

CARILLON U.K. LIMITED

DIRECTORS' REPORT & FINANCIAL STATEMENTS

30 June 2003

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 2003.

### **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 2003 are shown on page 7.

The directors do not recommend the payment of a dividend for the year ended 30 June 2003 (2002 - £nil).

The profit for the year transferred to reserves is £387,811 (2002 - £443,130).

### **Directors**

The directors who served during the year were as follows:

P S Binning  
S M Bunn  
J A Southern  
R H Myddelton (resigned 31 March 2003)  
A Williams (resigned 18 April 2003)

P S Binning resigned on 3 October 2003 and R Rajagopal was appointed a director on that date.

### **Directors' emoluments**

None of the directors received any remuneration during the year in respect of their services as directors of the company (2002 - £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.

## 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	At end of year	At beginning of year	Granted in year	Vested in year	Lapsed in year	At end of year
P S Binning	25,693	39,146	79,405	16,518	(16,971)	(1,911)	77,041
S M Bunn	2,853	3,351	-	-	-	-	-
J A Southern	31,153	35,384	-	-	-	-	-

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. The numbers disclosed in the above table represent the maximum number of conditional rights. 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	Granted in year	Exercised in year	At end of year
P S Binning	163,705	60,679	(1,513)	222,871
S M Bunn	20,786	11,866	(1,909)	30,743
J A Southern	76,317	16,591	(10,576)	82,332

## DIRECTORS' REPORT (continued)

### Directors' interests (continued)

The directors held the above options under Diageo plc share option schemes at prices between 447p and 759p per ordinary share exercisable between 2003 and 2012. 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 P S Binning are options granted under the SESOP, which are subject to performance conditions as detailed above.

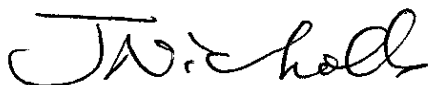
The mid-market share price of Diageo plc shares fluctuated between 582p and 851p during the year. The mid-market share price on 30 June 2003 was 647p.

At 30 June 2003, all the directors had an interest in 20,744,545 shares and 6,605,055 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes, and P S Binning had an additional interest in 6,177,180 shares held by a trust to satisfy grants made under Diageo incentive plans and savings related share option schemes.

### Auditor

The company has taken advantage of Section 386(1) of the Companies Act 1985, as amended, to dispense with the obligation to appoint an auditor annually. The auditor, KPMG Audit Plc, is willing to continue in office and will be deemed to be re-appointed on the expiry of its term in office in respect of the year ended 30 June 2003.

By order of the board



J Nicholls  
Secretary

Edinburgh Park, 5 Lochside Way, Edinburgh EH12 9DT

20 April 2004

## **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 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 of the company 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, 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 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 2003 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

*26 April* 2004

# PROFIT AND LOSS ACCOUNT

	Notes	Year ended 30 June 2003 £	Year ended 30 June 2002 £
Interest receivable and similar items	3	387,811	443,130
<b>Profit on ordinary activities before taxation</b>	1	<b>387,811</b>	<b>443,130</b>
Taxation	4	-	-
<b>Transferred to reserves</b>	8	<b>387,811</b>	<b>443,130</b>

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 profit 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**

	<i>Notes</i>	<b>Year ended 30 June 2003 £</b>	<b>Year ended 30 June 2002 £</b>
<b>Current assets</b>			
Debtors – due within one year	5	11,093,576	10,705,765
<b>Creditors – due within one year</b>	6	(876,142)	(876,142)
<b>Net assets</b>		<u>10,217,434</u>	<u>9,829,623</u>
<b>Capital and reserves</b>			
Called up share capital	7	100	100
Profit and loss account	8	10,217,334	9,829,523
<b>Equity shareholders' funds</b>		<u>10,217,434</u>	<u>9,829,623</u>

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

These financial statements were approved by the board of directors on 20 April 2004 and were signed on its behalf by:



**S M Bunn**  
Director



**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>Year ended 30 June 2003 £</b>	<b>Year ended 30 June 2002 £</b>
Shareholders' funds at beginning of the year	<b>9,829,623</b>	9,386,493
Profit for the financial year	<b>387,811</b>	443,130
Shareholders' funds at end of the year	<b><u>10,217,434</u></b>	<b><u>9,829,623</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

### 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 ("group undertakings") or investees of the Diageo plc group.

#### 1. Profit on ordinary activities before taxation

The auditor's remuneration was paid on behalf of the company by a fellow group undertaking. There were no fees payable to the auditor in respect of non-audit services (2002 - £nil).

#### 2. Directors and employees

The company did not employ any staff during either the current or the previous year.

None of the directors received any remuneration during the financial year in respect of their services as directors of the company (2002 - £nil).

#### 3. Interest receivable and similar items

	Year ended 30 June 2003 £	Year ended 30 June 2002 £
Interest receivable on loan to Diageo Finance plc	<u>387,811</u>	<u>443,130</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Tax on profit on ordinary activities

Factors affecting current tax charge for the year

	2003 £	2002 £
Profit on ordinary activities before taxation	387,811	443,130
Taxation on profit on ordinary activities at UK corporation tax rate of 30% (2002: 30%)	116,343	132,939
Group relief received for nil consideration	116,343	(132,939)
Current ordinary tax charge for the year	-	-

5. Debtors – due within one year

	30 June 2003 £	30 June 2002 £
Amount owed by: Diageo Finance plc	11,093,576	10,705,765

6. Creditors – due within one year

	30 June 2003 £	30 June 2002 £
Amount owed to: Diageo Great Britain Limited	876,142	876,142

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 7. Share capital

	30 June 2003 £	30 June 2002 £
<b>Authorised, allotted, called up and fully paid</b>		
Equity – 100 ordinary shares of £1 each	100	100
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Ordinary shares are entitled to one vote each.

## 8. Reserves

	<b>Profit and loss account £</b>
At 30 June 2002	9,829,523
Retained profit for year	387,811
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<b>At 30 June 2003</b>	<b>10,217,334</b>
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## 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 can be obtained from the registered office at 8 Henrietta Place, London W1G 0NB.