

CARILLON U.K. LIMITED

DIRECTORS' REPORT & FINANCIAL STATEMENTS

30 June 2001

Registered Number: SC36037

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DIRECTORS' REPORT

The directors have pleasure in submitting their annual report, together with the audited financial statements, for the year ended 30 June 2001.

Activities

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

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 for Carillon U.K. Limited. 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 year ended 30 June 2001 are shown on page 7.

The directors do not recommend the payment of a dividend for the year ended 30 June 2001 (2000 - £nil).

The profit for the year transferred to reserves is £466,741 (2000 - £1,375,797).

Directors

The directors who served during the year were as follows:

P K Bentley	(resigned 31 October 2000)
P S Binning	(appointed 15 December 2000)
S M Bunn	(appointed 10 November 2000)
J J Corbett	(resigned 10 November 2000)
R H Myddelton	(appointed 10 November 2000)
P J Radcliff	(resigned 18 December 2000)
J A Southern	(appointed 15 December 2000)

Directors' emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company (2000 - £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)

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
PS Binning	16,808	21,099	57,813	13,937	(6,721)	(4,279)	60,750
S M Bunn	1,769	1,790	4,650	-	(1,374)	(876)	2,400
R H Myddelton	35,270	33,411	41,287	6,919	(11,318)	(7,206)	29,682
J A Southern	29,068	32,090	15,250	-	(4,888)	(3,112)	7,250

The directors were granted conditional rights to receive ordinary shares or, exceptionally, a cash sum under certain long term incentive plans, the Share Incentive Plan and the Total Shareholder Return Plan ('TSR'). 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	-	-	112,572
S M Bunn	11,678	5,124	-	16,802
R H Myddelton	265,939	-	(121,041)	144,898
J A Southern	87,671	-	(16,720)	70,951

DIRECTORS' REPORT (continued)

The directors held the above options under Diageo plc share option schemes at prices between 402p and 710p per ordinary share exercisable between 13 September 2010 and 13 March 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'), introduced with effect from 1 January 2000, may not normally be exercised unless a performance condition is satisfied. The performance condition applicable to the first grant of options 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.

The mid-market share price of Diageo plc shares fluctuated between 560p and 792p during the year. The mid-market share price on 30 June 2001 was 780p.

At 30 June 2001, P S Binning and J A Southern both had an interest in 154,100 shares and 2,017,451 shares subject to call options, and R H Myddelton had an interest in 46,480 shares and 2,077,419 shares subject to call options, held by trusts to satisfy grants made under ex-Grandmet incentive plans. Also at that date, P S Binning, S M Bunn and J A Southern each had an interest in 20,315,535 shares and 4,074,020 shares subject to call options, and R H Myddelton had an interest in 9,831,421 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 and J J Nicholls was appointed in her place.

Auditors

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

By order of the board



J J Nicholls
Secretary

Edinburgh Park, 5 Lochside Way, Edinburgh EH12 9DT

15 April 2002

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the report of the auditors, 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, and that accounting standards they consider to be applicable 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.

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 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 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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

Glasgow

12 April 2002

PROFIT AND LOSS ACCOUNT

	Notes	Year ended 30 June 2001 £	Year ended 30 June 2000 £
Operating costs	1,2	(47,125)	-
Operating loss		(47,125)	-
Interest receivable from group company		549,114	502,315
Profit on ordinary activities before taxation		501,989	502,315
Tax on profit on ordinary activities	4	(35,248)	873,482
Transferred to reserves	8	466,741	1,375,797

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

There are no recognised gains or losses other than the result 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 2001 £	30 June 2000 £ Restated
Current assets			
Debtors – due within one year	5	10,262,635	9,748,769
Creditors – due within one year			
Other creditors	6	(876,142)	(829,017)
Total assets less current liabilities		9,386,493	8,919,752
		=====	=====
Capital and reserves			
Called up share capital	7	100	100
Profit and loss account	8	9,386,393	8,919,652
Total assets less current liabilities		9,386,493	8,919,752
		=====	=====

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

These financial statements were approved by the board of directors on 15 April 2002 and were signed on its behalf by:



S M Bunn
Director

Reconciliation of movements in shareholders' funds

	Year ended 30 June 2001 £	Year ended 30 June 2000 £
Profit for the financial year	466,741	1,375,797
Shareholders' Funds at beginning of year	8,919,752	7,543,955
Shareholders' Funds at end of year	<u>9,386,493</u>	<u>8,919,752</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. Adjustments have been made to prior year figures within debtors and creditors to reclassify items within these captions onto a basis consistent with 2001.

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

	2001 £	2000 £
Exchange loss	47,125	-
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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 (2000 - £nil). Auditor's remuneration was paid on behalf of the company by another fellow group undertaking.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Tax on profit on ordinary activities

	2001 £	2000 £
Corporation tax for the year	-	(113,021)
Prior year adjustment	(35,248)	986,503
	<hr/> (35,248) <hr/>	<hr/> 873,482 <hr/>

From 1 July 1999 the Company has 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 2001. The prior year adjustment principally results from a reassessment of group relief in respect of earlier periods.

5. Debtors – due within one year

	2001 £	2000 £
		Restated
Amounts owed by group undertakings	10,096,190	9,547,076
Corporation tax	166,445	201,693
	<hr/> 10,262,635 <hr/>	<hr/> 9,748,769 <hr/>

6. Other creditors – due within one year

	2001 £	2000 £
		Restated
Amounts owed to group undertakings	876,142	829,017
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NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Share capital

	2001 £	2000 £
Authorised, allotted, called up and fully paid		
Equity – 100 ordinary shares of £1 each	100	100
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Ordinary shares are entitled to one vote each.

8. Reserves

	Profit and loss account £
At 30 June 2000	8,919,652
Retained profit for year	466,741
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At 30 June 2001	9,386,393
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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 for the year ended 30 June 2001, can be obtained from the Registered Office at 8 Henrietta Place, London W1G 0NB.