129	18,040	NIL	96,169
Roger Gardner	26,180	5,489	(488)	31,181

The directors held the above options under Grand Metropolitan plc and Diageo plc share option schemes at prices between 314p and 456p per ordinary share exercisable by 2007. 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 384p and 696.5p per share during the year. The mid-market share price on 30 June 2000 was 593p.

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED

DIRECTORS' REPORT (continued)

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



R J Gardner
Secretary
Harman House
1 George Street,
Uxbridge
Middlesex, UB8 1QQ

17th November 2000

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS**

The following statement, which should be read in conjunction with the report of the auditor 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 as at the end of the financial year and of the profit or loss of the company for the financial year.

The directors consider that in preparing the financial statements on pages 7 to 14, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, that all accounting standards which they consider to be applicable have been followed and that it is appropriate to use 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 as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



17TH NOVEMBER 2000.

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**REPORT OF THE AUDITOR, KPMG AUDIT PLC
TO THE MEMBERS OF EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**

We have audited the financial statements on pages 7 to 14.

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 auditors, 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. 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 2000 and of its loss 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

20 November 2000

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**PROFIT AND LOSS ACCOUNT****For the period ended 30 June 2000**

	Notes	Year Ended 30 June 2000 £'000	Year Ended 30 June 1999 £'000
Profit/(Loss) on disposal of business	4	-	966
Release of prior period provisions	4	<u>(84)</u>	<u>2,019</u>
Profit on ordinary activities before interest		(84)	2,985
Interest receivable and similar income	5	-	394
Interest payable and similar charges	6	<u>(6,376)</u>	<u>(4,193)</u>
Loss on ordinary activities before taxation		(6,460)	(814)
Tax (charge)/credit on loss on ordinary activities	7	<u>(158)</u>	<u>1,168</u>
Ordinary Dividend		-	(187,000)
Loss on ordinary activities after taxation transferred from reserves	13	<u>(6,618)</u>	<u>(186,646)</u>

All of the above relates to discontinued operations.

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

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**BALANCE SHEET**

As at 30 June 2000

	Notes	Year Ended 30 June 2000		Year Ended 30 June 1999	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	8		5,016		5,016
Current assets					
Debtors	9	267,834		268,167	
Creditors					
Amounts falling due within one year	10	(244,473)		(238,174)	
Net current assets			<u>23,361</u>		<u>29,993</u>
Total assets less current liabilities			28,377		35,009
Provisions for liabilities and charges	11		<u>(64)</u>		<u>(78)</u>
			<u>28,313</u>		<u>34,931</u>
Capital and reserves					
Called up equity and non-equity share capital	12		15,139		15,139
Share premium account		772		772	
Other reserves		2,937		2,937	
Profit and loss account	13	<u>9,465</u>		<u>16,083</u>	
			<u>13,174</u>		<u>19,792</u>
Total shareholders' funds			<u>28,313</u>		<u>34,931</u>

The financial statements on pages 7 to 14 were approved by the Board of Directors on
17th NOV. 2000 and were signed on its behalf by:



J M Summerlin
Director

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS****For the period ended 30 June 2000**

	Year Ended 30 June 2000 £'000	Year Ended 30 June 1999 £'000
Loss for the period	(6,618)	(186,646)
Total shareholders' funds at beginning of period	<u>34,931</u>	<u>221,577</u>
Total shareholders' funds at end of period	<u>28,313</u>	<u>34,931</u>

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**1. Accounting Policies*****Basis of preparation***

The financial statements of the company are prepared under the historical cost convention and comply with applicable UK accounting standards. The bases used are consistent with those used in the previous period. 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 exception 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.

Deferred Taxation

The charge for taxation is based on the loss for the period and takes into account taxation deferred because of short term timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

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. Auditors

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

3. Directors' emoluments

No director has been paid any remuneration during the period, or previous period, for his services as a director of Express Foods Group (International) Limited.

The directors were remunerated for their services either as directors or senior executives of Pillsbury U.K. Limited and, where appropriate, emoluments are disclosed in the financial statements of that company.

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**NOTES (forming part of the financial statements)****4. Profit/(loss) on Disposal of Business**

	Year Ended 30 June 2000		Year Ended 30 June 1999	
	£'000		£'000	
	Profit	Provision released	Profit	Provision released
	£'000	£'000	£'000	£'000
Profit/(loss) on Disposal of Business	<u>-</u>	<u>(84)</u>	<u>966</u>	<u>2,019</u>

All of the above relates to discontinued operations.

The tax credit on these items amounted to £nil (1999 - £nil).

5. Interest receivable and similar income

	Year Ended 30 June 2000	Year Ended 30 June 1999
	£'000	£'000
Other external interest receivable	<u>-</u>	<u>394</u>

6. Interest payable and similar charges

	Year Ended 30 June 2000	Year Ended 30 June 1999
	£'000	£'000
Interest payable to group undertakings	<u>6,376</u>	<u>4,193</u>

7. Tax on loss on ordinary activities

	Year Ended 30 June 2000	Year Ended 30 June 1999
	£'000	£'000
UK corporation tax (charge)/credit at 30% (1999 - 30.75%) on the loss for the period	-	1,168
Prior year adjustment	<u>(158)</u>	<u>-</u>
	<u>(158)</u>	<u>1,168</u>

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**NOTES (continued)**

Companies in the Diageo plc group generally apply group relief rules in administering their taxation positions. From 1 July 1999 the company has agreed to change its policy from paying/charging for group relief so that group relief is effected for nil consideration. As a consequence the company has neither a current tax charge nor credit for the year ended 30 June 2000. The prior year adjustment principally results from a reassessment of group relief in respect to earlier periods.

8. Fixed asset investments

	Subsidiary undertakings £'000
Shares at cost (unlisted)	
At beginning and end of period	127,721
Provisions	
At beginning and end of period	<u>(122,705)</u>
Net book value	
At 30 June 1999 and 30 June 2000	<u><u>5,016</u></u>

The company's principal subsidiary undertakings are as follows:

<u>Subsidiary Undertaking</u>	<u>Country of registration</u>	<u>Principal activity</u>	<u>Class and percentage of shares held</u>
Spiers and Pond Limited	England	Investment company	2,131,028 ordinary shares of 25p each - 100% directly owned 509,807 4.55% cumulative preference shares of £1 each – 100% directly owned
PSP (Sales and Distribution) Limited	England	Investment company	8,079,999 ordinary shares of 10p each - 100% directly owned 7,070,000 'A' ordinary non- voting shares of 10p each – 100% directly owned

In the opinion of the directors, the investment in and amounts due from the company's subsidiaries are worth at least the amount at which they are stated in the financial statements. A full list of subsidiaries, all of which are consolidated, will be included in the company's next annual return.

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**NOTES (continued)****9. Debtors - amounts falling due within one year**

	Year Ended 30 June 2000 £'000	Year Ended 30 June 1999 £'000
Amounts owed by group undertakings	266,961	266,049
Other debtors	17	17
Corporation Tax	<u>856</u>	<u>2,101</u>
	<u><u>267,834</u></u>	<u><u>268,167</u></u>

The UK trade debtors ledger is factored without recourse through Diageo Finance Ireland, a fellow subsidiary undertaking. Accordingly, trade debtors are included within amounts owed by the holding company and fellow subsidiary undertakings.

10. Creditors - amounts falling due within one year

	Year Ended 30 June 2000 £'000	Year Ended 30 June 1999 £'000
Trade creditors	7	87
Amounts owed to group undertakings	<u>244,466</u>	<u>238,087</u>
	<u><u>244,473</u></u>	<u><u>238,174</u></u>

11. Provisions for liabilities and charges

	30 June 2000 £'000
At beginning of period	(78)
Utilised during the period	<u>14</u>
At end of period	<u><u>(64)</u></u>

The provision was set up in prior years for a number of businesses and is principally to cover future liabilities in respect of redundant properties and potential disposal warranty claims and will be utilised to meet any remaining claims over the warranty period.

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**NOTES (continued)****12. Share capital**

	Authorised	Allotted, called up and fully paid			
	30 June 2000 & 30 June 1999 No.	30 June 2000 No.	30 June 2000 £'000	30 June 1999 No.	30 June 1999 £'000
Ordinary shares of 25p each	800,000	800,000	200	800,000	200
'A' Ordinary shares of 25p each	53,800,000	52,918,181	13,229	52,918,181	13,229
7% Cum.Pref shares of £1 each	100,000	100,000	100	100,000	100
7% 'A' Cum.Pref shares of £1 each	1,000,000	902,601	903	902,601	903
6% Cum.Pref shares of £1 each	200,000	200,000	200	200,000	200
6% 'A' Cum.Pref shares of £1 each	<u>550,000</u>	<u>507,110</u>	<u>507</u>	<u>507,110</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.

The arrears in dividends for the cumulative preference shares amounts to £nil (1999 - £nil).

13. Reserves

	Share premium account £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At beginning of period	772	2,937	16,083	19,792
Retained Loss for period	<u>-</u>	<u>-</u>	<u>(6,618)</u>	<u>(6,618)</u>
At end of period	<u>772</u>	<u>2,937</u>	<u>9,465</u>	<u>13,174</u>

14. Immediate and ultimate parent undertaking

The immediate parent undertaking is GrandMet Foods (UK) Limited a company registered in England.

The ultimate parent undertaking of the company as at 30 June 2000 was Diageo plc, a company registered in England. Diageo plc's accounting period end is on 30 June. The first consolidated accounts of Diageo plc for the twelve month period ended 30 June 2000, can be obtained from the Registered Office at 8 Henrietta Place, London W1M 9AG.