Company Registration No. 00703977 (England and Wales)

ALLIED DOMECQ SPIRITS & WINE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

ALLIED DOMECQ SPIRITS & WINE LIMITED

COMPANY INFORMATION

Directors	E Fells G Buist S Macnab C Thompson S McKechnie
Secretary	A H Smiley
Company number	00703977
Registered office	20 Montford Place Kennington London SE11 5DE
Auditor	KPMG LLP 15 Canada Square London E14 5GL

ALLIED DOMECQ SPIRITS & WINE LIMITED

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ALLIED DOMECQ SPIRITS & WINE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

The Directors present their report and financial statements for the year ended 30 June 2021.

About the Company
The principal activity of the Company is the ownership of a portfolio of intellectual property trademarks related to the Pernod Ricard Scotch Whisky business. The Company is one of the main subsidiaries of Pernod Ricard S.A. ("PRSA"), the accounts of which are publicly available from 5 Cours Paul Ricard, 75008 Paris, France.

Business review
The Company's results have been prepared in accordance with FRS 101 - Reduced Disclosure Framework ("FRS 101").

As a Company that owns intellectual property trademarks, the most material items impacting the Company's current and prior year statement of total comprehensive income is royalty income from licensing fees for use of the Company's brands. In addition, the Company currently receives interest income on its lending activity to its parent.

The Company made a profit before taxation of £24m in the year (2020: £86m), £62m lower year-on-year due to reductions of £44m in royalty income and £18m in interest income.

Royalty income of £9m was £44m lower than last year due to a significant reduction in the royalties earned by the Company from its licensee, a fellow PRSA group company in the UK. The new licensing contract agreed between the parties was effective from 1 July 2020 and set the royalty rate from that date in line with benchmark data for pure brand owning companies.

The Company's interest income of £15m was £18m lower than last year, partly due to the impact of lower Sterling interest rates on a substantial lending (c £1.4bn), but also due to that same lending being offset in full against a dividend obligation, eight months into the financial year.

On the 11 February 2021, the Company completed a capital reduction which created £749m of distributable reserves by cancelling its share premium account and redenominating its ordinary shares from 25p shares to 2.5p shares. On 26th February the Company declared an interim dividend of £1,375.9m and offset the dividend liability against the loan receivable from its parent.

Future Developments
Going forward, the Company's principal activity remains that of a passive brand owner and this has been formalised by the new licensing agreement that became effective 1 July 2020.

Results and dividends
The results for the year are set out on page 9. A review of the business and results for the year are discussed above.

The Company paid an ordinary dividend of £1,376,000,000 in the year (2020: nil).

Directors
None of the directors had any beneficial interest in the share capital of the Company or any other group Companies in the United Kingdom, either at the beginning or at the end of the year. The directors who held office during the year and up to the date of signature of the financial statements were as follows:

V Turpin	(Resigned 30 September 2020)
A Hamilton-Stanley	(Resigned 1 September 2020)
G Buist	
S Macnab	
C Thompson	
E Fells	(Appointed 1 October 2020)
J C Coutures	(Resigned 31 July 2021)
S McKechnie	

Political donations
Neither the Company nor any of its direct subsidiaries made any political donations or incurred any political expenditure during the year.

Energy and Carbon
The Company is not required to make disclosures of energy and carbon information as in undertaking its activities for the year it has consumed less than 40MWh of energy and therefore qualifies as a low energy user.

Employee involvement
The average monthly number of persons (including directors) employed by the Company during the year was nil, and therefore did not exceed 250.

Financial instruments
Treasury operations and financial instruments
Pernod Ricard S.A group ("The Group") operates a centralised treasury function. The directors make use of this facility to assist in managing liquidity, interest rate and foreign currency risks associated with the Group's activities.

Liquidity risk
The Group manages its cash and borrowing requirements centrally to maximise interest income and minimise interest expense, whilst ensuring that the Group has sufficient liquid resources to meet the operating needs of the business.

Interest rate risk
The Group is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on its floating rate deposits, bank overdrafts and loans. The Group uses interest rate derivatives to manage the mix of fixed and variable rate debt so as to reduce its exposure to changes in interest rates, where appropriate. The Company has no interest rate swaps in place as all loan balances are within the Pernod Ricard S.A. group.

Foreign currency risk
The Group's principal foreign currency exposures arise from trading operations in overseas companies. Group policy permits, but does not demand, that these exposures may be hedged. This hedging activity involves the use of foreign exchange forward contracts.

Credit risk
Investments of cash surpluses, borrowings and derivative instruments are made through banks which must fulfill credit rating criteria approved by the Board of Directors of Pernod Ricard S.A.

Auditor
Pursuant to section 487 of the Companies Act 2006, the auditor will be reappointed and KPMG LLP will continue in office.

Statement of disclosure to auditor
Each of the directors in office at the date of approval of this annual report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going Concern
As detailed in accounting policy 1.7, at the time of approving the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The Directors' Report has been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

In accordance with section 414B of the Companies Act 2006, a Strategic Report has been excluded from these financial statements, due to the entity's eligibility for small company exemptions.

On behalf of the Board

S Macnab
Director
20 Montford Place
Kennington
London
SE11 5DE
6 December 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ALLIED DOMECQ SPIRITS & WINE LIMITED

Opinion

We have audited the financial statements of Allied Domecq Spirits & Wine Limited ('the Company') for the year ended 30 June 2021 which comprise the statement of total comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included enquiring of directors and inspection of policy documentation as to the policies and procedures of Pernod Ricard S.A. to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions. We did not identify any additional fraud risks.

We performed procedures including agreeing all accounting entries in the period to supporting documentation.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

This company, as a holding company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ALLIED DOMECQ SPIRITS & WINE LIMITED

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at

www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Jeremy Williams (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
6 December 2021

ALLIED DOMECQ SPIRITS & WINE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2021

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

ALLIED DOMECQ SPIRITS & WINE LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 £'m	2020 £'m
Royalty income		9	53
Operating profit		9	53
Interest receivable and similar income	5	15	33
Profit before taxation		24	86
Tax on profit	6	-	-
Profit for the financial year		24	86
Other comprehensive income		-	-
Total comprehensive income for the year		24	86

The statement of total comprehensive income has been prepared on the basis that all operations are continuing operations.

The notes on pages 12 to 27 are an integral part of these financial statements.

ALLIED DOMECQ SPIRITS & WINE LIMITED

BALANCE SHEET

AS AT 30 JUNE 2021

		2021		2020	
	Notes	£'m	£'m	£'m	£'m
Fixed assets					
Intangible assets	8		429		429
Investments	9		2		2
			431		431
Current assets					
Lease receivable due within one year	12	1		1	
Lease receivable due after one year	12	6		8	
Debtors falling due within one year	11	-		1,367	
Debtors falling due after one year	11	16		-	
Cash at bank and in hand		-		-	
		23		1,376	
Current liabilities					
Lease payable: amounts falling due within one year	14	(2)		(1)	
Net current assets			21		1,375
Total assets			452		1,806
Lease payable: amounts due after one year	14		(7)		(9)
Net assets			445		1,797
Capital and reserves					
Called up share capital	16		83		829
Share premium account	17		-		3
Profit and loss reserves			362		965
Total equity			445		1,797

The notes on pages 12 to 27 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 6 December 2021 and are signed on its behalf by:

S.S

S Macnab
Director
20 Montford Place
Kennington
London
SE11 5DE
Company Registration No. 00703977

ALLIED DOMECQ SPIRITS & WINE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

		Share capital	Share premium account	Profit and loss reserves	Total
		£'m	£'m	£'m	£'m
Balance at 1 July 2019		829	3	879	1,711
Year ended 30 June 2020:					
Total comprehensive income for the year		-	-	86	86
Balance at 30 June 2020		829	3	965	1,797
Year ended 30 June 2021:					
Total comprehensive income for the year		-	-	24	24
Dividends	**7**	-	-	(1,376)	(1,376)
Reduction of par value of sterling shares	**16**	(746)	-	746	-
Share premium cancellation	**17**	-	(3)	3	-
Balance at 30 June 2021		83	-	362	445

The notes on pages 12 to 27 are an integral part of these financial statements.

1 Accounting policies

Company information

Allied Domecq Spirits & Wine Limited is a limited company domiciled and incorporated in England and Wales. On 1 July 2020, the registered office moved to 20 Montford Place, Kennington, London, SE11 5DE (previously Chivas House, 72 Chancellors Road, London, W6 9RS.

The Company is a wholly owned subsidiary of Pernod Ricard S.A. and its results are included in the consolidated financial statements of Pernod Ricard S.A.

The consolidated financial statements of Pernod Ricard S.A can be accessed at https://www.pernod-ricard.com/en/our-news-and-press/our-publications-and-reports/.

1.1 Accounting convention

These financial statements were prepared in accordance with Financial Reporting Standard 101 - Reduced Disclosure Framework ("FRS 101"). The presentation currency of these financial statements is Sterling, which is also the functional reporting currency of the Company.

All amounts in the financial statements have been rounded to the nearest £1m.

1.2 Changes in accounting standards
Applicable new standards, amendments and interpretations

There were no new standards, amendments or interpretations relevant to the Company from 1 July 2020, and as such there was no implementation of new standards or interpretations which resulted in material adjustments at company level.

1.3 Consolidated financial statements
The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the Company as an individual entity and not about its group.

1 Accounting policies **(Continued)**

1.4 Reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by Paragraph 8 of FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures.
- the requirements of IFRS 13 Fair Value Measurement.
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of IAS 36 Impairment of Assets.

This information is included in the consolidated financial statements of Pernod Ricard S.A. for the year ended 30 June 2021. Copies of its annual report may be obtained from 5 cours Paul Ricard, 75008, Paris, France.

1.5 Basis of preparation

The financial statements have been prepared under the historical cost convention and on a going concern basis. The principal accounting policies adopted are set out below and, unless otherwise stated, have been applied consistently to all periods presented in these financial statements.

1.6 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and amounts reported in the statement of total comprehensive income during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements:

Assessing for indicators of impairment

At each reporting date, the Company assesses whether there is any indication that its investments and intangible fixed assets may be impaired by considering both external and internal indicators that may have an adverse effect on these assets. If no such indicators of impairment are identified no further assessment is carried out by the Company.

Assessing lives of Intangible Assets

Based on the director's assessment of a range of factors, the useful lives of the brands and IP licenses held by the Company are, and will continue to be, considered to be indefinite.

1 Accounting policies **(Continued)**

1.7 Going concern

In light of the global pandemic, the directors considered the appropriateness of adopting the going concern basis in all active, non-trading companies in the UK under the intermediate control of Pernod Ricard UK Group Limited ("PRUKG"), and ultimate control of Pernod Ricard S.A. ("Group").

The assets of the entities under consideration consist entirely of either investments in, or intercompany lending between fellow PRUKG or Group subsidiaries. Receivables are in the form of lending to fellow PRUKG or Group entities and similarly payables are in the form of borrowings from fellow PRUKG or Group entities. Consistent with past practice for intra UK liabilities, should the lending position not be replaced by loans on terms agreed by both parties, the liability could be discharged via a corporate transaction such as a dividend in specie, an offset against loan receivables, or capitalisation of the debt, depending on the precise circumstances involved in each case.

After carefully considering each intra UK borrowing, the directors concluded that all intra UK liabilities of active non-trading companies, if not replaced by loans on agreed new terms, could be discharged in full, and, as a consequence, anticipate full recoverability for the UK company providing the corresponding lending.

In the directors' opinion, given the Company is an active non-trading UK company, it therefore has adequate resources to continue operating for the foreseeable future.

1.8 Intangible fixed assets other than goodwill

The useful lives of the brands and IP licenses, held by the Company are, and will continue to be considered to be, indefinite; hence a policy of non-amortisation is deemed to be appropriate for these intangible assets.

The brands and IP licenses are capable of continued measurement so that annual impairment reviews are feasible.

Many factors are considered in determining the assessment of an indefinite useful life of an intangible asset, including:

(a) changes to the legal and regulatory environment;
(b) technical, technological, commercial or other types of obsolescence;
(c) the stability of the industry in which the asset operates and changes in the market demand for the products or services output from the asset;
(d) actions by competitors to their marketing or pricing policies or potential competitors entering the market;
(e) economic downturn; consumers may choose to purchase other brands.

1.9 Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. Any impairment losses or reversals of impairment losses are recognised immediately in the statement of total comprehensive income.

A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1 Accounting policies **(Continued)**

1.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

1.11 Financial instruments

(i) Recognition and initial measurement

The Company has elected to apply the provisions of IFRS 9 (Financial Instruments).

Financial instruments are recognised in the Company's Balance Sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Classification and subsequent measurement

Financial assets

a. *Classification*

On initial recognition, financial assets, which include trade receivable and intercompany lending *arrangements are initially measured at transaction price including transaction costs and classified* as measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

1 Accounting policies **(Continued)**

b. Subsequent measurement and gains and losses

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities

Financial liabilities classified as measured at amortised cost are initially measured at transaction price including transaction costs, then subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

Long term receivables (General Approach)

ECLs are recognised in two stages. For credit exposures which are considered low risk or for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

1 Accounting policies (Continued)

1.12 Leases

The Company transitioned to IFRS 16 on 1 July 2019 using the modified retrospective approach.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The following policy has been applied to all contracts in place on 1 July 2019 and will be applied to any subsequent contracts

1. ***As a Lessee***

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Company accounts for each lease component separately from the non-lease components. The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Company recognises a right-of-use asset and a lease liability at 1 July 2019 or the lease commencement date, whichever is the later. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Where the Company sublets a right-of-use asset under a lease term that covers the economic life of the right-of-use asset, the right-of-use asset is immediately de-recognised and a lease receivable recognised in its place.

Where a right-of-use asset has been recognised, it is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the future lease payments at 1 July 2019 or the commencement date, whichever is later, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

1 Accounting policies **(Continued)**

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

As at 1 July 2019, policy was applied to a head lease previously accounted for as an operating lease contract meeting the criteria of an onerous contract under IAS 37. The Company sub-let the underlying asset, reducing the payments used to calculate the onerous contract provision. On applying IFRS 16, the Company has derecognised the onerous contract provision and recognised the net investment in the sub lease as a lease receivable, and the future payments it will make under the head lease as a lease liability.

1 Accounting policies **(Continued)**

Short-term leases and leases of low value assets.
The Company has elected not to recognise right-of-use assets and lease liabilities for low value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. As a Lessor

At inception or on modification of a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

As discussed in section 1. as a Lessee, the Company has a sub-lease contract, previously accounted for as part of the onerous contract provision in respect of the head lease. Under IFRS 16, because the duration of the sub-lease matches the head lease, the arrangement is in substance equivalent to a lessor recognising an asset held under a finance lease. The Company has therefore recognised a lease receivable at 1 July 2019 (date of transition to IFRS 16) for this sub-lease contract.

1 Accounting policies **(Continued)**

1.13 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

1.14 Turnover from contracts with customers

Royalty income is earned on sales, made by a third-party licensee, of branded products for which the Company holds IP licenses. It is the only identifiable stream of revenue within the business.

Income is defined as a set percentage of net sales of products sold under the brands by the licensee in the relevant year to 30 June and is recognised on an accrual basis.

1.15 Taxation

The tax expense represents the sum of the tax currently payable.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of total comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

2 Auditor's remuneration

The auditor's remuneration for these financial statements amounts to £6,400 (2020: £5,500). The current and prior year audit fee has been borne by another group company. There are no additional fees receivable by the Company's auditor in respect of services other than the audit of the Company's financial statements.

3 Employees

There were no employees during the year (2020: nil).

4 Directors' remuneration

The number of directors remunerated by the Company for the year ended 30 June 2021 was nil (2020: nil). Directors' emoluments are borne by another group company in the current and prior year, the Directors perform no qualifying services for which remuneration is due and therefore they do not receive specific remuneration for their role as directors of the Company.

5 Interest receivable and similar income

	2021 £'m	2020 £'m
Interest income		
Interest receivable from group companies	15	33
Total income	15	33

6 Taxation

	2021 £'m	2020 £'m
Total current tax	-	-

The charge for the year can be reconciled to the profit per the statement of total comprehensive income as follows:

	2021 £'m	2020 £'m
Profit before taxation	24	86
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	5	16
Surrender of tax losses from group companies	(5)	(16)
Tax expense for the year	-	-

The tax charge in the year to 30 June 2021 has been reduced by £5m (2020: £16m) in respect of group relief received from group undertakings for nil consideration.

Factors that may affect future tax charges

The company has unrelieved capital losses carried forward as at 30 June 2021 of £549m (2020: £549m). No deferred tax asset has been recognised in respect of these losses as at 30 June 2021 (or 30 June 2020), as it is uncertain whether there will be suitable profits emerging in future periods against which to relieve them. Relief for these losses will only be obtained if there are suitable profits arising in future periods. The potential deferred tax asset unrecognised as at 30 June 2021 is £137m (2020: £104m).

The company's tax charge in future periods will be affected by the availability of group relief for any losses that are incurred by other group undertakings.

Finance Act 2021 was substantively enacted on 24 May 2021, which had the effect of increasing the main rate of corporation tax from 19% to 25% from 1 April 2023. As this rate change was enacted before the balance sheet date, any deferred tax assets or liabilities have been calculated at 19% or 25% in line with when the company anticipates the temporary differences will unwind.

7 Dividends

	2021 £'m	2020 £'m
Interim paid	1,376	-

8 Intangible fixed assets

	Brands £'m
Cost	
At 1 July 2020 and 30 June 2021	429
Impairment	
At 1 July 2020 and 30 June 2021	-
Carrying amount	
At 30 June 2021	429
At 30 June 2020	429

The recoverable value of the brands and IP licences held by the Company have been calculated with reference to the value in use.

9 Fixed Asset Investments

Movements in fixed asset investments
Current financial year

	Shares in subsidiary undertakings £'m
Cost	
At 1 July 2020 & 30 June 2021	69
Provision for diminution in value	
At 1 July 2020 & 30 June 2021	67
Net book value	
At 30 June 2021	2
At 30 June 2020	2

There were no movements in fixed asset investments between 1 July 2019 and 30 June 2020.

Details of the Company's subsidiaries can be found in Note 10.

10 Subsidiaries

Details of the Company's subsidiaries at 30 June 2021 are as follows:

Name of undertaking and country of registration or incorporation		Class of shareholding	% Held Direct
Allied Distillers Limited	Scotland	Ordinary	100.00
AD Former Rum Brands Limited	England	Ordinary	100.00
AD Former Rum Brands Limited	England	B ordinary	100.00
AD Former Rum Brands Limited	England	Deferred	100.00
Allied Domecq Spirits & Wine (Overseas) Limited	England	Ordinary	100.00
Beefeater Distillery Limited	England	Ordinary	100.00
European Cellars Limited	England	Ordinary	100.00
George Ballantine & Son Limited	Scotland	Ordinary	100.00
Glenburgie Distillery Limited	England	Ordinary	100.00
Glenlivet Spring Water Limited	England	Ordinary	100.00
Glentauchers Distillery Limited	England	Ordinary	100.00
Glentauchers Distillery Limited	England	Deferred	100.00
Mulben Warehouses Limited	Scotland	Ordinary	100.00
HWUK Limited	England	Ordinary	100.00
HW - Allied Vintners Limited	England	Ordinary	100.00
James Burrough Distillers Limited	England	Ordinary	100.00
James Burrough Limited	England	Ordinary	100.00
James Hawker & Company Limited	England	Ordinary	99.79
James Hawker & Company Limited	England	A Preference	100.00
James Hawker & Company Limited	England	B Preference	100.00
Long John Distilleries Limited	Scotland	Ordinary	100.00
Long John International Limited	England	Ordinary	100.00
Macnab Distilleries Limited	England	Ordinary	100.00
Miltonduff Distillery Limited	Scotland	Ordinary	100.00
Robert Macnish & Company Limited	Scotland	Ordinary	100.00
Stewart & Son of Dundee Limited	England	Ordinary	100.00
The Curtis Distillery Company Limited	England	Ordinary	100.00
The HW GRP Limited	England	Ordinary	100.00
The Scapa Distillery Ltd	England	Ordinary	100.00
Twelve Islands Shipping Company Limited	England	Ordinary	100.00
Tormore Distillery Limited	England	Ordinary	100.00

11 Debtors

	2021 £'m	2020 £'m
Amounts falling due within one year:		
Amounts due from fellow group undertakings	-	1,367
Amounts falling due after one year:		
Amounts due from fellow group undertakings	16	-
Total debtors	16	1,367

12 Lease receivable

	2021 £'m	2020 £'m
Amounts falling due within one year :		
Lease receivable	1	1
Amounts falling due after one year :		
Lease receivable	6	8
Total lease receivable	7	9

The Company applied IFRS 16 Leases for the first time in the prior financial year. This resulted in the recognition of a lease receivable, representing future rental income from a property under a sub-lease contract of the Company, where the Company acts as lessor. The property concerned is leased by the Company from a third party under a contract that meets the criteria of IFRS 16. Prior to implementing IFRS 16, the cashflows from both contracts formed the basis of an onerous contract provision under IAS 37.

Further details of the impact on implementation are discussed in the Accounting Policies section.

13 Leases

Amounts recognised in income statement	2021 £'m
Depreciation expense on right-of-use assets	-
Interest expense on lease liabilities	(0.20)
Interest income on lease receivables	0.10
Expense related to short-term and low value leases	-
	(0.10)

At 30 June 2021, the Company did not recognise a right-of-use asset and was not committed to any short-term or low value leases (2020:none).

14 Lease payable

	2021	2020
Amounts falling due within one year:	**£'m**	**£'m**
Lease liability	2	1
Amounts falling due after more than one year:		
Lease liability	7	9

Lease liability maturity analysis

	2021 £'m	2020 £'m
One to two years	1	2
two to three years	2	2
three to four years	2	2
later than five years	2	3
	7	9

Following the implementation of IFRS 16 in the prior financial year, the Company applied the modified retrospective approach resulting in 2019 comparatives remaining unchanged and measured under the requirements of IAS 17.

The lease creditor balance relates to future amounts payable to a third party in relation to a property leased by the Company and sub-let to another party. Prior to IFRS 16, the cashflows from both contracts formed the basis of an onerous contract provision under IAS 37.

Further details of the impact on implementation are discussed in the Accounting Policies section.

15 Provisions for liabilities

	2021 £'m	2020 £'m
At start of the financial year	-	2
Reclassification to finance lease receivable under IFRS16	-	(10)
Reclassification to finance lease payable under IFRS16	-	12
	-	-

The opening provision in the prior year represented an onerous contracts provision for a lease and sub-lease that the Company is party to as lessee and lessor respectively. The Company applied IFRS 16 Leases for the first time in the prior financial year which resulted in the component elements of the onerous provision being reclassified as a lease receivable in respect of the sub-lease contract, and a lease creditor in respect of the head lease contract. Further details of the impact on implementation are discussed in the Accounting Policies section.

16 Share capital

	2021 £'m	2020 £'m
Ordinary share capital		
Allotted, called up and fully paid		
3,317,881,771 Ordinary shares of 25p each	-	829
3,317,881,771 Ordinary shares of 2.5p each	83	-
	83	829

The Company has one class of ordinary shares with no rights to fixed income.

On the 11 February 2021, the Company completed a capital reduction and transferred £746m to distributable reserves by redenominating its share capital in issue from 25p shares to 2.5p shares.

17 Share premium account

This reserve records the amount above the nominal value received for shares issued, less transaction costs.

On 11 February 2021, the Company completed a capital reduction exercise cancelling its share premium account of £3m in full.

18 Financial commitments, guarantees and contingent liabilities

The Company is party to a guarantee arrangement under the UK banking facilities agreement with HSBC plc. Under this agreement, Chivas Brothers Limited assumes liability for any net overdraft borrowings of the Company with HSBC.

19 Related party transactions

The Company has taken advantage of the exemption under the terms of paragraph 8 (k) of FRS 101 from disclosing transactions with entities that are wholly owned by the Pernod Ricard S.A. group. There were no other related party transactions in the year.

20 Controlling party

The Company's immediate parent company is Chivas Brothers Limited, a company registered in Scotland.

The ultimate parent undertaking and controlling party is Pernod Ricard S.A., a company incorporated in France. Copies of its annual report may be obtained from 5, cours Paul Ricard, 75008, Paris, France. This is the largest and smallest group into whose consolidated accounts the Company's financial information is consolidated.

21 Events after the reporting date

No material events occurred after the reporting date.