

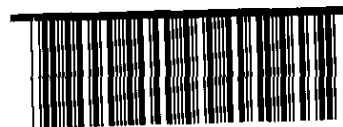
**Carillon U.K. Limited (formerly The Bombay  
Spirits Company Limited)**

Directors' report and financial  
statements

Registered number 36037

30 June 1999

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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 1999.

### **Activities**

The principal activity of the company is the receipt of royalties. The directors foresee no changes in the company's activities.

### **Year 2000**

The Year 2000 problem refers to the inability of some information systems and computerised equipment to handle four-digit years, causing them to generate inaccurate information and potentially to fail. The Diageo group established a compliance programme in each of its main business units (UDV, Pillsbury, Guinness, Burger King) and subsidiaries to investigate and manage potential impacts. The programmes were co-ordinated at Group level with regular status reports to the Diageo board.

All critical systems and processes were declared Year 2000 ready in September 1999, and to date no major issues have been identified. Procedures are in place to monitor developments and will continue for as long as the Year 2000 risk remains.

The full cost of managing the Year 2000 problem for Carillon U.K. Limited has not been identified separately, but is included within the overall programme cost shown in the annual report of the ultimate parent company, Diageo plc.

### **Euro**

In accordance with the Treaty on European Union, signed at Maastricht on 7 February 1992, the third stage of Economic and Monetary Union (EMU) commenced on 1 January 1999. The Diageo Group's euro-readiness is being managed as a discrete business project. The Group expects to have systems and procedures in place which will enable it to conduct euro transactions appropriate to local market requirements.

The Diageo Group is also working actively with key business suppliers, joint distribution arrangement partners and customers. In addition, monetary union may have a significant impact on macroeconomic factors, including interest and foreign exchange rates.

Key commercial risks, such as pricing transparency, have been analysed, with a view to reducing any impact through active management over the transition period and beyond. However, there can be no assurance that the euro will not have a negative impact. The impact of future entry to EMU of other European countries (particularly the United Kingdom) is being similarly analysed.

The cost associated with the euro-readiness project for Carillon U.K. Limited has not been identified separately but is included within the overall project cost in the annual report of the ultimate parent company, Diageo plc.

### **Financial**

The results for the period shown on page 6 are for the twelve months from 1 July 1998 to 30 June 1999.

The directors do not recommend the payment of a dividend (1998: £Nil). The profit for the period retained in the company is £494,079 (1998: £5,899,214).

## Directors' report *(continued)*

### Directors

The directors who served during the period were as follows:-

JJ Corbett	
PJ Radcliff	(appointed 29 June 1999)
NC Rose	
PR Somers	(appointed 1 February 1999; resigned 29 June 1999)
G Williams	(resigned 1 February 1999)

Subsequent to the period end PK Bentley was appointed a director and NC Rose resigned as a director on 1 July 1999.

### Emoluments

None of the directors received any remuneration during the period in respect of their services as directors of the company (1998: £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:-

Name of director	Shares and Awards over ordinary shares					
	Ordinary shares of 28 101/108p	Ordinary Shares of 28 101/108p	RSP Awards	Guinness LTIP	Diageo LTIP	Diageo LTIP
	(1)	(1)	(2)	(2)	(3)	(3)
	1.7.98 or date of appointment	30.6.99	30.6.99	30.6.99	Performance cycle commencing 1.1.98	1.1.99
JJ Corbett	1,380	3,859	5,000	-	2,250	-
PJ Radcliff	6,400	6,400	-	-	15,000	14,193
NC Rose	3,572	3,572	19,550	-	36,021	32,752

Name of director	Options			
	1.7.98 or date of appointment	Granted during period	Exercised during period	30.6.99
JJ Corbett	64,803	-	5,000	59,803
PJ Radcliff	101,098	-	-	101,098
NC Rose	176,320	-	-	176,320

The directors held the above options under Grand Metropolitan PLC and Diageo plc share option schemes at prices between 314p and 533.5p per share exercisable by 2007. No options lapsed and no awards vested during the year.

The mid-market share price of Diageo plc shares fluctuated between 480.5p and 778.5p per share during the year. The mid-market share price on 30 June 1999 was 662.5p.

At 30 June 1999 the directors had an interest in 22,169,328 shares and 9,096,653 shares subject to call options held by trusts to satisfy grants made under ex-Grand Metropolitan incentive plans, ex-Guinness incentive plans and Diageo incentive plans and savings-related share option schemes.

## **Directors' report** *(continued)*

### **\* Notes**

#### **(1) Ordinary shares**

Interests in ordinary shares at 1 July 1998, or date of appointment where applicable, include B shares converted at a rate of 70.993915 ordinary shares to every 100 B shares, although the conversion actually occurred on 1 August 1998.

#### **(2) The Guinness LTIP and The Grand Metropolitan Restricted Share Plan (RSP)**

Awards over shares were granted to senior executives, with eventual transfer dependent on the performance of total shareholder return (TSR) against a comparator group of companies at the end of three years after the date of grant. Following the merger, performance targets attached to the Guinness awards granted in 1996 were waived. The 1997 awards granted by Grand metropolitan and Guinness are now dependent upon the performance of Diageo's TSR against comparator groups of companies.


#### **(3) The Diageo LTIP (LTIP)**

Under the Diageo LTIP, approved in August 1998, eligible senior executives are granted a conditional right to receive shares or, exceptionally, a cash sum. The rights vest after the end of a three year period following the date of grant (the "performance cycle") provided a performance test is achieved and subject to the discretion of the trustees who operate the LTIP. The performance test is a comparison of the annualised percentage growth in Diageo's share price (assuming all dividends and capital distributions are re-invested) known as total shareholder return (TSR) with the TSRs of a defined peer group of 20 companies over a three year period. The remuneration committee will not recommend the release of awards if there has not been an underlying improvement in the financial performance of Diageo. The first LTIP performance cycle runs from 1 January 1998 to 31 December 2000 and the second from 1 January 1999 to 31 December 2001. Awards of shares will be released, subject to the performance test and the discretion of the trustees, in March 2001 and March 2002 respectively. The number of awards shown will only be released if Diageo reaches position five within the peer group (upper quartile). At position four 125% of the original awards will vest and, at position three or above, 150%. At position ten (median position), 50% of the awards will vest. Between median and upper quartile, vesting will be calculated on a straight line basis. Awards will lapse if Diageo does not reach position ten.

### **Secretary**

On 1 July 1999 CJ Taylor resigned as Secretary of the Company and MD Peters was appointed in his place.

By Order of the Board



**MD Peters**  
Secretary

Edinburgh Park  
5 Lochside Way  
Edinburgh  
EH12 9DT  
20 April 2000

## Statement of directors' responsibilities

The following statement, which should be read in conjunction with the report of the auditors set out on page 5, 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 and the group 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.

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 group and to prevent and detect fraud and other irregularities.

The directors, having prepared the financial statements, have requested the auditor to take whatever steps and undertake whatever inspections it considers to be appropriate for the purpose of enabling them to give their audit report.

kpmg

**KPMG Audit Plc**

24 Blythwood Square  
Glasgow  
G2 4QS  
United Kingdom

**Report of the auditors to the members of Carillon U.K. Limited (formerly The Bombay Spirits Company Limited)**

We have audited the financial statements on pages 6 to 10.

**Respective responsibilities of directors and auditor**

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**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 1999 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*

26 April 2000

**Profit and loss account**  
*for the year ended 30 June 1999*

	<i>Note</i>	<b>Year ended 30 June 1999 £</b>	<b>Nine months ended 30 June 1998 £</b>
Turnover and operating profit	1, 2	-	108,881
Other interest received and similar income:			
Receivable from group company		604,056	13,384
Profit on disposal of trademarks	3	-	8,427,321
Exchange difference		112,000	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation		716,056	8,549,586
Tax on profit on ordinary activities	4	(221,977)	(2,650,372)
		<hr/>	<hr/>
Profit for the financial period		494,079	5,899,214
		<hr/> <hr/>	<hr/> <hr/>

**Movements in reserves**


Reserves at beginning of period	7,049,776	1,150,562
Retained profits for period	494,079	5,899,214
	<hr/>	<hr/>
Reserves at end of period	7,543,855	7,049,776
	<hr/> <hr/>	<hr/> <hr/>

The company has no recognised gains or losses for the period other than the profit for the financial period.

**Balance sheet**  
*at 30 June 1999*

	<i>Note</i>	<b>30 June 1999 £</b>	<b>30 June 1998 £</b>
<b>Current assets</b>			
Debtors:			
Amounts owed by group undertakings	5	8,215,744	9,762,068
Creditors:			
Amounts falling due within one year			
UK corporation tax		(671,789)	(2,712,192)
Net current assets		<u>7,543,955</u>	<u>7,049,876</u>
Total assets less current liabilities		<u>7,543,955</u>	<u>7,049,876</u>
<b>Capital and reserves</b>			
Called up share capital			
Authorised, allotted, called up and full paid: 100 ordinary shares of £1 each	6	100	100
Profit and loss account		<u>7,543,855</u>	<u>7,049,776</u>
Shareholders' funds (all equity)		<u>7,543,955</u>	<u>7,049,876</u>

These financial statements were approved by the Board of Directors on 20 April 2000 and were signed on its behalf by:

  
JJ Corbett  
Director

**Reconciliation of movement in shareholders' funds**  
*as at 30 June 1999*

	Year ended 30 June 1999 £	Nine months ended 30 June 1998 £
Profit for the financial period	494,079	5,899,214
Shareholders' funds at beginning of period	7,049,876	1,150,662
	<hr/>	<hr/>
Shareholders' funds at end of period	7,543,955	7,049,876
	<hr/>	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### *Accounting convention*

The financial statements are prepared under the historical cost convention. They have been drawn up to comply in all material respects with applicable UK accounting standards. The bases used are consistent with those used in the previous year.

#### *Foreign currencies*

Assets and liabilities denominated in foreign currencies are translated into sterling at the year end at the rate of exchange ruling at the balance sheet date. Transactions during the year are translated into sterling at the rates prevailing at the date of transaction. Exchange differences arising in the ordinary course of business are included in the profit and loss account.

### 2 Operating profit

The directors received no emoluments in respect of their services to the company and the audit fee has been borne by United Distillers & Vintners (HP) Limited (formerly International Distillers and Vintners Limited). The company has no employees and therefore there are no staff costs.

### 3 Profit on disposal of trademarks

On 7 June 1998 the company sold its interests in the Bombay Gin brands prior to the group's overall disposal and it has received £8,427,321 for its interests. The related corporation tax liability is estimated to be £2,612,470.

### 4 Tax on profit on ordinary activities

	Year ended 30 June 1999 £	Nine months ended 30 June 1998 £
UK corporation tax at 31% on the profits for the period	221,977	2,650,372

### 5 Debtors

All debtors are receivable within one year.

## **Notes** *(continued)*

### **6 Share capital**

Ordinary shares are entitled to one vote each.

### **7 Related party disclosures**

As the company is a wholly owned subsidiary of Carillon Importers Limited, and its ultimate holding company is Diageo plc, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions with entities which form part of the group (or trustees of the group qualifying as related parties).

### **8 Cash flow statement**

A cash flow statement is not presented as the company is a member of a group whose ultimate holding company, Diageo plc, includes a group cash flow statement in its financial statements.

### **9 Ultimate holding company**

The company is a wholly owned subsidiary of Carillon Importers Limited, a company incorporated in the USA, and its ultimate holding company as at 30 June 1999 was Diageo plc, a company incorporated and registered in England.

Diageo plc's accounting period end is 30 June and its consolidated accounts for the year ended 30 June 1999 can be obtained from the Registered Office at 8 Henrietta Place, London, W1M 9AG.