Company Registration No. SC268758 (Scotland)

CHIVAS BROTHERS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

CHIVAS BROTHERS LIMITED

COMPANY INFORMATION

Directors	G Buist	
	H Fetter	
	A Hamilton-Stanley	
	L Lacassagne	
	S Livingstone	
	S Macnab	
	A McIntosh	
	A Schofield	(Appointed 16 February 2015)
	S Gallois	(Appointed 1 September 2015)
Secretary	S Macnab	
Company number	SC268758	
Registered office	111/113 Renfrew Road Paisley PA3 4DY	
Auditor	Mazars LLP 90 St. Vincent Street Glasgow G2 5UB	

CHIVAS BROTHERS LIMITED

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CHIVAS BROTHERS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2015

The directors present their strategic report for the year ended 30 June 2015.

Principal activities

Chivas Brothers Limited's principal activities are the distillation, warehousing, maturation and marketing of Premium Scotch whisky and gin products which are then sold worldwide by other Pernod Ricard S.A. ("the Group") entities to third parties. The Company is one of the main subsidiaries of the Group, the accounts of which are publicly available.

Chivas Brothers Limited ("the Company"), produces five of the Group's 'Top 14' brands - Chivas Regal is also identified as one of the Group's two Global Icons. Chivas Regal is therefore promoted across all of the Group's markets. The remaining four - Ballantine's, Beefeater, The Glenlivet and Royal Salute - are identified as strategic, flagship brands of the Group. The portfolio also includes a selection of highly acclaimed single malt whiskies, including Aberlour, Longmorn, Scapa, Strathisla and Tormore. The portfolio is completed by a collection of blended Scotch whiskies operating in many of the world's key whisky markets which includes Passport Scotch, 100 Pipers and Clan Campbell.

Review of the Company's business

Development and performance of the Company's business during the financial year and the position of the Company's business as at 30 June 2015

The priority of the Company is to promote growth of its products. The standout achievement in the year was double digit sales growth for The Glenlivet, a result of the commitment to innovation and craftsmanship through launches such as Founder's Reserve, the extension of the Master Distiller's Reserve range and The Winchester Collection. To ensure that current and future demand for "the single malt that set the standard" continues to be met, work began in September 2015 on the site of the Glenlivet Distillery to significantly increase capacity.

Ballantine's prestige portfolio has retained its loyal customer base through the launch of Ballantine's Golf Club, while millennial whisky drinkers have been recruited to Ballantine's Finest through successful marketing campaigns including the brand's partnership with Boiler Room. The rollout of Ballantine's Brasil, a new flavoured spirit drink, has continued across both mature and emerging markets. Two new whiskies have been introduced into the award-winning Chivas Regal portfolio – Chivas Extra and the latest luxury offering, Chivas Regal the Icon. As part of the Chivas Regal campaign "Win the Right Way", "The Venture" has been launched – a search for the world's most promising social entrepreneur.

Beefeater continues to capitalise on the global gin renaissance. Led by strong growth of Beefeater London Dry, the brand has engaged with the on-trade community through the Beefeater MIXLDN Bartender Competition and has inspired consumers through activations including Beefeater London Sounds.

The Company continues to lead in the standard segment with Passport Scotch which reached a record 1.7 million cases in the year. Passport has strong appeal among millennial consumers in emerging markets such as Brazil, Angola and Mexico, which has helped to earn its position as the fastest growing of all spirits brands that sell more than 200 thousand cases per year (based on IWSR 2014 figures).

In June 2015, the Company officially opened the Dalmunach Distillery, a further example of investment to support the long term global growth of the Company and Scotch whisky. The completion of the £25m state-of-the-art operation sees the culmination of an investment package which has increased the Company's malt whisky distillation capacity by 17%. The distillery is capable of producing up to ten million litres per year of high quality Speyside style spirit which may be used in blended whisky brands. It is the most energy efficient distillery within the Company's portfolio with a 20% efficiency improvement over traditional distilleries. The Company recently won The Sustainability Award at the Drinks Business Green Awards with Dalmunach praised for its design efficiency.

Key Performance Indicators

The key performance indicators used by the Company to measure the development and performance of the Company's business are detailed below.

Turnover for the financial year totalled £916m (2014: £921m). The slight decline in reported turnover is due to foreign exchange – on a constant exchange rate basis, underlying turnover increased in the year by 3%. Highlights within the overall good performance include 11% growth of The Glenlivet, which is now the world's Number 1 Single Malt Scotch whisky according to the latest International Wine and Spirit Research (IWSR) 2014 figures. Ballantine's Finest has shown positive momentum in emerging markets while higher sales of Beefeater include strong growth in Spain (the Number 1 market for gin globally).

Chivas Regal, the world's first luxury Scotch whisky, showed a robust performance despite challenges in traditional regional strengths (e.g. China) and the devaluation of the Russian Rouble, which has led to significantly less Russian travellers buying goods in airports.

Gross profit for the financial year totalled £521m (2014: £538m). The decrease of 3% reflects a negative forex impact and a different mix of products sold in the year. In particular, volumes of Royal Salute were lower due to weakened demand for Ultra Premium and Prestige brands especially in Asia.

Operating profit for the financial year totalled £377m (2014: £384m). The overall decrease of 2% is largely due to higher spend on advertising and promotional activities (+£14m). The adverse impact of forex in gross profit (as discussed above) is largely offset by forex gains from forward contracts which are included within administration costs (within operating profit).

The Company has £1,252m (2014: £1,181m) of inventory and £395m (2014: £367m) of tangible fixed assets at the year end. The increase in maturing spirit and production assets during the year demonstrates the Company's confidence and investment in the long-term growth of the Scotch whisky industry.

Principal risks and uncertainties of the business

Treasury risks
The Pernod Ricard Group (the "Group") operates a centralised treasury function. The directors make use of this facility to assist in managing liquidity, interest and foreign currency risks which the Company is exposed to through its activities.

Liquidity and cashflow 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 businesses.

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. Contracts in place at the balance sheet date are detailed in note 23 to the accounts.

Credit risk
Investments of cash surpluses, borrowings and derivative instruments are made through banks which must fufill credit rating criteria approved by the Board of Pernod Ricard S.A. All customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Risk of decline in social acceptability
If the social acceptability of our products declines or governments adopt policies against alcoholic beverages, our revenues could decrease and our business could be materially adversely affected.

Litigation risk
Litigation and complaints from consumers or government authorities resulting from beverage quality, illness, injury, alcohol abuse, illegal sales or targeted advertising and promotion of alcoholic beverages to underage consumers, and health concerns or other issues stemming from excessive alcohol consumption may affect our industry. If such litigation resulted in fines, damages or reputational damage to our Group or our brands, our business could be materially adversely affected.

Risks relating to consumer tastes and preferences
Our portfolio of brands includes some of the world's leading alcoholic beverage brands as well as brands of local prominence. Maintaining our competitive position depends on our continued ability to offer products that have a strong appeal to consumers. Consumer preferences may shift due to a variety of factors, including changes in demographic and social trends, changes in travel, vacation or leisure activity patterns and a downturn in economic conditions, which may reduce consumers' willingness to purchase premium branded products. In addition, concerns about health effects due to negative publicity regarding alcohol consumption, negative dietary effects, regulatory action or any litigation or customer complaints against companies in the industry may have an adverse effect on our business.

Any significant changes in consumer preferences coupled with our failure to anticipate and react to such changes could result in reduced demand for our products and erosion of our competitive and financial position.

Risks relating to competition
We operate in a highly competitive market sector in which large, well-established companies, such as Diageo, Brown-Forman, Beam Suntory, Bacardi-Martini, William Grant & Sons and Campari operate. The entry of new competitors into our markets, a change in the level of marketing undertaken by competitors or in their pricing policies, irrational behaviour by our competitors, the consolidation of our competitors, or the introduction of new competing products or brands could have a significant adverse effect on our business.

Demand and price risks relating to the global economic environment
During times of economic uncertainty or hardship, consumers may choose to purchase lower value consumer goods as opposed to higher value consumer goods, which include our premium branded spirits. A reduction in sales of our premium branded spirits in affected markets could have an adverse effect on our results of operations and business prospects as a whole.

Risks relating to supply

Raw materials price fluctuations: a number of the raw materials that we use for the production of our beverage products are commodities that are subject to price volatility caused by changes in global supply and demand, weather conditions, agricultural uncertainty or governmental controls. If commodity price changes result in unexpected increases in raw materials cost or packaging materials cost, the global attractiveness of the brands will decrease and therefore volumes shipped may also decrease.

Inventory forecasting accuracy: The judgemental nature of determining how much of our aged products to lay down in any given year for future consumption means that there is an inherent risk of forecasting error. This could lead to either an inability to supply future demand or future surplus inventory.

Non-financial performance

The directors also monitor the awards that the Company's products are ascribed during the year as a non-financial key performance indicator. The Company won several top accolades in leading competitions including the International Spirits Challenge ("ISC") and the International Wine and Spirit Competition ("IWSC"). Over these two competitions alone, the Company's products were awarded more than 60 medals. Particular highlights include Chivas 25 that was awarded the very top accolade in both competitions, with Chivas 18 also receiving a Gold Outstanding at the IWSC. Ballantine's 30 was also awarded the top accolade at both competitions, with Ballantine's 17 receiving Gold medals at both. As in the prior year, the Glenlivet XXV received Gold medals at both competitions, with other Glenlivet expressions such as Founders Reserve, 18 and 12 all being awarded Silver at the ISC. The Company's gin products were also well received at the ISC, with Beefeater 24 receiving a Gold medal. Overall the directors are very satisfied with the recognition, within the industry, which has been attributed to the Company's products.

Approved by the Board and authorised for issue on 14 December 2015

H Fetter
Director

CHIVAS BROTHERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2015

The directors present their report and financial statements for the year ended 30 June 2015.

Results and dividends
The results for the year are set out on page 10.

On 29 May 2015, the Company's immediate parent, Acorn LP, was dissolved. On this date, the entire issued share capital of the Company was acquired by Allied Domecq Spirits and Wine Holdings Limited, a fellow group company.

Over the year a number of dividends were paid to the Company's immediate parent (Acorn LP or Allied Domecq Spirits and Wine Holdings Limited, depending on the date of the dividend). On 22 December 2014 the Company declared and paid a dividend of €222,635,000 (£175,102,000); a dividend of £157,524,000 was declared and paid on 28 April 2015, and on 22 June 2015 a dividend of €186,274,000 (£133,502,000) was declared and paid (year to 30 June 2014: a dividend of €63,955,000 (£52,763,000) was declared and paid on 29 January 2014).

Further monthly dividends totalling £47,945,000 (2014: £32,987,000) were declared and paid to Acorn LP during the year.

Review of business risks
The Company's financial risk management objectives and policies are covered in the Strategic Report, as are its exposure to price, credit, cash flow and liquidity risk.

Going concern
After making enquiries, the directors, at the time of approving the financial statements, have determined that there is reasonable expectation that the Company has adequate resources to continue operating for the forseeable future. For this reason, the directors have adopted the going concern basis in preparing the financial statements.

Post balance sheet events
Monthly dividends totalling £37,882,000 have been declared and paid since the balance sheet date.

Directors
The following directors have held office since 1 July 2014 (unless otherwise noted):

E Benoist	(Resigned 31 July 2015)
G Buist	
H Fetter	
A Hamilton-Stanley	
L Lacassagne	
S Livingstone	
S Macnab	
A McIntosh	
P B Scanlon	(Resigned 5 September 2014)
A Schofield	(Appointed 16 February 2015)
S Gallois	(Appointed 1 September 2015)

Directors' indemnity

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company.

Appropriate directors' and officers' liability insurance cover is in place in respect of all of the Company's directors.

Employee involvement

Employee involvement is promoted through consultation with employees on many and various issues affecting their work, working conditions and future prospects. Employees are involved in a wide range of in-house and external training programmes dealing with safety, quality control, work skills, language skills and self-development.

We recognise and value the knowledge and talent provided by a diverse workforce - men and women of all races, ethnicities, ages, physical and mental abilities, religions and sexual orientation.

Disabled persons

The Company's policy is that disabled persons will receive full and fair consideration when applying for a job within the Company and in the selection for training, career development and promotion. An employee who becomes disabled will be offered continuity of employment whenever the circumstances permit.

Matters covered in the Strategic Report

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on pages 1 - 4. These matters include a fair review of the Company's business and a description of the Company's principal risks and uncertainties.

Auditor

Mazars LLP continue in office in accordance with section 485 of the Companies Act 2006.

Statement of directors' responsibilities
The directors are responsible for preparing the Strategic Report, Directors' Report and 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting 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;
-prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor
(a) so far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware, and
(b) they 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.

Approved by the Board and authorised for issue on 14 December 2015

H Fetter
Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHIVAS BROTHERS LIMITED

We have audited the financial statements of Chivas Brothers Limited for the year ended 30 June 2015 comprising the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Jacqueline Berry
(Senior Statutory Auditor)
for and on behalf of Mazars LLP

14 December 2015

Chartered Accountants and
Statutory Auditor

90 St. Vincent Street
Glasgow
G2 5UB

CHIVAS BROTHERS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 £'000	2014 £'000
Turnover	2	916,447	920,573
Cost of sales		(395,294)	(382,422)
Gross profit		521,153	538,151
Distribution costs		(59,535)	(45,857)
Administrative expenses		(84,149)	(108,767)
Operating profit	3	377,469	383,527
Income from shares in group undertakings		-	164,571
Interest receivable and similar income	4	30,720	32,673
Amounts written back to / (off) investments	5	34,350	(97,288)
Interest payable and similar charges	6	(77,069)	(67,478)
Profit on ordinary activities before taxation		365,470	416,005
Tax on profit on ordinary activities	7	(46,676)	(70,441)
Retained profit for the year	20	318,794	345,564

The profit and loss account has been prepared on the basis that all operations are continuing operations.

CHIVAS BROTHERS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 £'000	2014 £'000
Profit for the financial year		318,794	345,564
Currency translation differences on foreign currency assets	20	-	(21,577)
Currency translation differences on related borrowings	20	-	10,834
Actuarial (loss) / gain on retirement benefits	17	(1,345)	1,767
Movement on deferred tax relating to pension scheme actuarial gain	20	269	(353)
Total recognised gains and losses relating to the year		317,718	336,235

CHIVAS BROTHERS LIMITED

BALANCE SHEET

AS AT 30 JUNE 2015

	Notes	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Fixed assets					
Intangible assets	9		332,658		356,428
Tangible assets	10		394,539		366,677
Investments	11		3,285,901		3,081,550
			4,013,098		3,804,655
Current assets					
Stocks	12	1,251,798		1,181,341	
Debtors: amounts falling due within one year	13	1,086,443		777,553	
Debtors: amounts falling due after more than one year	13	345,139		1,035,597	
Cash at bank and in hand		371		2,668	
		2,683,751		2,997,159	
Creditors: amounts falling due within one year	14	(423,185)		(729,774)	
Net current assets			2,260,566		2,267,385
Total assets less current liabilities			6,273,664		6,072,040
Creditors: amounts falling due after more than one year	15		(2,587,500)		(2,343,797)
Deferred tax liability	16		(8,303)		-
Provisions for retirement benefits	17		(11,908)		(10,301)
			3,665,953		3,717,942
Capital and reserves					
Called up share capital	19		10,580		10,580
Share premium account	20		2,517,527		2,374,490
Capital contribution	20		11,177		9,848
Other reserves	20		32,274		32,274
Profit and loss account	20		1,094,395		1,290,750
Shareholders' funds	21		3,665,953		3,717,942

Approved by the Board and authorised for issue on 14 December 2015

H Fetter
Director

Company Registration No. SC268758

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and on a going concern basis.

In making their assessment of the appropriateness of the going concern basis, the directors have considered detailed budgets for a period of 12 months from the balance sheet date and projections thereafter. Having taken these factors into account and after making enquiries, the directors have a reasonable expectation that the company will continue in business for the foreseeable future.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with the Companies Act 2006 and applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently.

1.3 Turnover

Turnover represents amounts receivable for goods and services, including excise duty but excluding discounts and value added tax. Turnover is recognised on despatch to the customer as this is when the principal risks and rewards of ownership are transferred.

1.4 Intangible assets

Intellectual property licences are included at cost and depreciated in equal annual instalments over 25 years, which is the duration of each of the licences and their estimated useful economic life. Provision is made for any impairment.

Intellectual property licences were financed in foreign currency and were regarded, together with the related liabilities, as a separate group of assets and liabilities and accounted for in foreign currency. The amounts in foreign currency were translated into Sterling at rates ruling at the balance sheet date and the differences arising from the translation of intellectual property costs and related foreign currency loans were taken to reserves.

Foreign currency borrowings were fully repaid by 30 June 2014, hence no further retranslation of the intellectual property will occur.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold land and buildings	between 25 and 50 years
Plant and machinery	between 5 and 15 years
Fixtures, fittings, tools and equipment	10 years
Casks	up to 25 years

Construction in progress of buildings, plant, the installation of machinery and other costs are capitalised by the Company and recorded as part of fixed assets. These costs are transferred to their appropriate fixed asset category when the work is completed and are depreciated from the date the assets are ready for use.

Land is not depreciated.

1 Accounting policies **(Continued)**

1.6 Leasing

Assets held under finance leases are capitalised in the balance sheet and depreciated in accordance with the Company's policy on tangible fixed assets. The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.7 Investments

Fixed asset investments are stated at cost less provision for diminution in value. For investments acquired using non-cash assets, cost is the fair value of the consideration given.

1.8 Stock and work in progress

Stocks are stated at the lower of cost and net realisable value. Cost comprises all expenditure incurred in purchasing or producing the stock and bringing it to its current state, including an appropriate allocation of production overheads and maturation costs.

1.9 Retirement benefits

The Company provides retirement benefits via three different schemes :- the Chivas Brothers Pension Scheme; the Unfunded, Unapproved Retirements Benefit Scheme and the Defined Contribution Scheme.

The Chivas Brothers Pension Scheme is a UK group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme.

In accordance with FRS 17, the Company has recognised a liability for the Unfunded, Unapproved, Retirement Benefits Scheme.

Contributions payable to the Defined Contribution Scheme are charged to the profit and loss account in the year they are payable.

1.10 Current taxation

Corporation tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted and substantively enacted by the balance sheet date.

All uncertain tax positions are subject to management review and each material tax item is assessed to determine whether a tax provision should be recognised.

1.11 Foreign currency translation

Transactions denominated in a foreign currency are translated into sterling at the exchange rate at the date of the transaction. Exchange differences arising on settlement and gains or losses on forward foreign exchange contracts used to mitigate exposure to currency risk are recognised as foreign exchange differences within administrative expenses.

As explained in note 1.4, intellectual property licences were financed in a foreign currency and are regarded together with the related liabilities as a foreign branch, in line with SSAP 20. These were accounted for using the closing rate / net investment method whereby differences on exchange are taken to reserves.

1 Accounting policies **(Continued)**

1.12 Share-based payments

The parent company has issued share options to certain directors and employees. As equity-settled these are measured at fair value and recognised as an expense in the profit and loss account with a corresponding increase in equity. The fair value of the options was estimated at the date of grant using the Monte Carlo and Binomial option-pricing models. The fair value will be charged as an expense in the profit and loss account over the vesting period. The charge is adjusted each year for the effect of non-market based vesting conditions.

Share-based payments settled by the Company (cash-settled transactions) are measured at fair value.

1.13 Group accounts

The financial statements contain information about the Company as an individual undertaking and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of their ultimate parent undertaking, Pernod Ricard S.A., a company incorporated in France.

1.14 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at future dates, at rates expected to apply when they crystallise based on current tax rates and law that have been enacted and substantively enacted by the balance sheet date.

Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

1.15 Reciprocal transactions

The directors do not consider it appropriate to recognise profits on reciprocal transactions, being the trading of maturing spirit with other Scotch whisky producers, until the acquired spirit is used in the production of the Company's brands.

1.16 Cash flow statement

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS1.

1.17 Income from shares in group undertakings

Dividends from subsidiary undertakings are recognised as the right to receive payment is established.

1.18 Interest receivable and similar income

Interest receivable from balances with fellow group companies is recognised on an accruals basis.

1.19 Interest payable and similar charges

Interest payable on balances with fellow group companies is recognised on an accruals basis.

2 Turnover

Turnover is derived from one class of business, the sale of premium spirit products.

Geographical market

	Turnover 2015 £'000	2014 £'000
Europe	384,990	397,414
America	224,855	210,482
Asia	259,648	258,072
Rest of World	46,954	54,605
	916,447	920,573

3 Operating profit

	2015 £'000	2014 £'000
Operating profit is stated after charging / (crediting):		
Amortisation of intangible assets	23,770	23,941
(Gain) on foreign exchange transactions	(33,452)	(10,681)
Charge relating to employee share options (see note 18)		
- cash settled	1,145	801
- equity settled	1,329	1,605
Operating lease rentals	3,299	2,944
Auditor's remuneration	310	315
Remuneration of auditors for non-audit work - other services	18	6
(Profit) on disposal of fixed assets	(453)	(448)

Of the current year's depreciation on Fixed Assets, £19,577,000 (2014: £18,155,000) has been allocated to maturing spirit held in the Balance Sheet. This is released to the Profit and Loss Account in subsequent years resulting in a timing difference between the Fixed Assets and the Profit and Loss Account charge for the year.

The audit fee for the year (and prior year) includes the fees payable on behalf of other group companies.

4 Interest receivable and similar income

	2015 £'000	2014 £'000
Interest receivable from fellow group companies	30,720	32,673

5	**Amounts written back to / (off) investments**	**2015** **£'000**	**2014** **£'000**
	Amounts written off fixed asset investments:		
	- permanent diminution in value	-	(97,288)
	Amounts written off investments in prior years written back:		
	- fixed asset investments	34,350	-
		34,350	(97,288)

The amount written off fixed asset investments in the prior year was calculated based on the net asset value of Chivas Investments Limited and followed payment of a dividend from that company of £164,571,000.

A write back has been booked to reflect an increase in the net asset value of Chivas Investments Limited at 30th June 2015. The increase in net assets is due to profit earned during the financial year. Both the write back in the current year and write down in the previous year have been calculated on a consistent basis.

6	**Interest payable and similar charges**	**2015** **£'000**	**2014** **£'000**
	Interest payable to fellow group companies	59,779	62,318
	Interest on bank loans and overdrafts	73	262
	Interest on pension scheme liabilities (note 17)	575	591
	Lease finance charges	4,290	4,307
	Other interest	12,352	-
		77,069	67,478

7 Taxation

	2015 £'000	2014 £'000
Domestic current year tax		
U.K. corporation tax	48,825	49,297
Adjustment for prior years	(16,399)	14,966
Total current tax	32,426	64,263
Deferred tax		
Origination and reversal of timing differences	14,250	4,178
Effect of tax rate change on opening balance	-	2,000
	14,250	6,178
	46,676	70,441
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	365,470	416,005
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.75% (2014: 22.5%)	75,835	93,601
Effects of:		
Dividends not subject to UK corporation tax	-	(37,031)
Permanent differences	7,156	35,294
Other timing differences	(4,179)	(2,173)
Uncertain tax positions	-	4,056
Accelerated capital allowances	(2,193)	(2,385)
Prior year (overprovisions) / underprovisions	(16,399)	14,966
Surrender of tax losses from group companies	(27,794)	(42,065)
	(43,409)	(29,338)
Current tax charge for the year	32,426	64,263

7 Taxation (Continued)

Deferred tax

The deferred tax balance included in the balance sheet is as follows:

	2015 £'000	2014 £'000
Included in deferred tax note (note 16)	(8,303)	6,080
Offset against FRS 17 pension liability (note 17)	2,977	2,575
	(5,326)	8,655

Opening balance including deferred tax on FRS 17 pension liability	8,655	15,186
Deferred tax credit on timing differences	(14,250)	(5,922)
Deferred tax credit on FRS 17 pension liability	269	(609)
	(5,326)	8,655

The tax charge for the year to 30 June 2015 has been reduced by £27,794,000 (2014: £42,065,000) in respect of group relief claimed from group undertakings for nil consideration.

Factors that may affect future tax charges

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.

A number of changes to the UK corporation tax system were announced in the July 2015 Summer Budget Statement. This Budget announced proposals to reduce the main rate of corporation tax of 20% applicable from 1 April 2015 to 19% from 1 April 2017 and to 18% from 1 April 2020. The reductions to 19% and 18% have not yet been substantively enacted. As these changes will fall after the balance sheet date, they are not included in these financial statements. The changes are not expected to have a material cash impact on the Company.

8 Dividends

	2015 £'000	2014 £'000
Dividends on equity shares:		
Ordinary interim paid 22 June 2015	133,502	-
Ordinary interim paid 28 April 2015	157,524	-
Ordinary interim paid 22 December 2014	175,102	-
Ordinary interim paid 29 January 2014	-	52,763
Monthly dividends paid in the year	47,945	32,987
	514,073	85,750

9 Intangible fixed assets

	Intellectual Property Rights £'000
Cost	
At 1 July 2014 and 30 June 2015	605,482
Amortisation	
At 1 July 2014	249,054
Charge for the year	23,770
At 30 June 2015	272,824
Net book value	
At 30 June 2015	332,658
At 30 June 2014	356,428

At the close of business on 30 June 2004, and as part of a wider reorganisation of its Scotch Whisky operations in the UK by Pernod Ricard S.A., the Company entered into licencing agreements with the following fellow subsidiary undertakings: Chivas Brothers Limited (subsequently renamed Chivas Brothers Pernod Ricard), Chivas Brothers (Americas) Limited, Chivas Brothers (Europe) Limited, Chivas Brothers (Japan) Limited, The Glenlivet Distillers Limited and Hill, Thomson and Co. Limited. Under these licencing agreements the Company obtained exclusive, worldwide, royalty-free licences to use specified Intellectual Property Rights for a period of 25 years. In the year to 30 June 2008, the licencing agreements relating to Chivas Brothers Pernod Ricard, Chivas Brothers (Americas) Limited, Chivas Brothers (Europe) Limited and Chivas Brothers (Japan) Limited were transferred to another group undertaking, Chivas Holdings (IP) Limited.

10 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Casks	Construction in progress	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 July 2014	240,270	271,388	10,761	167,443	31,825	721,687
Additions	-	-	-	21,227	38,691	59,918
Reclassifications	19,525	24,114	423	-	(44,062)	-
Disposals	(157)	(1,114)	(13)	(550)	-	(1,834)
At 30 June 2015	259,638	294,388	11,171	188,120	26,454	779,771
Depreciation						
At 1 July 2014	85,120	183,364	6,500	80,026	-	355,010
Charge for the year	6,022	19,191	803	5,844	-	31,860
On disposals	(121)	(956)	(11)	(550)	-	(1,638)
At 30 June 2015	91,021	201,599	7,292	85,320	-	385,232
Net book value						
At 30 June 2015	168,617	92,789	3,879	102,800	26,454	394,539
At 30 June 2014	155,150	88,024	4,261	87,417	31,825	366,677

The net book value of land and buildings comprises heritable and freehold property.

The cost within land and buildings which is not depreciated amounts to £4,234,000 (2014: £4,234,000).

Included within the above are assets held under finance leases with a net book value of £63,012,000 (2014: £66,206,000) - see note 15. The depreciation charge for the year on assets held under finance leases amounts to £3,194,000 (2014: £3,214,000).

11 Fixed asset investments

	Shares in subsidiary undertakings £'000
Cost or valuation	
At 1 July 2014	3,178,838
Additions	170,001
At 30 June 2015	3,348,839
Provisions for diminution in value	
At 1 July 2014	97,288
Reversal for the year	(34,350)
At 30 June 2015	62,938
Net book value	
At 30 June 2015	3,285,901
At 30 June 2014	3,081,550

Holdings of more than 20%
The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Direct investments			
Allied Domecq Spirits and Wines Limited	England	Ordinary	100.00
Caperdonich Distillery Company Limited	Scotland	Ordinary	100.00
Chefco Limited	Scotland	Ordinary	100.00
Chivas Brothers Pension Scheme (Trustee) Limited	Scotland	Ordinary	100.00
Chivas Investments Limited	Scotland	Ordinary	100.00
George & J G Smith Limited	Scotland	Ordinary	100.00
Hill, Thomson & Co. Limited	Scotland	Ordinary	100.00
Seagram Research Limited	England	Ordinary	100.00
The Glenlivet Agencies Limited	Scotland	Ordinary	100.00
The Glenlivet Distilleries Limited	Scotland	Ordinary	100.00
The Glenlivet Mineral Water Company Limited	Scotland	Ordinary	100.00
Warehouse Asset Management Limited	Scotland	Ordinary	100.00
Indirect investments			
Allied Distillers Limited	Scotland	Ordinary	100.00
Allied Domecq Former Rum Brands Limited	England	Ordinary	100.00
Allied Domecq Former Rum Brands Limited	England	B ordinary	100.00
Allied Domecq Former Rum Brands Limited	England	Deferred	100.00
Allied Domecq Spirits & Wine (Overseas) Limited	England	Ordinary	100.00
Duncan Macleod and Company Limited	England	Ordinary	100.00
European Cellars (Germany) Limited	England	Ordinary	100.00

11 Fixed asset investments (Continued)

European Cellars Limited	England	Ordinary	100.00
George Ballantine & Son Limited	Scotland	Ordinary	100.00
Glenlivet Spring Water Limited	England	Ordinary	100.00
Harvey Macnair & Company Limited	Scotland	Ordinary	100.00
Hiram Walker (UK) Limited	England	Ordinary	100.00
Hiram Walker-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	99.00
James Hawker & Company Limited	England	A 6% PR	100.00
James Hawker & Company Limited	England	B 5% PR	100.00
Lawson & Smith Limited	Scotland	Ordinary	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
Pernod Ricard UK Limited	England	Ordinary	100.00
Seagers Wines Limited	England	Ordinary	100.00
Stewart & Son of Dundee Limited	England	Ordinary	100.00
The Curtis Distillery Company Limited	England	Ordinary	100.00
The Hiram Walker Group Limited	England	Ordinary	100.00
The Longmorn Distilleries Ltd	Scotland	Ordinary	100.00
The Original Plymouth Gin Company Limited	Scotland	Ordinary	100.00
The Scapa Distillery Ltd	England	Ordinary	100.00
Twelve Islands Shipping Company Limited	England	Ordinary	100.00
URM (International) Limited	England	Ordinary	100.00
URM (International) Limited	England	Deferred	100.00
Warehouse Investment Holding Limited	Scotland	Ordinary	100.00

Other interests	**% interest**
Chivas Operating Properties LP	100.00

On 15 June 2015, the Company subscribed for a further 17,000,100,000 ordinary shares in its subsidiary, Chivas Investments Limited, at their par value of £0.01 each.

12 Stocks and work in progress

	2015 £'000	**2014 £'000**
Raw materials and consumables	17,863	19,889
Work in progress	1,218,052	1,147,396
Finished goods and goods for resale	15,883	14,056
	1,251,798	1,181,341

13 Debtors

	2015 £'000	2014 £'000
Due within one year		
Trade debtors	5,940	4,247
Amounts owed by parent and fellow subsidiary undertakings	1,055,989	750,476
Other debtors	14,041	11,767
Prepayments and accrued income	10,473	9,037
Deferred tax asset (see note 16)	-	2,026
	1,086,443	777,553

Due in more than one year

	2015 £'000	2014 £'000
Amounts owed by parent and fellow subsidiary undertakings	345,139	1,031,543
Deferred tax asset (see note 16)	-	4,054
	345,139	1,035,597

14 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Net obligations under finance leases	1,051	849
Trade creditors	102,010	105,227
Amounts owed to parent and fellow subsidiary undertakings	265,052	426,218
Corporation tax	16,666	155,350
Accruals and deferred income	32,499	34,796
Other taxes and social security costs	5,907	7,334
	423,185	729,774

15	**Creditors: amounts falling due after more than one year**	**2015 £'000**	**2014 £'000**
	Net obligations under finance leases	69,019	69,665
	Amounts owed to group undertakings	2,518,481	2,274,132
		2,587,500	2,343,797
	Net obligations under finance leases		
	Repayable within one year	1,051	849
	Repayable between one and five years	4,844	3,902
	Repayable after five years	64,175	65,763
	Included in liabilities falling due within one year	(1,051)	(849)
		69,019	69,665
	Loan maturity analysis		
	In more than one year but not more than two years	-	1,220,250
	In more than two years but not more than five years	751,209	184,153
	In more than five years	1,767,272	869,729
		2,518,481	2,274,132

Of the loans falling due after more than 5 years, £876m is due to be repaid in full on 28 Feb 2021; £890m on 30 June 2049 and the remainder on 4 March 2033. Loans not payable on demand are payable on maturity subject to the terms of the loan agreement. Interest on amounts due to group undertakings is charged at 3 month LIBOR plus 1.75%.

16 Deferred tax

Deferred tax is provided as follows:

	£'000
Opening balance (included within debtors)	(6,080)
Transfer from profit and loss account	14,383
Balance at 30 June 2015	8,303

The deferred tax liability / (asset) is made up as follows:

	2015 £'000	2014 £'000
Accelerated capital allowances	16,106	5,746
Other timing differences	(4,852)	(5,922)
Pension contribution spreading	(2,951)	(5,904)
	8,303	(6,080)

17 Provision for retirement benefits

The Company provides retirement benefits via three different schemes :- the Chivas Brothers Pension Scheme; the Unfunded, Unapproved Retirement Benefits Scheme and the Defined Contribution Scheme. In accordance with FRS 17, the Company has only recognised a liability for the Unfunded, Unapproved, Retirement Benefits Scheme. Details of each Scheme are provided below.

Defined Benefit Scheme - Chivas Brothers Pension Scheme

The most recent final triennial actuarial valuation is as at 5 April 2012. This was prepared by Mercer Human Resource Consulting Limited using the Projected Unit Method. The main actuarial assumptions were (a) price inflation of 3.3% per annum, (b) discount rate of 4.7%, (c) salary increases of 3.55% per annum and (d) Limited Price Indexation pension increases of 3.20% per annum. The valuation showed that the market value of the assets of the scheme was £266,300,000 and the actuarial value of the assets was sufficient to cover the value of each member's accrued benefits based on projected salaries to the extent of 82%. During the year the Company contributed £8,986,000 (2014: £9,267,000) to the Scheme, The Company expects to contribute approximately £8,789,000 during the year to 30 June 2016.

The pension scheme shows an FRS 17 deficit, as at 30 June 2015, of £33,311,000 (30 June 2014: £41,721,000), net of deferred tax. For the purposes of these financial statements, these figures are illustrative only and do not impact on the results or the balance sheet of the Company as detailed in accounting policy note 1.9, the Company has accounted for the Scheme as a defined contribution scheme.

17 Provision for retirement benefits (Continued)

Unfunded, Unapproved, Retirement Benefits Scheme (UURBS)

The Unfunded, Unapproved, Retirement Benefits Scheme provides top up benefits to those members who are affected by the earnings cap (which limits the benefit that is permitted under certain regulations). The Scheme is unfunded, therefore the retirement benefit obligations are liabilities of the Company (not of a separate pension scheme).

A valuation of the UURBs was carried out as at 30 June 2015 by Mercer Human Resource Consulting Limited. Information on the assumptions used by the actuary is provided within this note.

Major assumptions

	2015 %	2014 %
Rate of increase in salaries	2.00	3.30
Rate of increase in pensions payments	2.95	3.15
Discount rate	3.40	4.50
Inflation assumption	3.30	3.30

Mortality assumptions

	2015 years	2014 years
Longevity at age 65 for current pensioners:	24.6	24.6
Longevity at age 65 for future pensioners:	26.5	26.5

Scheme assets

There were no assets in the scheme as at 30 June 2015 (2014: nil).

17 Provision for retirement benefits **(Continued)**

Analysis of the amount charged to profit or loss:-

	2015 £'000	2014 £'000
Current service cost	327	411
Interest on pension scheme liabilities (note 6)	575	591
Total operating charge	902	1,002

Cumulative actuarial losses

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses is £3,639,000 (2014: £2,294,000).

Reconciliation of present value of scheme liabilities

	2015 £'000	2014 £'000
Liability at 1 July	12,876	13,847
Current service cost	327	411
Interest cost	575	591
Benefits paid	(238)	(206)
Actuarial losses / (gains)	1,345	(1,767)
Liability at 30 June	14,885	12,876
Deferred tax (note 7)	(2,977)	(2,575)
Liability at 30 June net of deferred tax	11,908	10,301

History of experience gains and losses

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Defined benefit obligation	14,885	12,876	13,847	12,493	10,013
Fair value of plan assets	-	-	-	-	-
Deficit	14,885	12,876	13,847	12,493	10,013
Experience adjustments on plan liabilities	628	1,132	28	(745)	n/a

Experience adjustments on plan liabilities for 2012 includes the cumulative impact of actuarial losses on the scheme liabilities.

17 Provision for retirement benefits **(Continued)**

Defined Contribution Scheme

The company participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. Contributions payable by the Company during the year amounted to £2,333,613 (2014: £1,774,373) and have been recognised in the profit and loss account. As at the balance sheet date, contributions amounting to £208,546 (2014: £164,938) had not been paid over to the fund and are included within Creditors.

18 Share-based payment transactions

In accordance with FRS 20 'Share Based Payment', all arrangements are reflected in the accounts based on estimated fair values calculated by applying pricing models.

During the year ended 30 June 2015, there were five share based payment arrangements in place. The share based payments relate to Pernod Ricard S.A. shares.

Type of arrangement	**Share incentive plan**	**Employee share ownership plan**	**Unconditional stock options scheme**	**Free shares scheme**	**Conditional stock options scheme**
Date of grant	Between 21 Sep' 2012 and 30 October 2014	Between 31 March 2005 and 30 June 2015	Between 14 June 2006 and 30 June 2012	Between 30 June 2007 and 6 Nov 2014	Between 30 June 2010 and 6 Nov 2013
Number granted	42,356	33,540	178,545	153,622	88,876
Contractual life	N/A	N/A	8 / 10 years	N/A	8 years
Vesting period	3 years	3 years	4 years	4 years	4 years

The weighted average fair value of the share options granted during the year by scheme are below:

	2015	**2014**
	£'000	**£'000**
Share incentive plan	1,211	1,075
Employee share ownership plan	217	265
Unconditional stock options plan	-	-
Free shares scheme	1,451	1,431
Conditional stock options scheme	-	253

The estimated fair value was calculated by applying the Monte Carlo and Binomial option pricing models.

The total expense for the period in respect of the cash settled plans (Share Incentive Plan and Employee Share Ownership Plan) was £1,145,000 (2014: £801,000). The expense in respect of all other plans (equity settled) was £1,329,000 (2014: £1,605,000).

18 Share-based payment transactions **(continued)**

The model inputs used in the fair value calculation are as follows:

	Free shares scheme
	2015
Share price at grant date (€)	90.62
Exercise price (€)	N/A
Expected volatility	N/A
Expected dividend yield	2%
Risk-free rate	0.45%

For share options outstanding at 30 June 2015, the range of exercise price is €58.41 to €88.11 for the unconditional and conditional plans and €nil for all other plans. The weighted average remaining contractual life is 3 years (2014: 4 years).

The weighted average share price during the financial year was €96.89.

All share schemes are equity settled with the exception of the Employee Share Ownership Plan and the Share Incentive Plan, which are cash settled.

The only vesting condition for the Share Incentive Plan, Employee Share Ownership Plan and the Unconditional stock options scheme is that the employee must remain employed by the Group. The vesting conditions for the Conditional stock options scheme and the Free shares scheme are that the employee must remain employed by the Group and certain Group performance conditions must be met.

The volatility assumption used for the 2010 and 2011 plans is based on the implied volatility of the Pernod Ricard share at the date the plans were granted.

For the 2012 - 2015 plans, with a view to smoothing this assumption over time, the Group again opted for a multi-criteria approach taking into consideration:

historic volatility over a period equal to the duration of the options;

implicit volatility calculated on the basis of options available in financial markets.

The possibility of exercising options before maturity was included in the measurement model for stock option plans (with or without a market performance-related element). It was assumed that 1% of options are exercised each year as a result of employees leaving the Company. Furthermore, assumptions reflecting the behaviour of beneficiaries are taken into account in estimating early exercise (before maturity). For the 2007 and 2008 plans it was assumed that 67% and 33% of options would be exercised once the share price reached 150% and 250% of the exercise price, respectively. *For the 2010, 2011, 2012 and 2013 plans, it was* assumed that 60%, 30% and 10% of options would be exercised once the share price reached 125%, 175% and 200% of the exercise price, respectively. This new assumption is based on an analysis of behaviour observed on plans awarded before 2010.

18 Share-based payment transactions **(continued)**

Two performance-based share plans were granted on 6 November 2014. In both cases, their fair value corresponds, amongst other things, to the market price of the shares at the grant date, less the loss of expected dividends during the vesting period (*i.e.* four years for all beneficiaries).

Lastly, the number of performance-based shares granted will depend on the average level of the Group profit from recurring operations for the years ended 30 June 2015 and 2016 compared with budgeted profit from recurring operations for each of the years, at constant exchange rates and scope of consolidation. The accounting expense for the plan under IFRS 2 will be adjusted for this condition at the end of the vesting period at the latest.

The fair value of one of the two plans also takes into account the following external performance conditions, cumulative to the internal condition described above: comparison between the overall performance of Pernod Ricard shares and the DJ Eurostoxx Food & Beverage 600 index. Performance-based shares, whose number will be determined by applying the internal condition, will be vested as from 7 November 2018 provided that the overall performance of the Pernod Ricard share is between 0 pts and +10 pts compared with the total performance of the Food & Beverage index (the number will be determined by linear progression based on the level of performance achieved). Vesting will be final if the continuous service condition is met at 6 November 2018.

Further details of the share option plans are as follows:

	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	2015	2015	2014	2014
		£		£
At 1 July 2014 - as previously reported	48,593	42.68	68,579	42.71
At 1 July 2014 - restated	392,164	42.68	68,579	42.71
Granted	25,120		43,090	
Forfeited	(41,728)		(11,758)	
Exercised	(149,262)		(51,318)	
Outstanding at 30 June 2015	226,294	49.36	48,593	42.68

Due to new information a restatement of the number of options outstanding at the start of the year has been made. The restatement has no impact on the current year share-based payment expense.

19 Share capital

	2015	2014
	£'000	£'000
Allotted, called up and fully paid		
10,580,106 (2014: 10,580,105) ordinary shares of £1 each	10,580	10,580

On 27 May 2015 the Company issued one ordinary share to Allied Domecq Spirits and Wine Holdings Limited, a fellow group company, for a total consideration of of £143,036,925.

20 Statement of movements on reserves

	Share premium account	Capital contribution	Other reserves	Profit and loss account
	£'000	£'000	£'000	£'000
Balance at 1 July 2014	2,374,490	9,848	32,274	1,290,750
Profit for the year	-	-	-	318,794
On shares issued during year	143,037	-	-	-
Actuarial loss on retirement benefits scheme		-	-	(1,345)
Movement on deferred tax relating to pension scheme actuarial loss		-	-	269
Dividends paid	-	-	-	(514,073)
Share based payment adjustment	-	1,329	-	-
Balance at 30 June 2015	2,517,527	11,177	32,274	1,094,395

Other reserves

Other reserves comprise foreign translation differences.

21 Reconciliation of movements in shareholder's funds

	2015 £'000	2014 £'000
Profit for the financial year	318,794	345,564
Movements on other reserves	-	(10,743)
Actuarial (losses) / gains on pension scheme	(1,345)	1,767
Deferred tax movement on actuarial gains	269	(353)
	317,718	336,235
Other recognised gains and losses	1,329	1,605
Proceeds from issue of shares	143,037	-
Dividends	(514,073)	(85,750)
Net (depletion in)/addition to shareholder's funds	(51,989)	252,090
Opening shareholder's funds	3,717,942	3,465,852
Closing shareholder's funds	3,665,953	3,717,942

22 Contingent liabilities

The Company is party to a cross guarantee arrangement under the Pernod Ricard UK Group's banking facilities agreement with Barclays Bank Plc. Under this agreement all participating companies are jointly and severally liable for any overdraft and borrowings by other participants. At the year end, there was a positive cash position across the group (2014: positive cash position across group).

23 Financial derivatives

As at 30 June 2015, the Company had in place Euro forward purchase contracts to buy £145,830,000 (2014: £353,175,000). The fair value of these contracts at 30 June 2015 was an asset of £17,545,000 (2014: an asset of £15,246,000). The Company also had in place, at 30 June 2015, Ruble forward purchase contracts to buy £18,729,000 (2014:£nil). The fair value of these was an asset of £1,128,000 (2014:£nil). In addition, the Company had forward contracts in a number of other currencies equivalent to £39,290,000 (2014: £31,626,000). The fair value of these contracts at 30 June 2015 was an asset of £1,269,000 (2014: asset of £333,000).

All of the contracts above have maturity dates that fall no later than 14 months from the balance sheet date.

24 Financial commitments

At 30 June 2015 the company was committed to making the following payments under non-cancellable operating leases in the year to 30 June 2016:

	Land and buildings		Other	
	2015	**2014**	**2015**	**2014**
	£'000	**£'000**	**£'000**	**£'000**
Operating leases which expire:				
Within one year	-	-	1,219	949
Between two and five years	30	935	1,019	1,328
In over five years	935	30	49	14
	965	965	2,287	2,291

As at 30 June 2015, the Company has purchase contracts in place to buy £91.5m of wheat and malted barley (2014: £103.9m). The fair value of these contracts at 30 June 2015 is (£0.29m) (2014: £2.5m).

25 Directors' remuneration

	2015	**2014**
	£'000	**£'000**
Aggregate emoluments	3,048	3,575

Remuneration disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying service	932	1,021

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 7 (2014: 7).

The number of directors who exercised share options in the year amounted to 9 (2014: 10) and the number that received shares under long term incentive plans during the year was 9 (2014: 10).

The highest paid director did not exercise any share options granted by the Company during the year, or the prior year. The highest paid director has been entitled to receive shares under a long term incentive scheme during the year, and also during the prior year.

26 Employees

Number of employees
The average monthly number of employees (including directors) during the year was:

	2015 Number	2014 Number
Production	1,180	1,160
Distribution	57	59
Other	372	355
	1,609	1,574

Employment costs	2015 £'000	2014 £'000
Wages and salaries	64,409	62,634
Social security costs	6,314	6,631
Other pension costs	12,361	11,985
	83,084	81,250

27 Control

The Company's immediate parent is Allied Domecq Spirits and Wine Holdings Limited. 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 12 Place des Etats-Unis, 75783 Paris, Cedex 16, France. This is the largest and smallest group into whose consolidated accounts the Company's financial information is consolidated.

28 Related party transactions

The Company is included in the consolidated financial statements of Pernod Ricard S.A., the ultimate parent company, which are publicly available.

Accordingly, the Company has taken advantage of the exemption offered by Financial Reporting Standard No. 8 from disclosing related party transactions with other wholly owned undertakings within the Pernod Ricard S.A. group.

29 Post balance sheet events

Monthly dividends totalling £37,882,000 have been declared and paid to Allied Domecq Spirits and Wine Holdings Limited since the balance sheet date.