

CARILLON U.K. LIMITED

DIRECTORS' REPORT & FINANCIAL STATEMENTS

30 June 2002

Registered Number: SC36037



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 principal activity of the company is the receipt of interest from a fellow group company.

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 ended 30 June 2002 (2001 - £nil).

The profit for the year transferred to reserves is £443,130 (2001 - £466,741).

Directors

The directors who served during the year were as follows:

P S Binning
S M Bunn
R H Myddelton
J A Southern
A Williams (appointed 1 May 2002)

On 31 March 2003 R H Myddelton resigned as a director.

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 director 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 date of appointment)	At end of year	At beginning of year (or date of appointment)	Granted in year	Vested in year	Lapsed in year	At end of year
P S Binning	21,099	25,693	60,750	11,827	(4,350)	(4,350)	63,877
S M Bunn	1,790	2,853	2,400	-	(1,200)	(1,200)	-
R H Myddelton	33,411	32,666	29,682	5,760	(8,422)	(8,422)	18,598
J A Southern	27,440	31,153	7,250	-	(3,625)	(3,625)	-
A Williams	3,214	3,258	-	-	-	-	-

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.

(ii) Options Options over ordinary shares

	At beginning of year (or date of appointment)	Granted in year	Exercised in year	At end of year
P S Binning	112,572	51,133	-	163,705
S M Bunn	16,802	4,417	(433)	20,786
R H Myddelton	144,898	27,055	(78,748)	93,205
J A Southern	70,951	14,443	(9,077)	76,317
A Williams	19,243	-	-	19,243

DIRECTORS' REPORT (continued)

Directors' interests (continued)

The directors held the above options under Diageo plc share option schemes at prices between 402p and 710p 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 parent company, Diageo plc.

Options granted during the year for P S Binning and 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 644p and 940.5p during the year. The mid-market share price on 30 June 2002 was 852p.

At 30 June 2002, all the directors had an interest in 16,259,763 shares and 6,124,020 shares subject to call options, (and P S Binning and R H Myddelton each had an additional interest in 3,763,799 shares), held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes.

Secretary

On 15 March 2002, S M Bunn resigned as secretary of the company and J J Nicholls was appointed in her place.

Auditor

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

By order of the board



J Nicholls
Secretary

Edinburgh Park, 5 Lochside Way, Edinburgh EH12 9DT

9 April 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 6, 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 of the company 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, that 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 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 CARILLON U.K. 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 directors and auditors

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of 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

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Glasgow

14 April 2003

PROFIT AND LOSS ACCOUNT

	Notes	Year ended 30 June 2002 £	Year ended 30 June 2001 £
Operating costs	1,2	-	(47,125)
Operating loss		-	(47,125)
Interest receivable from group company		443,130	549,114
Profit on ordinary activities before taxation		443,130	501,989
Tax on profit on ordinary activities	4	-	(35,248)
Profit for the financial year and transferred to reserves	8	443,130	466,741

The notes on pages 10 to 12 form part of these financial statements.

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

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

BALANCE SHEET

	Notes	30 June 2002 £	30 June 2001 £
Current assets			
Debtors – due within one year	5	10,705,765	10,262,635
Creditors – due within one year			
Other creditors	6	(876,142)	(876,142)
Net assets		9,829,623	9,386,493
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	7	100	100
Profit and loss account	8	9,829,523	9,386,393
Equity shareholders' funds		9,829,623	9,386,493
		<hr/>	<hr/>

The notes on pages 10 to 12 form part of these financial statements.

These financial statements were approved by the board of directors on 9 April 2003 and were signed on its behalf by:



S M Bunn
Director

Reconciliation of movements in shareholders' funds

	Year ended 30 June 2002 £	Year ended 30 June 2001 £
Profit for the financial year	443,130	466,741
Shareholders' Funds at beginning of year	9,386,493	8,919,752
Shareholders' Funds at end of year	<u>9,829,623</u>	<u>9,386,493</u>

NOTES TO THE FINANCIAL STATEMENTS

Accounting Policies

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.

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.

1. Operating costs

	2002 £	2001 £
Exchange loss	-	47,125
	<u> </u>	<u> </u>

2. Staff costs

The company has no employees and therefore has no staff costs.

3. Directors' emoluments and auditor's remuneration

None of the directors received any remuneration during the financial year in respect of their services as directors of the company (2001 - £nil). The auditor's remuneration was paid on behalf of the company by a fellow group undertaking.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Tax on profit on ordinary activities

	2002 £	2001 £
Prior year adjustment	-	(35,248)
	<u> </u>	<u> </u>

From 1 July 1999 the company agreed to change its policy from paying/charging for group relief so that the group relief is effected for nil consideration. As a consequence the company has neither a current tax charge nor credit for the year ended June 2002. The prior year adjustment in 2001 principally results from a reassessment of group relief in respect of earlier periods.

5. Debtors – due within one year

	2002 £	2001 £
Amounts owed by group undertakings	10,705,765	10,096,190
Corporation tax	-	166,445
	<u> </u>	<u> </u>
	10,705,765	10,262,635
	<u> </u>	<u> </u>

6. Other creditors – due within one year

	2002 £	2001 £
Amounts owed to group undertakings	876,142	876,142
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Share capital

	2002 £	2001 £
Authorised, allotted, called up and fully paid		
Equity – 100 ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>

Ordinary shares are entitled to one vote each.

8. Reserves

	Profit and loss account £
At 30 June 2001	9,386,393
Retained profit for year	443,130
	<u> </u>
At 30 June 2002	9,829,523
	<u> </u>

9. Immediate and ultimate parent undertaking

The immediate parent undertaking of the company is Carillon Importers Limited, a company incorporated and registered in the USA.

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.