NMX

The Pierre Smirnoff Company, Limited

Financial statements
30 June 2005

Registered number FC018270

Statement of directors' responsibilities in relation to the financial statements

The following statement is made with a view to distinguishing for shareholders the responsibilities of the directors 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 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 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 that are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Profit and loss account

	Notes	**Year ended 30 June 2005 £000**	**Year ended 30 June 2004 £000**
Turnover	*1*	95	-
Operating costs	*2*	(59)	-
Operating profit		36	-
Net interest receivable	*4*	1	-
Profit on ordinary activities before taxation		37	-
Taxation on profit on ordinary activities	*5*	(423)	-
Amounts transferred from reserves	*10*	(386)	-

There are no recognised gains and 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 results for the years shown in the profit and loss account and the results for the relevant years restated on an historical cost basis.

All results arise from continuing operations.

Balance sheet

	Notes	30 June 2005 £000	30 June 2004 £000
Current assets			
Debtors: due within one year	6	12,481	12,459
Debtors: due after one year	6	-	380
		12,481	12,839
Creditors: due within one year	8	(28)	-
Net assets		12,453	12,839
Capital and reserves			
Called up share capital	9	1	1
Profit and loss account	10	12,452	12,838
Equity shareholders' funds		12,453	12,839

These financial statements on pages 2 to 10 were approved by the board of directors on 21 November 2005 and were signed on its behalf by:

S M Bunn
Director

Activities

The company continues to own trademarks relating to rights in an overseas territory. The company did not trade during the preceding financial years, but started to trade again as from July 2004 in this financial year.

Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

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 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.

Intangible assets

When the cost of an acquisition exceeds the fair values attributable to the company's share of the net assets acquired, the difference is treated as purchased goodwill. Goodwill arising on acquisitions subsequent to 1 July 1998 is capitalised, but prior to that date it was eliminated against reserves and this goodwill has not been restated.

Acquired brands and other intangible assets, which are controlled through custody or legal rights and could be sold separately from the rest of the business are capitalised, where fair value can be reliably measured.

Where capitalised goodwill and intangible assets are regarded as having limited useful economic lives, their cost is amortised on a straight-line basis over those lives (up to 20 years). Where goodwill and intangible assets are regarded as having indefinite useful economic lives, they are not amortised. Assets with indefinite lives are reviewed for impairment annually and other assets are reviewed for impairment wherever events or circumstances indicate that the carrying amount may not be recoverable. Impairment reviews, comparing the discounted estimated future operating cash flows with the net carrying value of brands or goodwill, are carried out to ensure that goodwill and intangible assets are not carried at above their recoverable amounts. Amortisation and any impairment write downs are charged to the profit and loss account.

Accounting policies (continued)

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 foreign 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 foreign currency contract.

All exchange gains and losses are taken to the profit and loss account.

Turnover

Turnover represents the net invoice value of goods and services including excise duties and royalties receivable, but excluding value added tax.

Turnover for goods is recognised at the fair value of the right to consideration. The point at which ownership transfers may be at the time of despatch, delivery or some other point depending upon individual customer terms. Provision is made for returns where appropriate. Turnover for goods is stated net of price discounts, allowances for customer loyalty and certain promotional activities and similar items.

Deferred taxation

Full provision is made for timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations using current tax rates. The company does not discount these balances. No deferred tax is provided in respect of any future remittance of earnings of foreign subsidiaries or associates where no commitment has been made to remit such earnings.

Notes to the financial statements

1. Analysis of turnover and profit on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation are attributable to one class of business that of the sale of Smirnoff brands to Russian 3rd party customers.

2. Operating costs

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Other external charges (a)	2	-
Other operating charges	(61)	-
	(59)	-

(a) **Other external charges** include: gains in respect of foreign exchange £2,000 (2004 - £nil).

3. Directors and employees

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

None of the directors received any remuneration during the financial year in respect of their services as directors of the company (2004 - £nil).

4. Net interest receivable

	Year ended 30 June 2005 £	Year ended 30 June 2004 £
Interest payable on:		
Loans from Diageo Finance plc	(416)	-
Less interest receivable on:		
Loans to Diageo Finance plc	918	-
	502	-

Notes to the financial statements (continued)

5. Taxation

(i) Analysis of taxation charge for the year	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Current tax		
UK corporation tax at 30% (2004 – 30%)	(11)	-
Double tax relief	11	-
Overseas corporation tax	(14)	-
Total current tax	(14)	-
Deferred tax		
Overseas	(1)	-
Adjustment in respect of prior years	(408)	-
Total deferred tax	(409)	-
Taxation on profit on ordinary activities	(423)	-

(ii) Factors affecting current tax charge for the year	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Profit on ordinary activities before taxation	37	-
Taxation on profit on ordinary activities at UK corporation tax rate of 30% (2004 - 30%)	(11)	-
Higher tax rates on overseas earning	(3)	-
Current ordinary tax charge for the year	(14)	-

Notes to the financial statements (continued)

6. Debtors

	30 June 2005 Due within one year £000	30 June 2005 Due after one year £000	30 June 2004 Due within one year £000	30 June 2004 Due after one year £000
Amounts owed by fellow group undertakings:				
Diageo North America Inc.	12,253	-	12,213	-
Diageo Finance plc	26	-	20	-
Diageo Brands B.V.	18	-	-	-
Corporation tax debtor	184	-	198	-
Deferred taxation (note 7)	-	-	28	380
	12,481	-	12,459	380

7. Deferred taxation

	30 June 2005 £000	30 June 2004 £000
Accelerated depreciation	-	28
Other provisions	(1)	-
Other timing differences	-	380
Deferred tax (liability)/asset	(1)	408

Deferred taxation assets have been recognised to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred taxation assets, where realisation does not meet the more likely than not criterion, have not been recognised. The maximum potential deferred tax asset which is not recognised in the balance sheet amounts to £nil (2004 - £nil).

Notes to the financial statements (continued)

8. Creditors due within one year

	30 June 2005 £000	30 June 2004 £000
Amounts owed to Diageo Scotland Limited	(27)	-
Deferred taxation (note 7)	(1)	-
	(28)	-

9. Share capital

	30 June 2005 £	30 June 2004 £
Authorised, allotted, called up and fully paid:		
Equity - 750 shares of Class A Stock of US$1 each	484	484
Equity - 250 shares of Class B Stock of US$1 each	161	161
	645	645

10. Reserves

	Profit and loss account £000
At 30 June 2004	12,838
Retained loss for year	(386)
At 30 June 2005	12,452

Notes to the financial statements (continued)

11. Reconciliation of movement in shareholders' funds

	30 June 2005 £000	30 June 2004 £000
Loss on ordinary activities after taxation	(386)	-
Shareholders' funds at beginning of year	12,839	12,839
Shareholders' funds at end of year	12,453	12,839

12. Immediate and ultimate parent undertaking

The company is incorporated with limited liability in Delaware in the United States of America. Its place of business in the United Kingdom is 8 Henrietta Place, London, W1G 0NB.

The immediate parent undertaking of the company is Diageo Great Britain Limited and the ultimate parent undertaking is Diageo plc, both of which companies are 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.

13. Directors

The directors during the year were as follows:

N J Arthur (appointed 20 August 2004, resigned 30 November 2004)
S M Bunn
A J Fennell (resigned 30 November 2004)
R J Moore (appointed 30 November 2004)
A Morgan
J Thompson (appointed 30 November 2004)

14. Secretary

J Nicholls is the Secretary of the company.