Company registration number SC268758 (Scotland)

CHIVAS BROTHERS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

CHIVAS BROTHERS LIMITED

COMPANY INFORMATION

Directors	C Thompson W Donegan S Dehlinger E Fells J Gourgues B MacAulay
Secretary	A H Smiley
Company number	SC268758
Registered office	Kilmalid Stirling Road Dumbarton Scotland G82 2SS
Auditor	KPMG LLP 15 Canada Square London E14 5GL

CHIVAS BROTHERS LIMITED

CONTENTS

CHIVAS BROTHERS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2023

The Directors present their strategic report for Chivas Brothers Limited ("the Company"), for the year ended 30 June 2023.

1. Introduction

The Company's principal activities are the distillation, warehousing, and maturation of premium Scotch whisky and gin products which are sold to its sister company Chivas Brothers International Limited ("CBIL"). CBIL is responsible for distribution, marketing and brand strategy activities and the sale of whisky and gin brands worldwide to Pernod Ricard S.A. ("the Pernod Ricard Group") market companies who sell to third parties.

The Company is one of the key subsidiaries of the Pernod Ricard Group which has built a unique portfolio of Premium brands on an international scale that is one of the most comprehensive on the market. The Company is responsible for the production of five of the Pernod Ricard Group's 'strategic international brands' namely Chivas Regal, Ballantine's, The Glenlivet and Royal Salute whiskies and Beefeater gin.

In addition to The Glenlivet, the Company produces other highly acclaimed single malt Scotch whiskies, namely the speciality brands of Aberlour and Scapa and the prestige brands of Secret Speyside collection and Longmorn. These single malts, together with the Company's other blended Scotch whiskies, namely Passport Scotch, 100 Pipers, and Something Special which form part of the Group's 'strategic local brands', operate in many of the world's whisky markets.

Tormore, a single malt produced by the Company and predominantly used in blends, was sold to an external party in December 2022, with supply of distillate secured until 2025. Clan Campbell, one of the Group's strategic local brands, was sold to an external party in September 2023.

Whilst the Company manufactures and produces the portfolio, its success in terms of sales, growth, and profitability from brand development is largely driven by CBIL.

2. Business Review

Key financial performance indicators

	2023 £'000	2022 £'000	Change %
Turnover	860,887	789,492	9.00%
Gross profit	331,384	288,442	14.90%
Operating profit	305,495	228,159	33.90%
Tangible Fixed assets	623,940	554,796	12.46%
Stock	1,777,860	1,591,359	11.72%
Profit and Loss reserves	4,519,958	4,459,331	1.36%

The Company's accounts have been prepared in accordance with FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

2. Business Review (Continued)

Financial results

Turnover for the financial year was £860.9m (2022: £789.5m) an increase of 9.0%, another excellent result given the high growth in the previous year. Higher year-on-year sales were enjoyed by all the strategic international brands that the Company produces, with Chivas Regal being the most notable. The Chivas Regal brand was the leading contributor to Pernod Ricard Group growth for this financial year. The continued recovery of Global Travel Retail, with passenger traffic now at 90% of pre-pandemic levels has also helped with the increase in turnover. As a result of the strong growth in sales, gross profit has increased by £42.9m for the year to £331.4m (2022: £288.4m).

Distribution costs of £8.7m include £3.1m of freight related to the sale of bulk spirit, and £5.6m in respect of promotional costs for Brand Homes and their associated Brand ambassadors, the conduit that links the Company's distilleries with end consumers.

Administrative expenses have reduced by £34.2m compared to last year, mainly due to the year-on-year swing from foreign exchange. There was a foreign exchange gain of £14.9m in the current year, compared to a loss of £18.9m in the prior year, which has resulted in a year-on-year upside of £33.9m for foreign exchange. £9.9m of the current year gain is from US Dollar bank sweeping arrangements with the Company's sister affiliate Chivas Brothers International Limited ("CBIL").

Operating profit for the year of £305.5m (2022: £228.2m) is £77.3m ahead of last year, £42.9m from higher gross margin and the remaining upside from the year-on-year swing in foreign exchange discussed above.

Higher Sterling interest rates have had a major impact on the Company's financial result, with interest payable being £49.5m higher than last year, mitigated in part by interest receivable being £28.6m higher than last year. Sterling interest rates have been on average 293 basis points higher year-on-year on the Company's main borrowing and lending positions. Adverse net interest payable of £20.9m has been partly offset by a £12.4m gain on sale of the Tormore business discussed below and dividend income of £3.0m.

In summary, profit before tax of £281.1m (2022: £209.3m) is £71.8m better than last year, £42.9m of which was generated by higher gross margin, and the balance of £29.0m arising mainly from upsides in foreign exchange and the sale of Tormore, partly off-set by an increase in net interest payable due to higher Sterling interest rates.

In the year ahead, the directors expect the trading environment to normalise after the post pandemic growth of the last two years, and that inflationary pressures will start to ease. The expectation is that there will be a continued focus on revenue growth management and operational efficiencies.

Sale of Tormore business – December 2022

In the previous financial year, the Company received an external offer for the Tormore business which it decided to pursue on the basis that Tormore was not a strategic international brand, and the Company's expansion plans for its Aberlour and Miltonduff distilleries provided it with additional production capacity from 2025. In order to facilitate the buyer's acquisition, the Company undertook an internal reorganisation, such that it hived down its Tormore production and maturation business to its previously dormant subsidiary, Tormore Distillery Limited ("TDL") in return for TDL shares. TDL also acquired the IP rights of the Tormore brand from another of the Company's subsidiaries in return for shares. The Company became the sole owner of TDL on receipt of a dividend in specie of TDL shares from its subsidiary. On 20 June 2022, the Company entered into agreements with the external buyer, including a Sale and Purchase agreement for TDL's shares; an additional agreement to sell a portion of its Tormore maturing inventory; and a bulk supply agreement securing supply until 2025 with an opportunity to extend beyond that date.

The sale completed in December 2022, with the Company recognising a gain on sale of £12.4m.

Planning for the sale of Clan Campbell business

In March 2023, at the request of Group, a decision was taken to reorganise certain trading arrangements for Clan Campbell whisky. Fellow subsidiaries of the Company were involved in a hive down of the Clan Campbell business, which involved licenses and reversionary interests in the Intellectual Property ("IP") for the Clan Campbell brand being transferred into a fellow subsidiary, Clan Campbell Whisky Limited ("CCW"). The Company then entered into a supply agreement with CCW. In July 2023, CCW's parent entered into a Sale and Purchase Agreement ("SPA") with an external party, and the sale completed in September 2023. In conjunction with the SPA, the Company entered into a supply agreement with the new owners.

2. Business Review (Continued)

Balance sheet

Tangible fixed assets of £623.9m (2022: £554.8m) incudes £119.5m of additions in the year (2022: £81.3m), the 47% increase in spend reflecting spend on casks doubling year-on-year, the investment in the Aberlour and Miltonduff distillery expansions and investment in Mechanical Vapour Reduction technology to support energy efficiency initiatives in aid of the Company's ambition to become carbon neutral in distillation by the end of 2026.

The Company has £1,777.9m (2022: £1,591.4m) of inventory, the increase reflective of the higher costs of production including commodity prices, and higher volumes. The level of maturing spirit held demonstrates the Company's continued confidence in the long-term growth of the Scotch whisky industry.

Net current assets of £1,687.6m (2022: £2,153.8m) are £466.2m lower than last year, the increase in inventory more than offset by the impact of three loan borrowings from fellow group companies maturing in the year ahead, and now classed as current liabilities, whereas last year they were liabilities greater than 1 year. In all cases, the lender has agreed to renew the borrowings on maturity. Similarly, creditors greater than one year have reduced by £538.9m year-on-year due to the three loan borrowings discussed above becoming payable in the coming year.

The Company runs a centralised inter company purchase ledger which includes the purchases of its sister company Chivas Brothers International Limited ("CBIL"). This year, the Company made a reallocation of £95.7m from inter company Trade Creditors and included £95.7m in amounts payable to CBIL, reflecting the fact that CBIL is now reporting its share of the amounts outstanding on the Company's centralised inter-company purchase ledger. The Company's new inter-company payable of £95.7m represents a refund due to CBIL in respect of amounts previously settled via the allocation mechanism of the centralised accounts payable system. CBIL has similarly recorded a £95.7m inter-company receivable from the Company, and amounts due from group undertakings of the same value.

The Company's pension liability increased by £34.2m in the year to £50.5m (2022: £16.3m), predominantly due to the Chivas Brothers Pension Scheme ("CBPS"). £49.3m of this increase was due to net actuarial losses in CBPS, which was affected by the adverse impact of the UK mini budget on asset values and Liability Driven Investments ("LDI") used to hedge risks in the fund. A higher discount rate of 5.2% (2022: 3.8%), reduced pension liabilities, which was mitigated in part by an adverse impact on asset values. CBPS asset values were improved by the Company increasing its cash contributions to the scheme by £6.3m year-on-year, which included a £1.8m top up payment in line with the Schedule of Contributions.

3. Business Review of the brand portfolio

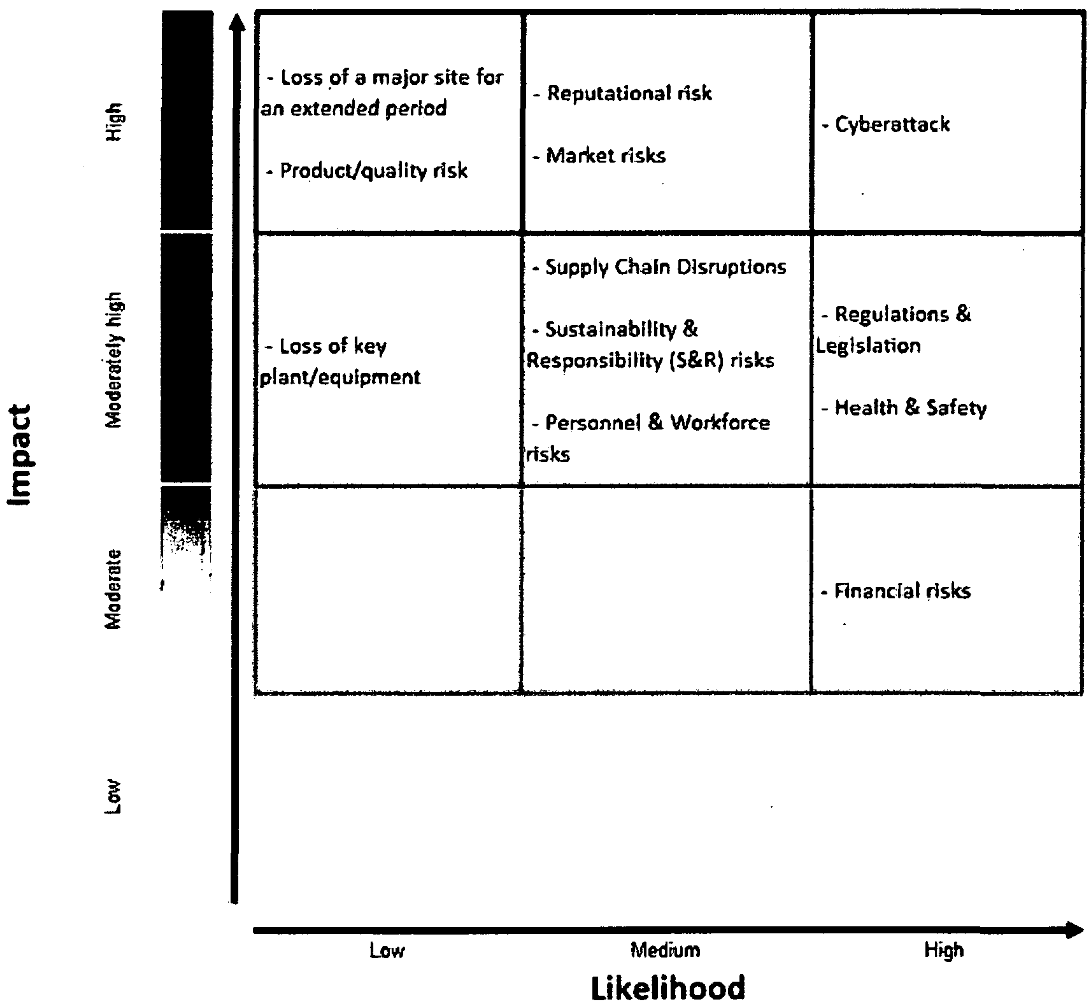
The brand portfolio has been the responsibility of the Company's sister company Chivas Brothers International Limited ("CBIL") since the financial year ended 30 June 2020 and a review of the brand portfolio can be found in CBIL's strategic report.

4. Principal risks and uncertainties of the business

As discussed in section 1 of this report, the Company's primary focus is production and manufacturing, with its sales now driven by orders from its sister company Chivas Brothers International Limited ("CBIL"). The Company is reliant on CBIL to manage all consumer and competitive risks. The Company manages the following risks:

- Loss of a major site for an extended period
- Supply chain disruption
- Loss of key plant/equipment
- Product/quality risk
- Reputational risk
- Regulatory and legislative risk
- Sustainability and Responsibility (S&R)
- Cyberattack
- Financial risk
- Market risks
- Personnel & Workforce
- Health and safety

The principal risks and uncertainties facing the Company are as follows:



4. Principal risks and uncertainties of the business (continued)

Risk of loss of a major site for an extended period (high impact, low likelihood)

The Company could experience the loss of its operational sites for a variety of reasons including a fire and/ or explosion; a climate related catastrophe (e.g. flood) or a malicious act. Should such an event take place, it could result in a significant operating loss or prolonged interruption in the supply of certain products and the company being unable to meet demand. Loss of access to a site may not only impact production/manufacturing, but it could also limit the inventory the business has at its disposal.

The operational management teams in conjunction with several support services (Risk, Business Safety Health & Environment team, Engineering etc.) are responsible for the implementation of preventative measures and the physical protection of assets, which include: scenario planning, fire risk engineering, fire protection, local site controls, emergency testing & insurer specification and auditing. There is also a rolling programme of site inspections each year in conjunction with the group insurer, resulting in an appraisal of the quality of risk management mitigation and recommendations for improvements. The Company also has an externally accredited ISO business continuity programme that has specific plans to mitigate loss of strategic sites or loss of access to inventory.

Risks relating to supply chain disruptions (moderately high impact, medium likelihood)

The Company has many suppliers that are critical to its continued operation and these range across several categories from raw materials, dry goods, service providers, plant, equipment and consumables. This area of risk has gained much prominence recently, with factors including Brexit, the COVID-19 pandemic, extreme weather, global conflict and the subsequent global supply chain crisis that has caused many companies to adapt their methodology to supply and demand given the sudden surge in requests for goods.

To mitigate this risk, checks and audits of key suppliers are conducted regularly by the Company's vendor quality and sourcing teams to verify details such as stock level assurance and forecasting. In addition to this, consideration is given to adapting the Company's supply chain where possible so that it remains flexible and that solutions can be devised swiftly if a key supplier were to be suddenly disrupted. The Company also identifies alternative sourcing possibilities to cover single sourcing risk and this is formalised as part of its supplier contingency management programme.

Risks relating to loss of key plant/equipment (moderately high impact, low likelihood)

In the operational function of the business, multiple pieces of critical key plant and equipment have been identified as being essential to our production and manufacturing processes and the transportation of product between sites. Thus, if a critical piece of plant was to fail completely or break down indefinitely, this can bring an immediate halt to our operations for prolonged periods. Not mitigating this particular risk can result in knock-on effects such as: time and resource for manual workarounds having to be created (where possible), relocation of activities to another site (where possible), and unplanned ongoing disruption due to increased lead times for reordering of replacement equipment.

To reduce the likelihood of this, controls are in place to keep an inventory of critical spares and carry out annual and statutory inspections on key equipment and designated plant maintenance systems. In addition, loss of key plant and equipment is captured & scenario planned within the Company's business continuity programme.

Risks relating to products/quality and contamination (high impact, low likelihood)

The products that the Company produce are subject to the highest standards of quality checks, throughout the entire product lifecycle. In any manufacturing business and especially in the food and drink sector, the risk of both accidental and malicious contamination exists, and this can be in the consumable product itself or materials that come into contact with the product.

If these risks are not identified and addressed, it can lead to costly product withdrawals/recalls and possible liability and sanctions if the matter becomes a public health-related issue. These outcomes have major negative financial and reputational impact for the company, its brands and consumer trust.

The Company's quality and food safety integrated management systems are externally audited and accredited to ISO standards. These management systems contain numerous and stringent processes (such as COSHH, HAZOP, traceability, access control, product testing, pest control, integrity checks, online quality checks, sampling, and analysis of incoming and outgoing goods amongst other measures).

4. Principal risks and uncertainties of the business (continued)

Risks relating to reputation (high impact, medium likelihood)

The Company supplies a range of premium products to its sister company Chivas Brothers International Limited ("CBIL"), who export to markets throughout the world and this creates a risk for both brand and corporate reputation to be damaged. Reputational risk can come in many forms such as releasing a product that does not meet our quality standards, talent partnership management, counterfeit products, sponsorship of events or use of suppliers who do not uphold the same principles and working conditions we expect. All these examples can lead to a negative perception of both our brands and our business.

To safeguard against reputational risks there are many different mechanisms in place for mitigation and the controls for product quality and contamination have been noted in that specific risk above. CBIL also has dedicated IP and brand security teams to counteract the risk of counterfeit goods, stringent policies of responsible hosting and sponsorship and a corporate social responsibility programme that touches both the company's business and that of our suppliers.

Risks relating to regulations and legislation (moderately high impact, higher likelihood)

Complying with local regulations and legislation is a critical factor in remaining a credible and trustworthy business. Every department within the company has legislation that must be adhered to, to demonstrate compliance and responsible work practises. This may come in the form of HMRC guidelines for financial submissions, environmental surveys being submitted to governing bodies such as the Scottish Environment Protection Agency (SEPA), FEMAS feed regulations, the General Data Protection Regulations (GDPR), anti-bribery legislation and an evolving environmental regulatory landscape. Moreover, as a business that produces alcoholic beverages there are additional industry specific risks such as minimum pricing, anti-alcohol legislation, and alcohol marketing restrictions in certain countries. The consequences that arise from this area of risk can include losing the ability to operate in markets, financial impact, loss of market share and increased complexity.

Multiple controls are in place to mitigate this wide and varying category of risk, such as dedicated legal and public affairs teams, external accreditations, emissions monitoring, internal audits, site procedures and plans created to align with regulations and standards associated with operating the Company's different sites. In addition to this and ensuring this information is accurate staff are trained and competent to be aware and understand all relevant legislation that applies to their functions within the company. From an alcoholic beverage perspective, the Company also controls the impact of this risk by maintaining a strong relationship between regulatory bodies such as the Scotch Whisky Association (SWA) and the Portman Group.

Risks relating to Sustainability and Responsibility (moderately high impact, medium likelihood)

The resources utilised in the production and manufacturing of the Company's products are done so while being mindful of factors such as Sustainability, Responsibility (S&R) and the environment in which we operate. Risks associated with climate change and the environment are paramount and raw materials in all industry sectors must be as sustainable as possible. This includes ensuring that issues related to climate change that may directly affect the business i.e. the impact of extreme weather on operations and changing weather patterns, causing poor harvests for raw materials such as malted barley or affecting water quality are considered and accounted for. The sourcing of components must be sustainably and responsibly sourced and the disposal of any of our waste products are removed in a responsible and efficient manner. Risks associated with the transition to a low carbon economy are also critical, including the potential introduction of a carbon tax on the Company's emissions, rising energy prices and reputational risk.

Failure to protect the environment surrounding our operations can result in intervention by environmental bodies such as SEPA or the Environment Agency. The working environment can also produce internal related risks such as industrial diseases like Legionella, noise exposure or mental health well-being.

To reduce the likelihood of these varied risks, multiple controls are in place such as: analysis, treatment processes, monthly external analysis, internal laboratory checks, compliance reports, site procedures and emergency response and crisis management plans. To address the risks around sustainable and responsible sourcing, the Company and parent group have a stringent supplier onboarding process and an ongoing corporate social responsibility programme and roadmap. Additionally, an extensive materiality assessment for climate-related risk and mitigating actions has been conducted as part of producing the Company's inaugural TCFD report, which can be found in section 9 of this strategic report.

4. Principal risks and uncertainties of the business (continued)

Risk of Cyberattack (high impact, higher likelihood)

All businesses are now at greater exposure to risks stemming from cyberattacks, which come in multiple forms (phishing, ransomware, hacking, data leaks of sensitive information, digital theft etc.)

Potential impacts of a cyberattack and its effects depend on the nature of the attack but could include loss, theft or leaking of personal, strategic or confidential data, system failure and incapacity to perform day-to-day operations due to the reliance on technology. Any malfunctions, significant disruption, loss, or disclosure of sensitive data could disrupt the normal course of business and have financial, operational or reputational consequences.

The Company follows the parent group's cybersecurity roadmap, based on the establishment of dedicated governance, cover and resources. The Company strives to strengthen the security of its infrastructure, operational technology, websites and networks through expertise, digital resilience and both internal and external testing and auditing. In addition, a programme of awareness for all staff is implemented, which includes live testing of weaknesses and staff awareness.

Risks relating to personnel and workforce (moderately high impact, medium likelihood)

Employee well-being and safety is a top priority of the Company, and this has especially come to the fore during the recent global pandemic. Other related personnel risks that have been identified include talent management, skill retention and the possibility of industrial action.

Not providing the right working environment and culture within the Company can result in unhappy, unwell, and transient employees, which is not conducive to running a business that people are attracted to work for. Industrial action can occur at either one or multiple sites and potentially interrupt key operations on a large scale. If this happens, not only can the processes of production and manufacturing be affected but depending on how long it goes unresolved, the relationship between the Company and its staff can be detrimentally affected. This can also lead to the unwanted outward appearance of having a negative perception of the brands and business.

The Company mitigates these risks by providing benchmarked salaries and bonus schemes, employee healthcare and benefits package, peer to peer recognition programmes, an in-house dedicated occupational health team, numerous employee health initiatives, including health checks (both mandatory and voluntary) and a 3rd party employee assistance service amongst other measures.

Risks relating to Health and safety (moderately high impact, higher likelihood)

Preventing occupational risks, accidents, incidents & keeping people safe and well and ensuring they return home safe from the workplace is the number one priority to the Company. Occupational risks in a operational environment may include noise exposure; legionella; electrical, fire and explosion; road and mechanical machinery; and mental health/well-being.

Failure to manage these risks to as low as is reasonably practicable could result in personal injury, illness, disability or death of an employee, subcontractor, visitor or third party and subsequent closure of sites. The reputational impact on the company could have a profound impact on the public perception of both the company and its brands.

The Company manages this risk via monitoring and reporting on all workplace accidents, incidents, hazards and near misses, while implementing lessons learned and best practice. The Company has a dedicated Business Safety Health & Environment (BSHE) team that cover all sites within the business. The team consists of several qualified Health & Safety (H&S) and Occupational Health specialists. The Company also has an externally certified ISO programme for H&S that covers risk assessments, H&S committees, H&S employee's representatives, safe systems of work (SSOW) & mandatory training. This programme is rigorously audited both internally and externally. The Company has also developed multiple staff wellbeing initiatives (such as mental health listening), which is designed to provide participants with insight and tools to support and signpost colleagues, friends, or family in the event that an individual's mental health is affected.

4. Principal risks and uncertainties of the business (continued)

Risks relating to Financial risk (Moderate impact, High likelihood)

Financial risks are always at the forefront of the decisions made by the Company, where resources should be invested and how they require to be managed, to mitigate against any unfavorable costly outcomes. This ranges from maintaining a clear operating structure as the subsidiary of a large global parent company, fraud risk, payment of taxes, cost/price of product management, pension scheme management, etc.

If these risks are not carefully supervised then it can lead to major financial repercussions for the Company, its reputation being severely damaged and possible financial penalties being enforced by external supervisory bodies.

To mitigate and deter these potential negative financial impacts, controls are in place such as: internal and external auditing of accounts, policies and procedures on spending and budgeting are in place and adherence to the Pernod Ricard financial strategies and guidelines are followed.

Risks relating to market risks (high impact, medium likelihood)

The Company operates and distributes its products to a wide variety of markets around the world. Thus, risks surrounding these markets such as changing country conditions , closure of borders combined with loss of import capability, can result in the loss of access to these markets. Likewise, if the integrity of the products sold or a brand's image is affected by factors such as grey market activity in these markets then this can bring the wider company's reputation into disrepute and impact sales.

If left unmanaged the detrimental effects garnered by this type of risk can be damaging and magnified if it takes place in multiple markets simultaneously leading to potential loss of market share and loss of profit. This risk may also occur if consumer behaviour is not anticipated or trends analysed, in order to efficiently market our brands and products to consumers.

In an effort to reduce the impact felt by these risks, considerations and actions are taken such as; the spread of global business, sister companies, product traceability testing, fast tracking market orders and general monitoring of high-risk markets where access issues may occur more frequently.

5. Financial Risk Management

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 fulfil credit rating criteria approved by the Board of Directors of Pernod Ricard S.A.

6. Corporate governance - Wates Principles

As specified by regulation 14 of the Companies (Miscellaneous Reporting) Regulations 2018 (amending the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008), the Company is required to apply a recognised corporate governance code from the financial year ended 30 June 2023.

The board previously resolved to adopt the Wates Principles, considering that they are specifically designed for large private companies and therefore the most appropriate code in the circumstances. The Company sets out below how it has applied the six key Wates Principles to its operations.

Principle 1: Purpose and Leadership
The Company, as a brand company in the Pernod Ricard group, adopts and implements as its clear purpose the group's Transform & Accelerate strategy. Please refer to Pernod Ricard SA's annual report for more details.

This purpose is reflected in:

- the Company's strategy of winning market share in the new world of Scotch whisky under the Transform & Accelerate group strategy
- our core values of being bold, open and united
- our culture as creators of conviviality
- our commitment to sustainability & responsibility through our Good Times from a Good Place strategy and roadmap.

This overall purpose is clearly communicated throughout all levels of the business in our activities and in our communications to employees, consumers, suppliers and other stakeholders.

Principle 2: Board Composition
The board is culturally and background diverse, and comprised of a chairman and CEO, directors of finance, manufacturing, production, legal and human resources, together representing operational expertise in the critical areas of the business and under the leadership of the chairman and CEO. The board believes its diverse nature and breadth of skills, experience and knowledge enables overall effectiveness. Effectiveness of individual directors is assessed in annual performance reviews in line with the Company's talent management programme.

Principle 3: Director Responsibilities
The board meets regularly to decide on formal issues such as financing transactions, acquisitions, disposals, major projects, and statutory functions. Board members are notified of meetings and detailed board papers or transaction summaries are circulated prior to meetings.

Day to day management of the business is delegated to the executive directors, production, manufacturing, finance, legal and HR who work with other senior managers to implement and consider strategic and practical decisions, usually through the executive committee chaired by the CEO. Authority of directors for contracting decisions is set out in the Company's contract approval process.

Principle 4 : Opportunity and Risk
A core group value is entrepreneurial spirit and the Transform & Accelerate strategy relates to creating agility to be able to seize market opportunities. The overriding aim is the creation of long-term sustainable growth.

Regular risk reviews are carried out at executive management committee level. Major financial and practical risks are considered at board level. Risk monitoring is carried out by the risk team who report to the finance director. For more detail on risk please refer to the risk section in the strategic report.

Principle 5: Remuneration
Director and senior management remuneration is set through the budgeting process with the Company's ultimate parent, Pernod Ricard SA, and is done in line with the group's talent management programme. Base salary review is performed on an individual basis annually considering both performance and an assessment against detailed leadership criteria. Bonuses are calculated according to the achievement of individual objectives as well as corporate and group wide financial results.

6. Corporate governance - Wates Principles (continued)

Principle 6: Stakeholder Engagement
An essential element of the Transform & Accelerate strategy is to create long term value for all of the group's stakeholders. The Company actively engages in building strong long term relationships with its stakeholders. Please refer to the directors' section 172(1) and stakeholders statement for more details.

7. Corporate Governance – Company's s172 (1) statement

The Company recognises the importance that directors act both individually and collectively in good faith in a way most likely to promote the success of the Company and its members, consistent with the various factors set out under section 172(1) of the Companies Act 2006. The directors continue to have particular regard to these matters, among others, as part of any decision making of the Board. The Company sets out below how it has approached each of the factors.

(a) The likely consequences of any decision in the long term
Long term consequences, in line with Pernod Ricard group strategy, are central to all strategic decisions considered and made by the board. As the major Pernod Ricard brand company in the UK, the Company follows and implements the overarching stated strategy of the Pernod Ricard group: to generate value over the long-term through our Transform and Accelerate growth plan.

(b) The interests of the Company's employees
Employee engagement is central to the Company and the Pernod Ricard group's culture and values. This is demonstrated by the Company's involvement in:

- a focus on talent in the Transform & Accelerate strategy
- the promotion of the core values of being bold, open and united through an established employee communications plan
- the Pernod Ricard employee share ownership plan and share bonus scheme
- peer-decided employee rewards scheme
- the annual I-Say survey employee satisfaction survey undertaken by Pernod Ricard the results of which and improvement plans are considered by the board and detailed feedback sessions held
- regular Company-wide updates from the leadership team
- regular leadership communications and live Q&As
- extensive pension and benefit provisions
- daily toolbox talks for operational workers on safe working and protecting employee and community health during the pandemic
- the continued operation of an internal diversity and inclusion council which ensures a range of voices and perspectives are heard from across the business
- the annual performance review process aligning with Group's standards and ensuring fairness and talent conversations between managers and employees
- regular upskilling plans supporting employees' development and career progression
- the launch of "Libra", a new employee network for those who identify as women and their allies to discuss the challenges they face because of their gender, share experiences and support one another create a more equitable workplace

7. Corporate Governance – Company's s172 (1) statement (continued)

c) The need to foster the company's business relationships with suppliers, customers and others.
Suppliers are systematically managed through regular review meetings, scoring, and tender processes. The board and executive committee are kept informed with developments with suppliers by the procurement, production and supply chain management teams.

(d) The impact of the Company's operations on the community and the environment
The Company through the board and executive committee follows and implements the Pernod Ricard group's sustainability and responsibility strategy, which is a key part of Transform & Accelerate. In particular this is demonstrated by:

- the group's overall sustainability strategy of "Good Times from a Good Place" tied to the United Nations sustainable development goals - refer to the Pernod Ricard SA annual report for more details
- Responsib'ALL day – an annual day of action when all employees take part in community activities ranging from social care to litter picking
- promotion of responsible drinking and hosting
- the phasing out of Chivas Regal 12 secondary packaging and launching "Chivas RETHINK", a new platform to help educate and keep consumers up to date with new sustainability initiatives
- multiple environmental and community focussed actions taken across the company, including delivery into service of Scotland's first on-road all-electric tractor unit in partnership with Volvo Trucks
- support for charities, including the Company's annual chosen charity SAMH

(e) The desirability of the Company maintaining a reputation for high standards of business conduct
The Company through the board shares one of the Pernod Ricard group's key values: doing business with integrity and acting with a strong sense of ethics. In particular this is demonstrated by:

- workforce participation in a mandatory open online training course regarding the Pernod Ricard Code of Business Conduct
- the implementation and maintenance of anti-bribery and corruption initiatives, including gifts monitoring and implementation of the Company's anti-bribery and corruption policy through contractual provisions and 3rd party due diligence systems
- the Company making available and implementing the Company's procurement code of ethics
- continued education, monitoring and investment on cybersecurity and data privacy
- the Company's participation in the Speak Up whistleblowing platform, allowing employees to anonymously raise concerns
- the continued implementation of a 3rd party due diligence tool for the entire business, capturing critical data
- annually publishing the Company's UK corporation tax strategy

(f) The need to act fairly between members of the Company
The Company's sole member is Allied Domecq Spirits & Wine Holdings Limited (02869879). The Company and its sole member are both members of the Pernod Ricard group.

8. Sustainability and Responsibility

The Company and its sister company Chivas Brothers International Limited ("CBIL"), in line with their ultimate parent company, Pernod Ricard S.A ("PRSA"), believe that there can be no convivialité with excess, and strive to be sustainable and responsible at every step, from grain to glass. The ambitious goals and targets for the Company & CBIL are set out within a Sustainability & Responsibility 2030 Roadmap 'Good Times from a Good Place', which focuses on reducing the environmental impact they have on the planet, as well as the impact on their people, communities, and consumers.

The roadmap is underpinned by the four pillars of PRSA's 2030 S&R roadmap detailed below. Concentrating its efforts in these four areas ensures every part of the business is pulling towards its overall ambition – to lead the whisky industry in making tangible change that benefits both planet and people.

The four pillars of PRSA's 2030 S&R roadmap are:

1. Nurturing Terroir
2. Valuing People
3. Circular Making
4. Responsible Hosting

Nurturing Terroir

A unique blend of crops, soil, weather, people and more goes into making whisky. The Company supports local farmers by using grains grown as close to their distilleries as possible. They also look to the future to take steps to protect the land for years to come, championing schemes to boost biodiversity at the distilleries. For example at The Glenlivet distillery, the Company, in conjunction with the University of Aberdeen and James Hutton Institute built small dams to capture water for use in the drier seasons.

Valuing People

The Company and its sister company Chivas Brothers International Limited ('CBIL') promote a diverse and inclusive workplace. Work within this area includes the both companies efforts to close the gender pay gap, break down stereotypes that surround Scotch – both in terms of who's drinking it and who works in the industry. This includes embedding responsible procurement across the business, and providing an open, comfortable working environment where everyone can be their true selves.

Alongside this is our community work in which we give back to the neighbourhoods that we rely on. This includes the Chivas Spirit of Support programme, which gives everyone at the Company and CBIL, 3 paid days a year to volunteer in their local area. The Company also takes part in Responsib'All Day, a PRSA annual initiative, involving a day of lending a hand in the community.

Circular Making

Under this pillar, the focus is on responsible production, minimizing waste and making the most of materials we already have. The Company is reducing the amount of glass and cardboard used in its packaging as well as looking at new innovations to help reduce, reuse and recycle. An example of this is the Company pioneering Mechanical Vapour Recompression ("MVR") technology that significantly reduces energy use at its distilleries.

Responsible Hosting

The Company believes there is no convivialité in excess and is dedicated to helping people enjoy its brands safely. All of its employees are trained to ensure everyone understands the effects of alcohol and what it takes to be a responsible host. The Company also works with Drinkaware, a UK-wide alcohol education charity promoting safe and responsible drinking.

This year, the Company meets the threshold for climate related financial disclosures required by TCFD (Taskforce for Climate-related Financial Disclosures), covering the two pillars that support environmental goals: Nurturing Terroir and Circular Making. The Company's inaugural Climate Reporting under TCFD is in section 9 of this strategic report.

9. Climate Reporting

The Company has made climate-related financial disclosures following the 11 TCFD recommendations as a framework. The table below notes the level of consistency of this report with the 11 recommendations.

Recommendation	Level of consistency
Governance	
a. Describe the board's oversight of climate-related risks and opportunities.	Consistent
b. Describe management's role in assessing and managing climate-related risks and opportunities.	Consistent
Strategy	
a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Consistent
b. Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Consistent
c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Partially consistent
Risk management	
a. Describe the organisation's processes for identifying and assessing climate-related risks.	Consistent
b. Describe the organisation's processes for managing climate-related risks.	Consistent
c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Consistent
Metrics and targets	
a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Partially consistent
b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Consistent
c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Partially consistent

The Company believes that by aligning to the 11 TCFD recommendations, it is compliant with sections 414C, 414CA, and 414CB of the Companies Act 2006.

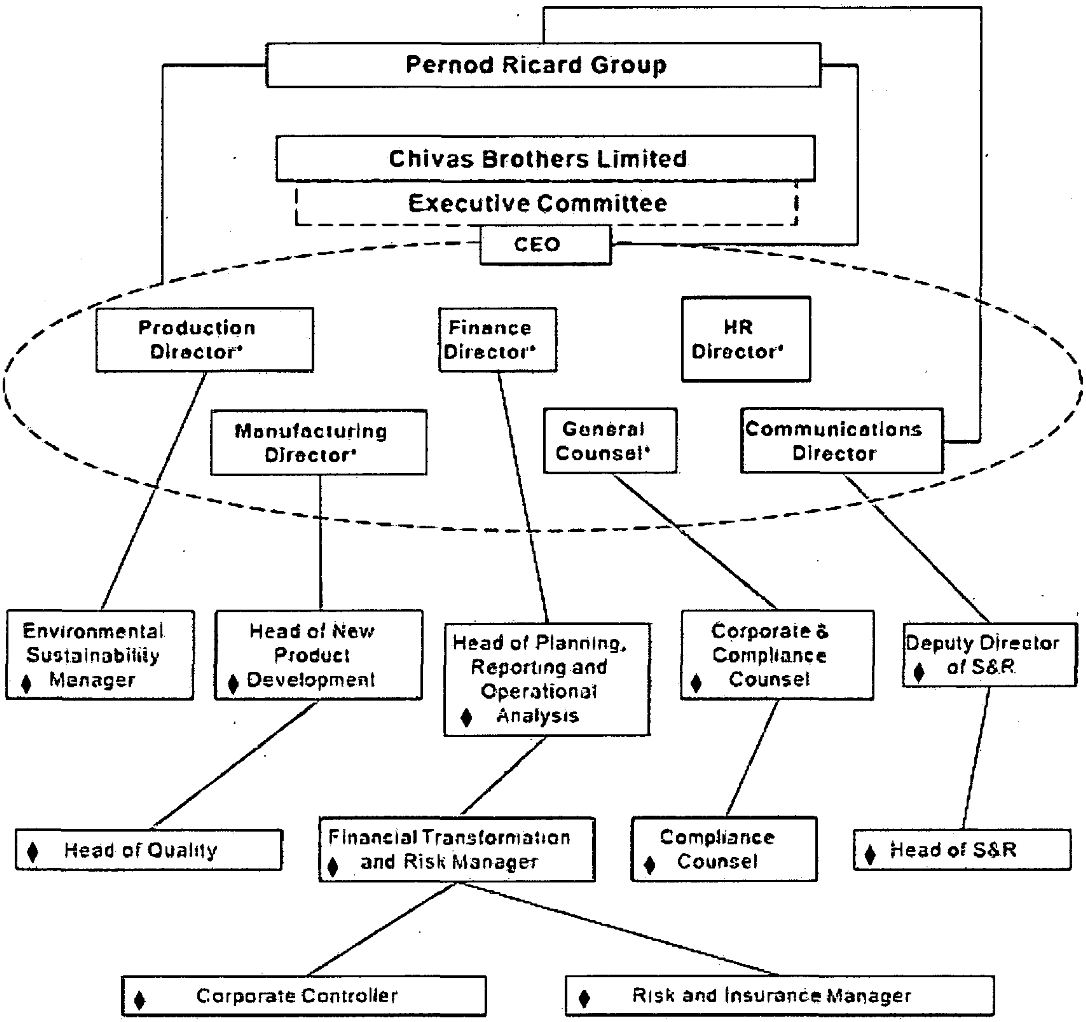
A glossary of terms can be found at the end of this report.

9. Climate Reporting (Continued)

Governance

Introduction

Chivas Brothers Limited (the Company), as a key subsidiary of the Pernod Ricard Group, adopts and implements the Pernod Ricard Group's strategic priorities. The Pernod Ricard Group feeds strategic priorities down to the executive committee, which is made up of the Company's directors and chaired by the CEO. Priorities are fed down from executive committee members to their direct management reports.



♦ Denotes member of internal TCFD taskforce

* Denotes member of executive committee who is also a statutory director of Chivas Brothers Limited

9. Climate Reporting (Continued)

Board and Executive Committee Oversight:

At the Company, the executive committee is charged with primary oversight of climate-related matters. Strategic priorities including carbon, water and waste are discussed at functional leadership meetings between the executive directors. Climate-related matters are escalated to the executive committee through direct management reports in Sustainability & Responsibility (S&R), Production and Manufacturing.

Climate-related risks and opportunities are considered strategically through S&R roadmaps for Production and Manufacturing, which inform capital allocation and budget planning. During the period of account, although evaluated within the existing risk assessment framework, residual climate-related risks did not rank among the top risks escalated to the executive committee. Following the reporting year, the Company plans to escalate gross climate-related risk to the executive committee for inclusion as a standing agenda item at the executive committee meeting twice per year. To facilitate executive committee review, the Company plans to develop an environmental dashboard, displaying climate-related risks and corresponding mitigations.

In 2023, the Pernod Ricard Group held a Climate Leadership Day with its executive committee members, which included the Company's CEO. The purpose was to discuss and agree on initiatives with large-scale potential for increasing climate resilience and implementation roadmaps in relation to high-priority climate-related issues across the Pernod Ricard Group, including the Company.

Management Oversight:

The Company has assigned climate-related responsibilities to relevant individuals. Management-level personnel in Production, Manufacturing and S&R have first-line reports to the executive committee who they inform about climate-related risk in their respective departments.

The Company has a dedicated Environmental Sustainability Manager, who is responsible for collating environmental risks into an environmental risk register, which includes climate-related risks. Each department at the Company has a risk register maintained by the relevant manager, featuring environmental risks pertaining to its operations.

During the period of account, the Company established a TCFD taskforce, comprised of senior management from Finance, Legal, Production, Manufacturing, and S&R departments. The taskforce has been mandated to ensure readiness to report against the TCFD.

9. Climate Reporting (Continued)

Strategy and Risk Management

To integrate climate-related risks and opportunities within the Company's risk management process, each department of the Company maintains its own risk register. The Company has an environmental risk register which supports the departmental risk registers and is maintained by the Environmental Sustainability Manager. The Company has a horizon scanning risk register which identifies potential future risks. It aims to capture early signals of possible threats or changes in the environment. Every 6 months, the Company collates the roughly 40 departmental risk registers into a master register.

The risk registers include a description of the risk, an example of the risk's occurrence, and an assessment of likelihood and severity, enabling gross impact to be calculated. The gross impact score, the systems and processes in place to mitigate the risk and the effectiveness of the systems and processes are considered when determining residual impact.

Both gross and residual risk scores are presented using a visual risk heat map with impact and likelihood axes. Climate-related risk is scored as a part of this process. The residual risks are sorted into high, medium, and low scores. The residual risks assessed as critical are taken to the executive committee for strategic planning and management, with the highest 20-25 residual risks being escalated to the Pernod Ricard Group for further management.

The Pernod Ricard Group feeds strategic priorities and targets for S&R down to the Company, through its 2030 S&R roadmap "Good Times from a Good Place". The Company implements its own roadmaps for carbon, water, and waste to contribute to the Group's targets. The roadmaps are tailored for key business divisions such as production and manufacturing and delineate the capital expenditure required to achieve climate-related targets. To embed climate-related risks within the Company's broader financial strategy, the Company has a business analysis function that integrates risks into its long-term planning.

The Environmental Sustainability Manager conducts an Environment, Health, and Safety (EHS) regulatory review biannually, including horizon scanning of scientific and technological developments to identify ways to enhance operations. The Company has implemented an ISO 14001 certified Environment Management System for its production activities, as mandated by the Pernod Ricard Group. At site level, local Business Continuity Plans that include climate change-related considerations are periodically updated and reviewed.

Following the end of the reporting year, the Company determined areas of improvement for its risk identification, assessment, and management approach. A key finding was that the climate-related risks identified had not been considered in line with the risk categories in the TCFD taxonomy. In addition, no residual environmental risks were scored as critical, and escalated to the executive committee for further strategic consideration. Nonetheless, the mitigation of climate-related risk was realised locally by company divisions, through initiatives to manage the gross risks identified in their risk registers and to reach targets set by the Company or by the Pernod Ricard Group.

To enhance the management of climate-related risk, the Company plans to: formalise the existing risk procedure document; agree and define risk appetite with the executive committee; re-introduce the risk committee; implement a formal method of escalating climate-related and other risks to the executive committee and providing updates on the management of certain gross risks; and implement formal board approval for the S&R strategy.

9. Climate Reporting (Continued)

Materiality Assessment of Climate-related Risks

Using the risk categories in the TCFD taxonomy, the Company underwent a materiality assessment process based on two criteria: the probability of occurrence and the severity of financial impact. The climate-related risks shown in the tables below were identified in an initial materiality assessment. Some risks identified during this process were not included within the risk registers during the period of account. The initial scoring was based on the professional judgement of the Company's internal TCFD taskforce.

To inform the materiality assessment and give the final impact score shown in the tables below, the Company leveraged a scenario analysis exercise conducted by the Pernod Ricard Group. The analysis included physical and transition scenarios for operational purposes. They integrate both internal (growth rate, business evolution, the Company's decarbonisation strategy, etc.) and external drivers (regulations & policies, technological improvements, etc.). The analysis covered the Company's own sites and those of key suppliers and logistics partners over three timeframes – short-term (2030), medium-term (2040), long-term (2050).

Three Intergovernmental Panel on Climate Change (IPCC) scenarios focussing on physical impacts have been considered when assessing physical climate risks and Pernod Ricard activities exposure:

1. Scenario RCP2.6 (+1.5°C by 2100)
2. Scenario RCP4.5 (+2.4°C by 2100)
3. Scenario RCP8.5 (+4°C by 2100)

For the transition risks and opportunities studied, two Network of Central Banks and Supervisors for Greening the Financial System (NGFS) scenarios were used and further customised to provide a comprehensive view of the evolution of energy-related drivers (energy mix, carbon price, the evolution of emission factors, developments in energy efficiency, etc.):

1. NGFS "Delayed Transition" (+1.6°C by 2100)
2. NGFS "Net Zero 2050" (+1.4°C by 2100)

The Pernod Ricard Group selected the most material risks, from its list of highly rated risks, to be quantitatively assessed. The Company leveraged this analysis for the following risks:

- the impact of carbon pricing mechanisms and Emissions Trading Scheme (ETS) strengthening along the Company's value chain,
- the impact of shifting weather patterns on the production and supply of agricultural raw materials,
- the impact of extreme events (including flooding and sea-level rise) on operations and logistics,
- and the impact of a warming climate on evaporation in the maturation process.

Other risks and opportunities identified as potentially material are monitored and will be further assessed during the next phase of scenario analysis.

The materiality assessment process was conducted following the reporting year and management strategies for unmitigated climate-related risks, and a broader consideration of the resilience of the Company's strategy under different climate scenarios is a work in progress.

9. Climate Reporting (Continued)

Physical: Acute

Area of business impacted: Supply chain & Operations

Climate-related risk and time horizon	Potential financial impact and magnitude of impact	Impact on strategy and financial planning
Short-medium term risk: Climate change has the potential to cause an increase in the likelihood and severity of extreme weather events. This can impact the Company's own operations or impact its suppliers and logistics. The key risks are: • Impact of flooding and violent storms on operations • Impact of extreme weather events on the production and supply of dry goods	**Medium impact** An acute weather event such as pluvial or fluvial flooding or a violent storm could result in financial consequences, encompassing damage to facilities and equipment, increased operational costs for repairs, potential production delays and supply chain disruption. A flood or violent storm could lead to the total loss of a strategic site, causing a prolonged shut-down in the production of certain products. An acute weather event could impact the supply of dry goods, leading to supply chain disruption and increased procurement costs.	The Company has reinforced infrastructure with flood barriers. The layout of vulnerable warehouses allows storage containers for whisky to be elevated above ground level, limiting impact to inventory. The Company has insurance coverage of its assets, mitigating its exposure to costly repairs. The scenario analysis exercise found that pluvial and fluvial flooding presented a limited impact to Dalmuir, Dumbuck, Kilmalid, and Strathclyde. The largest annualised expected loss, expressed as percentage of asset value at risk, was 0.5% at Kilmalid under RCP8.5 in 2050. The Company keeps two years' supply of botanicals for gin in inventory, mitigating potential supply chain disruption. The Company's sourcing strategy relies on a wide array of global suppliers, diluting the risk of a single acute event on the supply chain.

9. Climate Reporting (Continued)

Physical: Chronic

Area of business impacted: Supply chain & Operations

Climate-related risk and time horizon	Potential financial impact and magnitude of impact	Impact on strategy and financial planning
Medium-long term risk: Climate change has the potential to cause longer term shifts in weather patterns by gradually altering environmental conditions. This can impact the production and supply of agricultural raw materials and dry goods, the Company's operations, and its ability to produce whisky and gin. The key risks are: • The impact of shifting weather patterns on the production and supply of agricultural raw materials and dry goods • The impact of flooding from sea-level rise on operations • The impact of a warming climate on evaporation in the maturation process • The impact of drier weather conditions leading to water stress, affecting the production process for whisky	**High impact** Longer term shifts in weather patterns could affect crop production. This could lead to increased procurement costs, reduced crop yields and availability, and potentially quality issues. Rising sea-levels and coastal flooding would affect the Company's facilities, transportation infrastructure and supply chain. Impacts include costly facility fortification and maintenance, supply chain disruption, production delays and potential damage to ageing whisky inventory or packaging materials. The Company has one bottling site which is strategically vital. If this site was permanently inundated it could threaten the future viability of operations. Increased average temperatures could lead to an increase in the evaporation rate of whisky, reducing revenue from finished product. Variations in the evaporation rate could influence the flavour and quality of aged whisky. Water stress could lead to disruptions in water-intensive activities such as distillation or bottling.	The scenario analysis exercise showed that the price of agricultural crop yields was significantly impacted by ecosystem degradation in 2050 under all scenarios. This price is affected by global supply and not just UK yields. The scenario analysis exercise found that tidal flooding presented a limited impact to Kilmalid and Strathclyde. The annualised expected loss for both sites did not change from its current percentage, regardless of the scenario or time horizon. The scenario analysis exercise considered the impact of different warming scenarios on evaporation rates. The maximum theoretical additional evaporation occurred under RCP8.5 in 2050 and was 0.3% above the current industry benchmark for annual evaporation of 2%. The Company is engaged in a 'future flows' exercise to anticipate changes in water availability. To address potential water stress, the Company has a diversified water sourcing strategy and has looked at its capability to utilise multiple sources of water e.g., groundwater, spring water, or tap water in its operations.

9. Climate Reporting (Continued)

Transition: Policy & Legal

Area of business impacted: Supply chain & Operations; Finance

Climate-related risk and time horizon	**Potential financial impact and magnitude of impact**	**Impact on strategy and financial planning**
Short-medium term risk: Climate change drives policy and legal changes as governments aim to mitigate its impact. The key risk is: · The impact of carbon pricing mechanisms and ETS strengthening coverage along the Company's value chain	**High impact** This risk could directly increase operational costs and the cost of goods.	The Company measures its carbon emissions across all three scopes. It has a roadmap to become carbon neutral in distillation by end of 2026. The roadmap tracks emissions reduction initiatives and sets out the capital expenditure required. The scenario analysis exercise found that carbon prices were expected to reach their highest levels in a "Delayed Transition" scenario. Under this scenario there was a potential for a significant impact to the Company's operational expenditure related to carbon price exposure, which could be partially abated if carbon reduction targets were met.

Transition: Market

Area of business impacted: Supply chain & Operations; Finance

Climate-related risk and time horizon	**Potential financial impact and magnitude of impact**	**Impact on strategy and financial planning**
Short-medium term risk: The transition to a low carbon economy can affect the supply and demand for certain commodities, products and services. The key risk is: • The impact of rising energy prices	**High impact** This risk could lead to higher operational costs. The Company will need to explore alternative energy sources or invest in energy-efficient technologies, which will require capital expenditure.	The Company has hedged against market shocks for utilities. It has a 3-year rolling contract for energy, in which a proportion of the demand is bought forward. The Company has plans to utilise onsite energy generation and green technologies to diversify energy sources, this could protect against energy price volatility.

9. Climate Reporting (Continued)

Transition: Reputation

Area of business impacted: Products & Services; Finance; Marketing

Climate-related risk and time horizon	Potential financial impact and magnitude of impact	Impact on strategy and financial planning
Short-medium term risk: Climate change poses a reputational risk as public and investor awareness of environmental issues grows. The key risk is: • The impact on brand value from negative consumer sentiment	**Medium impact** The Company is aware that scrutiny in the market is increasing. Negative media coverage could significantly affect the value of the Company's brands, and the probability of this will increase as the transition to a lower carbon economy continues.	The Company internally monitors whether any of its environmental messaging could constitute greenwashing, through Pernod Ricard's Responsible Marketing Panel (RMP), which is made up of a gender balanced committee with representatives from different functions and geographies. This ensures the Company's marketing and communication plans can be supported with robust proof-points that are rooted in its environmental roadmap. The Company follows a set of guiding principles on sustainability claims developed by the Pernod Ricard Group.

Resource efficiency

Area of business impacted: Supply chain & Operations

Climate-related opportunities and time horizon	Potential financial impact and magnitude of impact	Impact on strategy and financial planning
Short-medium term opportunity: In order to reach climate-related targets, the Company must innovate to use resources more efficiently. The key opportunities are: • Recycling and reuse of packaging and waste products, through circularity principles • Implementation of technologies to improve water and energy efficiency	Circularity is important for the Company to meet carbon targets. This can lead to more efficient use of raw materials, reduced waste, and potentially lower costs. Efficient water use is necessary in the production process, and this can lead to reduced operational costs.	Circularity is a key pillar of the Pernod Ricard Group's S&R Strategy, which is implemented by the Company. The strategy includes adopting circular packaging principles to minimise the use of virgin materials through sourcing recyclable materials, reducing bottle weight, and reducing secondary packaging as well as using materials that people can compost, recycle, or reuse. It also involves repurposing by-products for use as an alternative source of energy. The Company is focusing on securing diverse water sources and optimising usage to safeguard against scarcity. The Company has invested in Mechanical Vapour Recompression (MVR) and Enhanced Heat Recovery (EHR) to reduce energy consumption.

9. Climate Reporting (Continued)

Energy source

Area of business impacted: Supply chain & Operations

Climate-related opportunities and time horizon	Potential financial impact and magnitude of impact	Impact on strategy and financial planning
Short term opportunity: Climate change presents an opportunity for the Company by accelerating the shift towards renewable energy sources. The key opportunities are: • The generation of renewable energy onsite • Procurement of renewable energy/fuel	Onsite energy generation could significantly improve efficiency and reduce dependence on external energy sources. This could lead to operational cost savings. Implementing green energy sources and using 100% renewable energy would ensure the Company reaches its carbon targets. Adopting more sustainable fuel options for transport and logistics will reduce the carbon footprint of the Company's supply chain.	The Company is investigating on-site solar energy generation. As part of the Company's energy strategy, it plans to use green gas in exchange for distillery by-products, through the use of anaerobic digestion plants. The Company has switched to biofuel at its Braeval distillery. The Company has commenced space heating electrification using heat pumps, within select units at Kilmalid. The Company has implemented an electric boiler at its Plymouth gin distillery and has plans to implement this at its Scapa and Kennington distilleries. The Company will investigate the potential for use of Electric Power Trains and alternative fuels, such as Hydrotreated Vegetable Oil (HVO) for its transport routes. The Company has invested in six biogas tractor units to transport its by-products from malt distilleries.

9. Climate Reporting (Continued)

Products & Services

Area of business impacted: Products & Services

Climate-related opportunities and time horizon	Potential financial impact and magnitude of impact	Impact on strategy and financial planning
Short term opportunity: Climate change creates opportunities in the development of eco-friendly products as consumer demand for sustainable options grows. The key opportunities are: • Production of bottle labels out of by-products from the distillation process • Lightweighting of bottles • Production of refillable containers	Sustainable packaging could lead to long-term savings from waste reduction and operational efficiencies. This shift can enhance the Company's brand appeal, potentially boosting sales and market presence. Lightweighting could reduce material and transportation costs and enhance operational efficiency. The development of refillable containers differentiates the Company's products in the market, which could lead to increased sales and brand value.	The Company has introduced initiatives to increase the sustainability of its packaging for its products. An example of this is the Chivas Regal 12 restage, which included the removal of secondary packaging and lightweighting of the glass bottle saving 1,300 tonnes of glass per year across the range. The Company is actively working with the UK glass industry to improve the cullet percentage content as well as including renewables in the manufacturing of glass. The Company has identified glass bottles with sub-optimal weight and plans to implement necessary changes to achieve lightweighting. The Company has removed 100% of its PET miniatures from its product range. The Company is working with ecoSPIRITS, focusing on creating a refillable container for dispensing product in the On-trade channel.

9. Climate Reporting (Continued)

Resilience

Area of business impacted: Supply chain & Operations

Climate-related opportunities and time horizon	Potential financial impact and magnitude of impact	Impact on strategy and financial planning
Long term opportunity: Climate change prompts opportunities for resilience by encouraging the Company to adapt and strengthen its operations against environmental challenge. The key opportunities are: • Future proofing operations • Engagement with the value chain and improved visibility of suppliers	By engaging with suppliers and aiming to build long-term partnerships, the Company can enhance value chain resilience and could experience reduced operational costs through improved efficiency, while mitigating financial and availability risks associated with supply chain disruption.	The Pernod Ricard Group, which includes the Company, has implemented the appropriate organisation and initiatives (PR Procure) to ensure satisfactory purchasing conditions for its raw materials while maintaining relationships of mutual trust with its key suppliers. The Pernod Ricard Group uses EcoVadis and Partner up as digital tools to aid in the supplier risk assessment and foster supply chain resilience.

Metrics & Targets

Alignment with the TCFD and the subsequent materiality assessment process was conducted following the reporting year. Some of the climate-related risks and opportunities identified above currently do not have associated metrics or targets. The tracking of additional metrics to monitor these risks is under review during the next period of account.

The Company has a target to be carbon-neutral, in Scopes 1 and 2 (Market-based), across its distilleries by the end of 2026. To meet this, the Company has a detailed roadmap with the necessary emission reduction initiatives and planned investment aligned to each initiative. During the period of account, the Company has invested in Mechanical Vapour Recompression (MVR) enhanced heat recovery technology to reduce energy consumption. It has installed this at its Glentauchers site and the installation at Allt-A-Bhainne and Strathclyde is in progress. This technology is planned to be implemented at Dalmunach, Aberlour, Glenburgie, Longmorn, Miltonduff, and The Glenlivet. The heat recovery technology consisting of a careful balance of Mechanical Vapour Recompression (MVR) technology, Thermal Vapour Recompression (TVR) and hot water generation, is expected to reduce the overall energy consumption and carbon emissions in distillation by one third. The Company has undertaken facilities upgrades for its Miltonduff and Aberlour sites to improve energy efficiency. Residual emissions will be addressed through the deployment of a diverse energy supply strategy including electrification, biofuels, green gas derived from the Company's by-products and other renewable energy solutions as they evolve.

The Company uses two metrics to track progress against this target: the absolute 'Scope 1 & 2 (Market-based) emissions'; and an intensity ratio of total 'Scope 1 & 2 (Market-based) emissions per kilolitre of distilled alcohol'. Since the Company's baseline of 2018, a 24% reduction in 'Scope 1 & 2 (Market-based) emissions per kilolitre of distilled alcohol' has been achieved. However, due to production growth the Company experienced following the COVID-19 pandemic, the absolute 'Scope 1 & 2 (Market-based) emissions' have remained relatively static with a 2.1% reduction for the same period.

The Company is committed to following a net zero trajectory across all scopes by 2050, in line with the Pernod Ricard Group ambition. An operational plan to achieve this is a work in progress.

9. Climate Reporting (Continued)

Carbon emissions

To calculate its carbon footprint, shown below, the Company used UK Government Greenhouse Gas (GHG) Conversion factors for Company Reporting and the UK Government's published Environmental Reporting Guidelines, where required. The Company is also compliant with the Global Reporting Initiative Sustainability Reporting Guidelines and Pernod Ricard Environment Reporting Protocol 2022/2023.

Breakdown of the Company's carbon footprint

Metric	Unit	2021	2022	2023
Total Scope 1	tCO2e	82,220	95,119	86,242
Total Scope 2 (Location-based)		-	14,210	15,275
Scope 2 (Market-based)		0	0	0
Total Scope 1 & 2 (Location-based)		-	109,329	101,517
Total Scope 1 & 2 (Market-based)		82,220	95,119	86,242
Category 1. Purchased goods and services		-	366,027	325,551
Category 2. Capital goods		-	32,848	39,828
Category 3. Fuel and energy related activities		-	21,297	20,832
Category 4. Upstream transportation & distribution		-	72,076	76,925
Category 5. Waste generated in operations		-	126	112
Category 6. Business travel		-	357	1,448
Category 7. Employee commuting		-	2,705	2,935
Category 8. Upstream leased assets		-	655	444
Category 12. End-of-life treatment of sold products		-	1,268	3,564
Total Scope 3		-	497,359	471,639
Total footprint (Location-based)		-	606,688	573,156
Total footprint (Market-based)		-	592,478	557,881
Turnover	£'M	646	789	861
Total Scope 1 & 2 (Market-based) per unit of net turnover	tCO2e/£'M net turnover	127	121	100
Total Scope 1 & 2 (Market-based) per unit of distilled alcohol	tCO2e/kLAA	1.06	1.01	0.92
Gas (Scope 1)	MWh	358,961	424,990	400,108
Fuel (Scope 1)		32,358	50,093	57,777
Electricity (Scope 2)		61,992	61,971	67,145

Glossary

- TCFD – Taskforce on Climate-related Financial Disclosures
- S&R – Sustainability & Responsibility
- EHS – Environment, Health, and Safety
- IPCC – Intergovernmental Panel on Climate Change
- RCP – Representative Concentration Pathway
- NGFS – Network for Greening the Financial System
- ETS – Emissions Trading Scheme
- EHR – Enhanced Heat Recovery
- MVR – Mechanical Vapour Recompression
- HVO – Hydrotreated Vegetable Oil
- TVR – Thermal Vapour Recompression
- GHG – Greenhouse Gas
- PET – Polyethylene Terephthalate

10. 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 foreseeable future. For this reason, the directors have adopted the going concern basis in preparing the financial statements.

11. Future Developments

In the year ahead, the directors expect the trading environment to normalise after enjoying two years of a post pandemic surge in demand. The challenges in the supply chain are expected to continue to play a role in the short to medium term, with inflationary pressures beginning to ease on commodities and materials. The directors remain optimistic for the medium and long-term future financial performance of the Company, and will continue to strive to deliver the sustainability and responsibility aims of Pernod Ricard Group's 2030 roadmap.

On behalf of the board

Edmund Fells

E Fells
Director
27 March 2024

The directors present their report and financial statements for the year ended 30 June 2023. The following information is not included in the Directors' Report because it is shown in the Strategic Report:

Business review
Financial key performance indicators
Principal risks and uncertainties
Financial risk management
Sustainability and responsibility
Climate Reporting
Going concern
Future Developments

Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

G Buist	(Resigned 31 December 2023)
C Thompson	
W Donegan	
S Dehlinger	
E Fells	
J Gourgues	
B MacAulay	(Appointed 31 December 2023)

Directors' insurance

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.

Results and dividends

The results for the year are set out on page 35. The Company paid an ordinary dividend of £125,038,000 (€144,844,000) (2022: £148,833,000 (€174,765,000)).

A review of the business and results for the period are contained in the Strategic Report on page 1.

Political donations

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

Events after the Reporting Date

Interim Dividends
On 20 December 2023, the Company paid an interim dividend of €79,814,000 (£68,811,000) to its parent Allied Domecq Spirits & Wine Holdings Limited ("ADSWH").

Stakeholder Engagement Statement

The Company acknowledges the value in effective stakeholder collaboration and engagement. The ways in which the Company has engaged with the various stakeholder groups over the course of the year in relation to certain principal decisions is detailed below.

Shareholders
The Company's ultimate shareholder is Pernod Ricard SA. The board and executive committee are continually engaging and developing relationships through regular communication with the ultimate shareholder. The Company's chairman and CEO sits on the global executive committee of Pernod Ricard SA.

Employees
Please refer to the Company's S172 (1) statement in the Strategic Report for detail on engagement with employees.

Suppliers
Please refer to the Company's S172 (1) statement for detail on engagement with suppliers.

Customers
The Company's principal customer is the Company's sister company, Chivas Brothers International Limited, with whom the business has continual meaningful engagement. Customer needs and views are routinely fed-back and considered by the board in assessing performance of the Company's brands in global markets.

Trade associations
Members of the executive committee are actively involved in industry initiatives, with the Scotch Whisky Association and other industry bodies. Support for such activity is discussed and considered at board and executive committee level, and through the company's dedicated public affairs team.

Pension trustees
The Company provides retirement benefits via three different schemes. The Chivas Brothers Pension Scheme ("CBPS") is a company funded scheme and current employees and former employees sit on the board of its trustee company. Protocols for information sharing between the board and the trustees are long established.

HMRC
The Company is committed to being open and transparent with all tax authorities, including HMRC, and to disclosing relevant information to enable them to carry out their work. The Company places particular importance on working positively, proactively and transparently with all tax authorities. This is both to build open and sustainable relationships and to resolve potential disputes quickly.

Communities
Please refer to the Company's S172 (1) statement in the Strategic Report for detail on community engagement.

Trade Unions
The Company works closely with the relevant trade unions through its network of workforce representatives and there are regular management and union sessions held.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be reappointed and KPMG LLP will therefore 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.

On behalf of the board

Edward Fells

E Fells
Director
27 March 2024

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CHIVAS BROTHERS LIMITED

Opinion

We have audited the financial statements of Chivas Brothers Limited ("the Company") for the year ended 30 June 2023 which comprise the profit and loss account, statement of 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 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 as applied to other entities of public interest. 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").

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources over this period were: decline of revenue from key brands and increase in expenditure.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible, downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the company's financial forecasts.

We assessed the completeness of the going concern disclosure.

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; and
- we found the going concern disclosure in note 1.6 to be acceptable.

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, as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

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 revenue transactions are sufficiently non-complex and the point at which revenue can be recognized is sufficiently free from judgement that the risk of a material misstatement within revenue in relation to fraud risk is acceptably low.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We performed procedures including:
Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries with unusual cash account combinations.

Identifying and responding to risks of material misstatement related to 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 and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, 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.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, regulatory capital and liquidity, and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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 fraud 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.

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

Our responsibility is to read the strategic report and 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 strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports 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.

We have nothing to report in these respects.

Directors' responsibilities
As explained more fully in their statement set out on page 34 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
27 March 2024

DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS REPORT AND THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

The directors are responsible for preparing the Strategic Report, 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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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.

CHIVAS BROTHERS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 £'000	2022 £'000
Revenue	**2**	860,887	789,492
Cost of sales		(529,503)	(501,050)
Gross profit		331,384	288,442
Distribution costs		(8,671)	(8,864)
Administrative expenses		(17,218)	(51,419)
Operating profit	**3**	305,495	228,159
Interest receivable and similar income	**7**	46,186	14,611
Interest payable and similar expenses	**8**	(82,999)	(33,455)
Gain/(loss) on financial instruments measured at fair value through profit and loss		55	(44)
Gain on sale of Tormore Business	**9**	12,402	-
Profit before taxation		281,139	209,271
Tax on profit	**10**	(60,053)	(40,743)
Profit for the financial year		221,086	168,528

The Profit and Loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 40 to 73 are an integral part of these financial statements.

CHIVAS BROTHERS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 £'000	2022 £'000
Profit for the year		221,086	168,528
Other comprehensive income			
Actuarial (loss)/gain on defined benefit pension schemes	26	(47,228)	31,136
Tax relating to other comprehensive income	10	11,807	(7,784)
Profit and loss reserves movement		(35,421)	23,352
Other comprehensive (loss)/income for the year		(35,421)	23,352
Total comprehensive income for the year		185,665	191,880

The notes on pages 40 - 73 are an integral part of these financial statements.

CHIVAS BROTHERS LIMITED

BALANCE SHEET

AS AT 30 JUNE 2023

	Notes	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Fixed assets					
Intangible assets	**12**		3,742		3,462
Tangible assets	**13**		623,940		554,796
Investments	**14**		3,683,259		3,732,159
			4,310,941		4,290,417
Current assets					
Stocks	**16**	1,777,860		1,591,359	
Debtors falling due after more than one year	**18**	261,339		639,089	
Debtors falling due within one year	**17**	1,026,261		596,468	
Cash at bank and in hand		2,368		3,957	
		3,067,828		2,830,873	
Creditors: amounts falling due within one year	**19**	(1,380,276)		(677,078)	
Net current assets			1,687,552		2,153,795
Total assets less current liabilities			5,998,493		6,444,212
Creditors: amounts falling due after more than one year	**20**		(1,227,450)		(1,766,300)
Provisions for liabilities					
Provisions	**21**	5,127		7,567	
Deferred tax liability	**25**	92,259		91,475	
Defined benefit pension liability	**26**	50,486		16,326	
			(147,872)		(115,368)
Net assets			4,623,171		4,562,544
Capital and reserves					
Called up share capital	**28**		10,580		10,580
Hedging reserve	**31**		-		-
Capital redemption reserve			60,359		60,359
Other reserves	**30**		32,274		32,274
Profit and loss reserves			4,519,958		4,459,331
Total equity			4,623,171		4,562,544

The notes on pages 40 to 73 are an integral part of these financial statements.

CHIVAS BROTHERS LIMITED

BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2023

The financial statements were approved by the board of directors and authorised for issue on 27 March 2024 and are signed on its behalf by:

Edmund Fells

E Fells
Director

Company registration number SC268758 (Scotland)

CHIVAS BROTHERS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Share capital £'000	Capital contribution £'000	Hedging reserve £'000	Other reserves £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 July 2021		10,580	14,506	-	32,274	4,416,284	4,473,644
Year ended 30 June 2022:							
Profit for the year		-	-	-	-	168,528	168,528
Other comprehensive income:		-	-	-	-	23,352	23,352
Total comprehensive income		-	-	-	-	191,880	191,880
Dividends	11	-	-	-	-	(148,833)	(148,833)
Divestment of Tormore. business		-	33,403	-	-	-	33,403
Dividend in specie		-	12,450	-	-	-	12,450
Share based payment	27	-	2,546	-	-	-	2,546
Payment in respect of share based payment		-	(2,546)	-	-	-	(2,546)
Balance at 30 June 2022		10,580	60,359	-	32,274	4,459,331	4,562,544
Year ended 30 June 2023:							
Profit for the year		-	-	-	-	221,086	221,086
Other comprehensive income		-	-	-	-	(47,228)	(47,228)
Tax relating to other comprehensive income		-	-	-	-	11,807	11,807
Total comprehensive income		-	-	-	-	185,665	185,665
Dividends	11	-	-	-	-	(125,038)	(125,038)
Share based payment	27	-	1,013	-	-	-	1,013
Payment in respect of share based payment		-	(1,013)	-	-	-	(1,013)
Balance at 30 June 2023		10,580	60,359	-	32,274	4,519,958	4,623,171

The notes on pages 40 to 73 are an integral part of these financial statements.

1 Accounting policies

Company information

Chivas Brothers Limited is a limited company domiciled and incorporated in Scotland. The registered office is Kilmalid, Stirling Road, Dumbarton, Scotland, G82 2SS.

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 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014 and the requirements of the Companies Act 2006. The amendments to FRS 102 issued in July 2015 and December 2017 have been applied.

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 £1,000.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below, and unless otherwise stated, have been applied consistently to all years presented in these financial statements.

1.2 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.

1.3 Reduced disclosure exemptions

The Company has taken advantage of certain disclosure exemptions in preparing these financial statements, as permitted by Section 1 of FRS 102:

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation;
- the requirements of Section 11 Basic Financial Instruments, financial instruments disclosures;
- the requirements of Section 12 Other Financial Instrument Issues, hedge accounting disclosures;
- the requirements of Section 33 Related Party Disclosures, key management personnel compensation.

This information is included in the consolidated financial statements of Pernod Ricard S.A. as at 30 June 2023. Copies of its annual report may be obtained from 5 Cours Paul Ricard, 75380 Paris, France.

1.4 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 reporting date and amounts reported in the profit and loss account and statement of 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:

1 Accounting policies **(Continued)**

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

Determining residual values and economic useful lives

Tangible Fixed assets
The Company categorises its assets within the core asset classes and attributes a useful economic life to each asset category determined as "the period over which an asset is expected to be available for use by the Company".

Generally residual values are assumed to be nil, however for assets where there is an active second hand market, the residual value is determined as the amount that an entity would currently obtain from disposal if the asset were already of the age, and in the condition expected, at the end of its useful life.

Intangible Fixed assets
The Company's intangible fixed assets comprise software system costs. Software system costs are attributed a maximum economic life of 5 years.

Pension
The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country. Future pension increases are based on expected future inflation rates. Further details are given in note 26.

Derivative instruments
The market value of forward foreign currency contracts and put and call options recognised in the financial statements at the reporting date was calculated on the basis of available market data, using current valuation models.

Stocks
In determining an estimate of NRV management has made judgements in respect of the saleability of the Company's finished goods and goods for resale, as well as the quality and usability of its raw materials, consumables and work in progress.

Adoption of interest rates upon cessation of LIBOR
In March 2021, the Financial Conduct Authority announced that immediately after 31 December 2021, all Sterling London Interbank Offered Rates ('LIBOR') would either cease to be provided by any administrator, or no longer considered to be representative.

The Group's treasury function considered various options as an appropriate replacement for LIBOR in the context of inter group lending, and concluded that a Term Sterling Overnight Index Average ('SONIA') rate was the most pragmatic solution. Term SONIA rates refer to a forward-looking term rate which reflects the expected average SONIA over a given period, thus allowing the rate to be fixed at the outset of a given interest period.

From 1 January 2022, the Company applied Term SONIA rates to all lending contracts that had previously applied sterling LIBOR rates, as permitted under the terms of the lending contract.

1 Accounting policies **(Continued)**

Hive Down of Tormore Business

In February 2022, the Company received an external offer for the Tormore business, and to facilitate the buyer's acquisition, undertook an internal reorganisation. On 26 April 2022, the Company hived down its Tormore production and maturation business to its subsidiary Tormore Distillery Limited ("TDL"), a previously dormant subsidiary. TDL acquired the IP rights of the Tormore brand from another of the Company's subsidiaries, Allied Domecq Spirits and Wine Limited ("ADSW"). The acquisitions were completed at fair value and in both cases consideration was settled via an issue of ordinary shares. On 13 May 2022 ADSW paid a dividend in specie of those shares to the Company. The Company and the buyer subsequently entered into a Sale and Purchase agreement on 20 June 2022, with the final sale completing on 20 December 2022.

Given the circumstances above, in particular, the commercial purpose behind the hive down transaction, the directors were of the view that it was most appropriate for the Company to account for the divestment of the Tormore business on 26 April 2022 at fair value. As such, distillery assets were derecognised at their book value; the investment recognised at fair value, and the associated gain recognised as a capital contribution. Similarly, the dividend in specie received from ADSW on 13 May 2022 of TDL shares was accounted for at fair value, and recognised as a capital contribution, with the shares in TDL recognised as an addition to investments in subsidiary undertakings.

1.5 Impairment of non financial assets

The Company assesses at each reporting date whether an asset may be impaired as follows:

Tangible assets

If any indication of impairment exists, the Company estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment charge in profit and loss.

Investments

The Company assesses for any indication that its investments may be impaired by considering whether any significant changes have taken place, or are expected to take place that would have an adverse impact on the investment. If a significant change has arisen, the Company will value its investment based on the value of its underlying assets, and this is then compared to the carrying value of the investment to assess whether an impairment charge is required

In all cases, if an impairment loss is recognised, it will only be reversed in a subsequent period, if and only if the reasons for the impairment loss have ceased to apply.

1 Accounting policies **(Continued)**

1.6 Going concern

The Company's business activities, together with the factors likely to affect its future development and financial position, are set out in the Strategic Report on pages 1 to 26.

The Company has recorded a profit for the year ended 30 June 2023 and has both net current asset and net asset positions recorded as at the year-end date. The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the reasons described below.

In determining the appropriate basis of preparation of the financial statements for the year ended 30 June 2023, the directors are required to consider whether the Company can continue in operational existence for a period of at least 12 months from the approval of the financial statements. The Company operates in conjunction with Chivas Brothers International Limited ("CBIL"), whereby the Company's sales are dependent on CBIL's orders, therefore the Company's ability to operate as a going concern is directly linked to CBIL's position.

The directors of both companies undertook an integrated assessment of the ability of the respective companies to continue in operation and meet their liabilities as they fall due over a period not less than 12 months from the date of their assessment. This assessment considered a cash flow forecast for the 12-month period ending June 2025 which included a base forecast and a downside case which represents a severe but plausible scenario, including no growth in sales and higher costs. CBIL's suspension of sales to Russia as a consequence of the conflict in Ukraine is embedded in all forecasts however the impact on profits and cash flows is not expected to be material as CBIL's brands have a broad international spread which diversifies the risk of volatility in any one particular market.

The cash flow forecasts indicate that, after taking account of severe but plausible downsides, the Company's existing financial resources are sufficient to enable it to trade and pay its liabilities as they fall due for the forecast period.

On the basis of these reviews and after making suitable enquiries, the directors have a reasonable expectation that the Company will have sufficient funds to remain in operation and to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and consequently have prepared the financial statements on a going concern basis.

1.7 Foreign exchange

Transactions in currencies other than Sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on translation are included in profit or loss for the period.

1.8 Financial assets and liabilities

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its 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 set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1 Accounting policies **(Continued)**

1.9 Financial instruments

Basic financial instruments

Basic financial instruments which include trade payables and receivables; inter-company lending arrangements; and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method. Instruments that are payable or receivable within one year are measured at the undiscounted amount of the cash or other consideration expected unless the arrangement constitutes a financing transaction, where the Company measures the debt instrument at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Cash and cash equivalents

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

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.

Non Basic financial instruments

Derivatives

All derivatives are recognised in the balance sheet at fair value.

The Company uses forward foreign currency contracts and put and call options to reduce exposure to foreign exchange rates. These derivative financial instruments are initially measured at fair value on the date the contract is entered into and are subsequently measured at fair value through profit and loss unless they are designated as a cash flow hedge. In that instance, the change in value of the effective portion of the hedge is recognised in shareholders equity. The effective portion of the hedge is recognised in profit and loss only when the hedged item itself is recognised in profit and loss. A change in value of an "ineffective" component of the derivative would be recognised directly in profit and loss.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Hedging

The policy the Company follows when hedging is that derivatives that are designated as cash flow hedges, are measured at fair value on the date they are entered into. The change in value of the effective portion of the hedge is recognised in the hedging reserve within shareholders equity. The effective portion of the hedge is recognised in the profit and loss account only when the hedged item itself is recognised in profit and loss, or the Company ceases to hedge that currency. A change in value of an "ineffective" component of the derivative would be recognised directly in the profit and loss account.

1.10 Provisions

Provisions are recognised when the Company has a legal or constructive present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision in measured at present value the unwinding of the discount is recognised as a finance cost in the period it arises.

1 Accounting policies **(Continued)**

1.11 Investments in subsidiary undertakings

Investments in subsidiary undertakings 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 profit and loss account.

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.

1.12 Tangible fixed assets

Tangible fixed assets other than freehold land are stated at cost less depreciation. For those revalued assets, the Company has elected to use the previous GAAP revaluations as its deemed cost under FRS 102.

Depreciation is provided at rates calculated to write off the costs 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
Plant and machinery	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 available for use.

Land is not depreciated.

1.13 Intangible assets

Software system costs are stated at historic cost net of amortisation.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	between 4 and 5 years

1.14 Stocks

Stocks are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. At each reporting date, stocks are assessed for impairment. If an item is impaired, the item is reduced to its net realisable value, being its estimated selling price less costs to complete and sell, and an impairment charge is recognised in profit or loss.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1 Accounting policies **(Continued)**

1.16 Retirement benefits

The Company provides retirement benefits via three different schemes :- the Chivas Brothers Pension Scheme (CBPS); the Unfunded, Unapproved Retirements Benefit Scheme (UURBS), and a Defined Contribution Scheme. In addition, the Company operates a Long Service Award scheme (LSA).

CBPS is a UK group wide pension scheme providing benefits based on final pensionable pay. The cost of providing benefits under this plan is determined using the projected unit credit method, and is based on actuarial advice. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in the profit or loss as other finance income or expense.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur.

The Company is the sponsoring employer of CBPS and has legal responsibility for the plan. There is no contractual arrangement or stated policy for crediting the net defined benefit obligation of the plan as a whole to the individual participating employers and therefore the Company has recognised the defined benefit pension scheme in its individual financial statements.

The net defined benefit liability for CBPS in the balance sheet comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

CBPS was closed to new members in April 2009 from which time membership of a defined contribution plan was made available to employees. Contributions payable to the Defined Contribution Scheme are charged to profit or loss in the year they are payable.

UURBS provide additional post retirement benefits to specific employees which are unfunded. The LSA scheme provides for future service and retirement awards and is also unfunded.

1 Accounting policies **(Continued)**

1.17 Share Based payments

For cash-settled share-based payments, a liability is recognised for the goods and services acquired, measured initially at the fair value of the liability. At the reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss.

For equity settled share-based payments, where the ultimate parent company Pernod Ricard S.A (PRSA) has issued share options to certain directors and employees of the Company, these are measured at fair value and recognised as an expense in profit or loss with a corresponding increase in equity. The fair value of the options are 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 profit or loss over the vesting period. The charge is adjusted each year for the effect of non-market based vesting conditions.

The Company is part of a recharge agreement whereby it will reimburse PRSA prospectively for the annual cost of each share award based on the above calculation. The Company treats the recharge as an offset against equity.

From time to time, PRSA give employees of the Company the opportunity to participate in a Pernod Ricard Group Share ownership Plan, as part of a structured offer, including a discount of 20% to the share reference price. The associated expense is measured by PRSA by reference to the fair value of a discount offered on non-transferable shares and is charged as an expense in the Statement of Total Comprehensive Income in the period. The Company reimburses PRSA for its proportion of the cost of the employee benefit, which is allocated on the level of the Company's participation, proportionate to other group companies taking part in the scheme. The Company treats the recharge as an offset against equity.

1.18 Revenue Recognition

Revenue arises from the sale of goods. Revenue is measured at the fair value of the consideration received or receivable and represents amounts for the sale of goods in the normal course of business, net of discounts and other sales-related taxes.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually once goods loaded to sealed container for dispatch), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.19 Government grants

Grants are accounted for under the accruals model as permitted by FRS102. Grants of a revenue nature are recognised in "other income" within profit or loss in the same period as the related expenditure.

The Company has not directly benefitted from another form of government assistance.

1.20 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease.

1 Accounting policies **(Continued)**

1.21 Taxation

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

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 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 date.

Deferred tax

Deferred taxation is provided at appropriate rates on all timing differences which result in an obligation at the reporting 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 reporting 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.

1.22 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.

2 Revenue

An analysis of the Company's revenue is as follows:

	2023 £'000	2022 £'000
Revenue analysed by geographical market		
UK	795,695	728,628
Europe	16,480	292
Americas	6,443	11,726
Asia	1,664	48,770
Rest of World	40,605	76
	860,887	789,492

3 Operating profit

Operating profit for the year is stated after charging/(crediting):	2023 £'000	2022 £'000
Foreign exchange (gains)/losses	(14,999)	18,989
Depreciation of tangible fixed assets	47,904	44,489
Loss/(Profit) on disposal of tangible fixed assets	1,042	(826)
Amortisation of intangible assets	1,563	1,233
Charge relating to employee share options (note 27)		
- equity settled	1,013	2,546
- cash settled	2,643	1,920
Operating lease charges	7,866	7,125

Of the current year's depreciation on fixed assets, £29,505,000 (2022: £28,042,000) has been allocated to maturing spirit held in the Balance Sheet. This is released to profit or loss in subsequent years resulting in a timing difference between the fixed assets note and profit or loss charge for the year.

4 Auditor's remuneration

The auditor's remuneration for these financial statements amounts to £219,000 (2022: £208,000).

The Company has borne an audit fee this year for both its own and other group companies' audit totalling £441,000 (2022: £420,000). There were no fees payable to the company's auditor in respect of other services in the year (2022: nil). 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.

5 Employees

The average monthly number of persons (including directors) employed by the Company during the year was:

	2023 Number	2022 Number
Production	1,312	1,223
Distribution	9	6
Other	168	174
	1,489	1,403

	2023 £'000	2022 £'000
Wages and salaries	71,874	68,303
Social security costs	7,786	7,824
Pension costs	14,442	17,358
	94,102	93,485

5 Employees **(Continued)**

The Company recognised termination expenses of £nil (2022: £nil) in the financial year.

Included in Wages and Salaries is an expense for equity-settled share-based payment transactions which was £1,013,000 (2022: £2,546,000).

6 Directors' remuneration

	2023 £'000	2022 £'000
Remuneration for qualifying services	3,103	2,940
Company contribution to defined contribution pension schemes	46	10

There is one director for whom retirement benefits are accruing under defined benefit pension schemes (2022: Nil)

The number of directors who exercised share options during the year was nil (2022: 1)

The number of directors who are entitled to receive shares under long-term incentive schemes during the year was 6 (2022: 6)

Compensation for loss of office in respect of directors in the year was nil (2022: £nil).

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

	2023 £'000	2022 £'000
Remuneration	918	789
Benefits in Kind	10	127

During the year, the highest paid director:

- has exercised share options
- has been entitled to receive shares under a long term incentive scheme
- has not had any pension contributions made by the Company

At the year end, the highest paid director has no accrued pension and no accrued lump sum.

7 Interest receivable and similar income

	2023 £'000	2022 £'000
Interest income		
Unwind of discount on pension prepayment	3,232	3,390
Interest receivable from group companies	39,774	11,175
Other interest income	210	46
Total interest revenue	43,216	14,611
Income from fixed asset investments		
Income from shares in group undertakings	2,970	-
Total income	46,186	14,611

8 Interest payable and similar expenses

	2023 £'000	2022 £'000
Interest payable to group undertakings	76,681	26,083
Unwinding of discount on provisions	5	160
Interest on finance leases and hire purchase contracts	4,428	4,668
Interest on the net defined benefit liability	1,885	2,544
	82,999	33,455

9 Gain on Disposal

	2023 £'000	2022 £'000
Gain on disposal of the Tormore Business	12,402	-
	12,402	-

In the previous financial year, the Company received an external offer for the Tormore business and undertook an internal reorganisation in order to facilitate the buyer's acquisition. The Company hived down its Tormore production and maturation business to its previously dormant subsidiary, Tormore Distillery Limited ("TDL") in return for TDL shares, which it recorded at fair value. TDL had also acquired the IP rights of the Tormore brand from one of the Company's subsidiaries in return for shares. The Company became the sole owner of TDL on receipt of a dividend in specie of those shares from its subsidiary.

On 20 June 2022, the Company entered into a Sale and Purchase agreement for its TDL's shares and an additional agreement to sell a parcel of Tormore maturing inventory. The sale completed on 20 December 2022, when the Company received proceeds of £70,955,000 for its TDL shares and a parcel of maturing inventory. The Company had paid £2,000,000 in professional fees in connection with the disposal and recorded a gain on disposal of £12,402,000 on the transaction.

10 Taxation

	2023 £'000	2022 £'000
Current tax		
UK corporation tax on profits for the current period	46,474	31,932
Adjustments in respect of prior periods	987	(695)
Total current tax	47,461	31,237
Deferred tax		
Origination and reversal of timing differences	13,827	9,286
Adjustment in respect of prior periods	(1,235)	220
Total deferred tax	12,592	9,506
Total tax charge	60,053	40,743

The actual charge for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2023 £'000	2022 £'000
Profit before taxation	281,139	209,271
Expected tax charge based on the standard rate of corporation tax in the UK of 20.50% (2022: 19.00%)	57,622	39,761
Tax effect of expenses that are not deductible in determining taxable profit	705	11
Tax effect of income not taxable in determining taxable profit	(1,320)	(686)
Adjustments in respect of prior years	987	(695)
Other permanent differences	693	10
Deferred tax adjustments in respect of prior years	(1,235)	220
Adjust closing deferred tax to average rate of 25%	2,586	2,172
Fixed asset differences	624	(50)
Group income	(609)	-
Taxation charge for the year	60,053	40,743

Factors that may affect future tax charges

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.

10 Taxation **(Continued)**

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2023	2022
	£'000	£'000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	(11,807)	7,784

11 Dividends

	2023	2022
	£'000	£'000
Interim paid	125,038	148,833
	125,038	148,833

12 Intangible fixed assets

	Software
	£'000
Cost	
At 1 July 2022	11,022
Additions	1,843
At 30 June 2023	12,865
Amortisation and impairment	
At 1 July 2022	7,560
Amortisation charged for the year	1,563
At 30 June 2023	9,123
Carrying amount	
At 30 June 2023	3,742
At 30 June 2022	3,462

13 Tangible fixed assets

	Freehold land and buildings	Construction in progress	Plant and machinery	Fixtures, fittings, tools and equipment	Casks	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 July 2022	337,940	44,791	370,154	38,232	270,794	1,061,911
Additions	-	92,921	-	-	26,581	119,502
Disposals	(255)	-	(2,136)	(961)	(1,657)	(5,009)
Transfers	16,518	(55,138)	31,304	5,473	-	(1,843)
At 30 June 2023	354,203	82,574	399,322	42,744	295,718	1,174,561
Depreciation and impairment						
At 1 July 2022	133,351	-	239,309	17,327	117,128	507,115
Depreciation charged in the year	9,651	-	24,172	3,844	10,237	47,904
Eliminated in respect of disposals	(123)	-	(1,706)	(912)	(1,657)	(4,398)
At 30 June 2023	142,879	-	261,775	20,259	125,708	550,621
Carrying amount						
At 30 June 2023	211,324	82,574	137,547	22,485	170,010	623,940
At 30 June 2022	204,589	44,791	130,845	20,905	153,666	554,796

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 £4,546,000 (2022: £4,388,000).

Included within the above are assets held under finance leases with a net book value of £54,142,000 (2022: £56,759,000) in respect of Freehold land and buildings and £3,065,000 (2022: £4,532,000) in respect of Fixtures, fittings, tools and equipment. The depreciation charge for the year, on assets held under finance leases, amounts to £2,518,000 (2022: £2,662,000) in respect of Freehold land and buildings and £715,000 (2022: £1,452,000) in respect of Fixtures, fittings, tools and equipment. Additional information is contained in note 23.

14 Fixed asset investments

	Notes	2023 £'000	2022 £'000
Investments in subsidiaries	15	3,683,259	3,732,159

14 Fixed asset investments **(Continued)**

Movements in fixed asset investments

	Investment in subsidiary undertakings £'000
Cost or valuation	
At 1 July 2022	3,732,159
Disposals	(48,900)
At 30 June 2023	3,683,259
Carrying amount	
At 30 June 2023	3,683,259
At 30 June 2022	3,732,159

Disposals of £48,900,000 in the year represents the Company's shares in Tormore Distillery Limited. Please refer to note 9 for more details.

15 Subsidiaries

Details of the Company's subsidiaries at 30 June 2023 are as follows:

Name of undertaking and country of incorporation or residency		Class of shareholding	% Held
Direct Investments			
Allied Domecq Spirits and Wine 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
The Gin Hub Limited	England & Wales	Ordinary	100.00

15 Subsidiaries **(Continued)**

Indirect Investments

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
Glenburgie Distillery Limited	England	Ordinary	100.00
European Cellars Limited	England	Ordinary	100.00
George Ballantine & Son Limited	Scotland	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
Mulbern 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	100.00
James Hawker & Company Limited	England	A Preference	100.00
James Hawker & Company Limited	England	B Preference	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
Miltonduff Distillery Limited	Scotland	Ordinary	100.00
Pernod Ricard UK Limited	England	Ordinary	100.00
Ceder's Drink Limited	England	Ordinary	85.00
Italicus Ltd	England	Ordinary	50.10
Robert Macnish & Company Limited	Scotland	Ordinary	100.00
Something Special (Whisky) 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 Limited	England	Ordinary	100.00
Strathclyde Distillery Limited	England	Ordinary	100.00
Twelve Islands Shipping Company Limited	England	Ordinary	100.00
The Longmorn Distillery Limited	Scotland	Ordinary	100.00
Warehouse Investment Holding Limited	Scotland	Ordinary	100.00
PR Shelfco 2022 Limited	England	Ordinary	100.00
JV Newco 22 Limited	Scotland	Ordinary	100.00

Other interests
Chivas Operating Properties LP*
Chivas Operating Properties 2 LP*

*Warehouse Asset Management Limited is the General Partner of Chivas Operating Properties LP & Chivas Operating Properties 2 LP.
The address of Chivas Operating Properties LP & Chivas Operating Properties 2 LP is Kilmalid, Stirling Road, Dumbarton, Scotland, G82 2SS.

16 Stocks

	2023	2022
	£'000	£'000
Raw materials and consumables	40,093	32,387
Work in progress	1,703,077	1,535,861
Finished goods and goods for resale	34,690	23,111
	1,777,860	1,591,359

The Company cost of sales figure included a stock provision increase of £3,133,000 in the year (2022: £2,216,000). The remainder of the cost of sales figure relates to the production of inventory for re-sale.

Administrative expenses included stock write-off costs of £993,000 in the year (2022: £1,000,000).

17 Debtors: Amounts falling due within one year:

		2023	2022
	Notes	£'000	£'000
Trade debtors		6,203	3,857
Corporation tax recoverable		8,825	14,154
Amounts due from fellow group undertakings		973,223	542,656
Derivative financial instruments	22	-	19
Other debtors		15,118	15,938
Prepayments and accrued income		22,892	19,844
		1,026,261	596,468

Included in Amounts falling due within one year are the following unsecured amounts:

- £168,633,000 (2022: £238,420,000) due from fellow group undertakings via the bank sweeping system, interest bearing on 1M SONIA +0.5% (2022: 1M SONIA +0.5% from 31 December 2021 (previously 1M LIBOR +0.5%))
- £610,600,000 (2022: £579,651,000 due after one year) repayable 25 March 2024, interest bearing on 3M SONIA +0.84% (2022: 3M SONIA +0.84%)
- £192,348,000 of amounts receivable from fellow group undertakings reported in this category last year were loans that were refinanced during the year and for the current year have been reported within the "Debtors: Amounts falling due in more than one year" below.
- The majority of the remaining amounts were unsecured short term trading balances arising in the course of normal operations.

18 Debtors: Amounts falling due after one year:

	2023 £'000	2022 £'000
Amounts due from fellow group undertakings	206,734	580,710
Prepayments and accrued income	54,605	58,379
	261,339	639,089

Included in Amounts falling due after more than one year are the following unsecured intra- group loan amounts:

- £3,303,000 (2022: £1,059,000) repayable 25 March 2026, interest bearing on 3M SONIA +1% (2022: 3M SONIA +1%)
- £202,262,000 (2022: £192,348,000 less than one year) repayable 18 June 2028, interest bearing on 6M SONIA +1.517% (2022: 3M SONIA +1.75%)
- £579,651,000 of amounts due from fellow group undertakings reported in this category last year are loans that are now receivable in less than 1 year, and have been reported within "Debtors: Amounts falling due in less than one year" above.

Prepayments and accrued income greater than one year includes £54,605,000 (2022: £58,379,000), in respect of a special pension contribution of £60,500,000 paid to the Chivas Brothers Pension Scheme (CBPS) in March 2013, and an additional special contribution of £16,600,000 paid in March 2016. These contributions are not included in the FRS 102 CBPS deficit and instead accrete to it over the next 10 years (ceasing in 2033).

The prepayment included within amounts less than one year in respect of the special pension contributions is £3,787,000 (2022: £3,394,000).

19 Creditors: amounts falling due within one year

	Notes	2023 £'000	2022 £'000
Obligations under finance leases	23	9,134	9,116
Trade creditors		198,373	140,215
Amounts due to group undertakings		1,125,176	477,590
Other taxation and social security		4,488	3,828
Derivative financial instruments	22	36	-
Deferred income		10,755	-
Accruals and deferred income		32,314	46,329
		1,380,276	677,078

Amounts due to group undertakings includes:
Unsecured intra-group loan amounts:

- £88,044,000 (2022: £85,624,000) repayable 20 June 2025, interest bearing on 6M SONIA +0.66% (2021: 3M SONIA +1.75%)
- £10,865,000 (2022: £10,392,000) repayable 31 December 2022, interest bearing on 3M SONIA +1.75% (2021: 3M SONIA +1.75%)
- £nil (2021: £2,874,000 due after one year) repayable 30 March 2023, interest bearing on 3M SONIA +1.46% (2021: 3M SONIA +1.46%)
- £495,976,000 (2021: £491,535,000 due after one year) repayable 31 December 2023, interest bearing on 3M SONIA + 0.60% (2021: 3M LIBOR + 0.60%)

Other unsecured amounts:

- £133,766,000 (2021: £141,648,000) due to fellow group undertakings via the bank sweeping system, interest bearing on SONIA +0.5% (2022: SONIA +0.5% from 31 December 2021 (previously 1M LIBOR +0.5%))
- £28,979,000 (2022: £30,258,000) due to fellow group undertakings via the bank sweeping system, interest bearing on EURIBOR Floored at 0% (2022: EURIBOR Floored at 0%)
- £23,428,000 (2022: £154,209,000) due to fellow group undertakings via the bank sweeping system, interest bearing on SOFR +0.5% (2022: SOFR +0.5%)
- The majority of the remaining amounts were unsecured short term trading balances arising in the course of normal operations.

20 Creditors: amounts falling due after more than one year

	Notes	2023 £'000	2022 £'000
Obligations under finance leases	23	64,246	69,185
Amounts due to group undertakings		1,163,204	1,697,115
		1,227,450	1,766,300

Loan maturity analysis:		
In more than one year but not more than two years	-	495,976
In more than two year but not more than five years	84,051	167,095
Later than five years	1,079,153	1,034,044
	1,163,204	1,697,115

Amounts due to group undertakings includes:

- £85,624,000 (2021: £85,646,000) repayable 20 June 2025, interest bearing on 6M SONIA +0.66% (2021: 3M LIBOR + 1.75%)
- £81,471,000 (2021: £80,477,000) repayable 25 February 2026, interest bearing on 3M SONIA +1% (2021: 3M LIBOR +1%)
- £491,535,000 of amounts due to fellow group undertakings reported in this category last year are loans that are now payable in less than 1 year, and for the current year, have been reported within "Creditors: Amounts falling due in less than one year" above.
- A loan with a duration of more than 5 years from Coates & Co (Plymouth) Limited of £1,026,146,000 (2021: £1,007,843,000) is repayable on 30 June 2049 and bears interest based on 3M SONIA +1.75% (2021: 3M LIBOR 1.75%).

21 Provisions

	Restructuring provision	Share ownership plan National Insurance provision	Onerous Office Lease provision	Other provisions	Total
	£'000	£'000	£'000	£'000	£'000
Opening balance as at 1 July 2022	358	798	4,115	2,296	7,567
(Release from)/Charge to the Profit and Loss account	-	-	-	(270)	(270)
Payments made	(226)	-	(1,899)	(50)	(2,175)
Unwind of discount	-	-	5	-	5
Closing balance at 30 June 2023	132	798	2,221	1,976	5,127

Restructuring provision

A provision is made for restructuring costs if a department or area of the business is under review and the Company has communicated this to the staff affected. The provision represents the estimated total cost of redundancy and outplacement counselling.

Share ownership plan National Insurance provision

In FY19 and the prior year, PRSA gave employees of the Company the opportunity to participate in a Pernod Ricard Group Share Ownership Plan, as part of a structured offer, including a discount of 20% the shares reference price.

After having entered into the plan, an employee generally recovers their investment after the duration of a 5 year 'lock-in' period or in the event of an early exit from the Company.

The National Insurance cost related to the plan was provided for in full by the Company in the prior year at the outset of the plan and is re-assessed each year, taking into account factors such as the market value of the shares and the number of employee early exits. FY19's element will be released upon maturity of the 'lock-in' period in July 2024 and FY22's will be released in July 2027, to match with the employers NI cost.

Onerous Office Lease Provision

On 1 July 2019, the Company commenced leasing three floors of a new office at Chiswick Park, London. At the year end, in light of working practices experienced during the COVID-19 pandemic the Company reviewed its working space needs and determined that one floor would no longer be required.

A provision has been made for the value of the expected shortfall between unavoidable expenses relating to the primary lease agreement, and estimated income relating to any potential sublet achieved. The provision will be utilised over the remaining 12 years of the lease term for the floor in question.

Other provisions

The largest item in other provisions at 30 June 2023 is an amount of £1,674k for anticipated dilapidation costs of leasehold office buildings.

22 Derivative financial instruments

	2023 £'000	2022 £'000
Carrying amount of financial assets		
Measured at fair value through profit or loss:		
- Non hedging derivatives	-	19
- Hedging derivatives: cash flow hedges	-	-
		19
Carrying amount of financial liabilities		
Measured at fair value through profit or loss:		
- Non hedging derivatives	36	-
	36	-

23 Finance lease obligations

Future minimum lease payments due under finance leases:	2023 £'000	2022 £'000
Not later than one year	9,134	9,116
Later than one year and not later than five years	36,008	36,188
Later than five years	55,228	64,270
	100,370	109,574
Less: future finance charges	(26,988)	(31,273)
	73,382	78,301

Finance lease payments represent rentals payable by the Company for buildings, warehouses and certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 6 years for forklift trucks and 18.5 years for warehouses. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

24 Financial commitments

At the reporting end date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land & Buildings		Other	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Not later than one year	4,971	5,169	518	814
Later than one year and not later than five years	19,856	19,866	701	760
Later than five years	33,775	43,698	-	-
	58,602	68,733	1,219	1,574

At the reporting end date the Company had outstanding commitments under non cancellable supply contracts, which fall due as follows.

	Cereals		Spirit		Wood		Other	
	2023	2022	2023	2022	2023	2022	2023	2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year	117,632	89,110	43,957	32,008	15,371	6,178	-	2,700
Later than one year and not later than five years	121,752	135,598	236,635	96,576	9,708	7,524	-	550
Later than five years	-	-	325,095	113,539	-	-	-	-
	239,384	224,708	605,687	242,123	25,079	13,702	-	3,250

The fair value of cereal contracts (wheat and malted barley) is £5.3m higher (2022: £5.3m higher).

The Company's capital commitments as at 30 June 2023 were £46,884,000 (2022: £21,175,000).

25 Deferred taxation

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Balances:	**(Assets)/Liabilities 2023 £'000**	**(Assets)/Liabilities 2022 £'000**
ACAs	89,521	79,968
Short term timing differences	(2,431)	(3,047)
Capital Gains	3,195	3,195
Retirement benefit obligations	1,974	11,359
	92,259	91,475

Movements in the year:	**2023 £'000**
Liability at 1 July 2022	91,475
Charge to profit or loss	784
Liability at 30 June 2023	92,259

The net deferred tax liability is not expected to reverse in 2024.

26 Retirement benefit schemes

Retirement benefit schemes

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. The Company also provides benefits via a Long Service Awards Scheme. Details of each Scheme are provided below.

Defined Benefit Scheme

The Company is a member of the Chivas Brothers Pension Scheme (CBPS), providing benefits based on final pensionable pay. The scheme is closed to new members and has just over 600 active members, just under 700 deferred members and 1,000 retired members. The Scheme is funded by payment of contributions in line with the Schedule of Contributions. Following the 2021 triennial valuation, the latest Schedule of Contributions required a top up payment equal to £3,000,000 (£1,000,000 for each month April to June 2022 less contributions at the rate of 17.5% p.a. of Pensionable Salaries which have been paid for the period between 5 April 2022 and 30 June 2022) with this top up being paid on 19 July 2022. Thereafter, the Company will make payments of £1,000,000 per month until 30 June 2027.

The valuation used has been based on the most recent actuarial valuation at 5 April 2021, and was projected forward by the Company's actuary to assess the liabilities of the scheme as at 30 June 2023. Scheme assets are stated at the market value at the balance sheet date and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

The Company is the sponsoring employer of the Chivas Brothers Pension Scheme and has legal responsibility for the plan. There is no contractual arrangement or stated policy for crediting the net defined benefit income of the plan as a whole to the individual participating employers and therefore the Company has recognised the entire net benefit income and relevant net benefit asset in its individual financial statements.

Unfunded, Unapproved Retirement Benfits Scheme (UURBS)

The Unfunded, Unapproved, Retirment 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).

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 £6,317,000 (2022: £4,841,000) and have been recognised in the profit and loss account. As at the balance sheet date, contributions amounting to £618,671 (2022: £438,577) had not been paid over to the fund and are included within Creditors.

Long Service Awards Scheme (LSA)

The Long Service Awards Scheme provides service and retirement awards. The awards are paid when incurred and no assets are held to provide them in advance.

26 Retirement benefit schemes (Continued)

Current Year market turbulence and impact of emerging inflation

The September 2022 mini budget not only created volatility in the market, but also short term liquidity problems for many pension schemes including Chivas Brothers Pensions Scheme ("CBPS") around Liability Driven Investments ("LDI"). On 12 October 2022, the Company extended a short term £85,000,000 facility to CBPS, to provide additional liquidity while CBPS moved to liquidate certain assets to fulfil unexpected cash calls on its LDI. The Scheme drew down £20,000,000 on the facility on 19 October 2022 and repaid the principal amount plus accrued interest of £203,000 in full on 9 January 2023.

Changes in global and UK economic pressures and tightening of monetary policy have had a significant impact on asset markets and corporate bond yields, which are key to the FRS 102 assessment of the CBPS assets and liabilities. In particular, AA Corporate bond yields, used to set the FRS 102 discount rate, increased significantly during the financial year, with a corresponding fall in asset values.

CBPS liabilities at 30 June 2022 were not updated for an allowance for the known CPI indices subsequently used to set the 2023 pension increase in the current year. Instead a sensitivity was calculated which showed that the CBPS pension liabilities at 30 June 2022 would have increased by £5,595,000. By 30 June 2023, inflationary pressures were easing and the Company's view was that a sensitivity calculation was not required.

Key assumptions	**CBPS**	**UURBS**	**LSA**
	2023	**2023**	**2023**
Current year	**%**	**%**	**%**
Discount rate	5.20	4.80	4.80
Expected rate of increase of pensions in payment	2.90	3.70	n/a
Expected rate of salary increases	2.60	2.70	n/a
Inflation assumption	3.10	3.20	n/a
Expected return on assets	5.20	n/a	n/a

Key assumptions	**CBPS**	**UURBS**	**LSA**
	2022	**2022**	**2022**
Prior year	**%**	**%**	**%**
Discount rate	3.80	3.80	2.80
Expected rate of increase of pensions in payment	2.90	3.70	n/a
Expected rate of salary increases	2.50	2.50	n/a
Inflation assumption	3.10	3.10	n/a
Expected return on assets	3.80	n/a	n/a

26 Retirement benefit schemes (Continued)

Mortality assumptions **Current year**	**CBPS 2023 Years**	**UURBS 2023 Years**	**LSA 2023 Years**
Assumed life expectations on retirement at age 65:			
Retiring today			
- Males	20.80	20.80	n/a
- Females	22.90	22.90	n/a
Retiring in 20 years			
- Males	22.20	22.20	n/a
- Females	24.70	24.70	n/a

Mortality assumptions **Prior year**	**CBPS 2022 Years**	**UURBS 2022 Years**	**LSA 2022 Years**
Assumed life expectations on retirement at age 65:			
Retiring today			
- Males	21.00	21.00	n/a
- Females	23.10	23.10	n/a
Retiring in 20 years			
- Males	22.40	22.40	n/a
- Females	24.90	24.90	n/a

Amounts recognised in profit or loss **Current year**	**CBPS 2023 £'000**	**UURBS 2023 £'000**	**LSA 2023 £'000**	**Total 2023 £'000**
Current service cost	(8,921)	(115)	(61)	(9,097)
Actuarial gains	-	-	149	149
Past Service cost/curtailment	-	-	(173)	(173)
Recognised in arriving at operating profit	(8,921)	(115)	(85)	(9,121)
Expenses	(1,703)	-	-	(1,703)
Net interest on defined benefit liability	486	(640)	(27)	(181)
Total recognised in profit or loss	(10,138)	(755)	(112)	(11,005)

26 Retirement benefit schemes **(Continued)**

Amounts recognised in profit or loss	**CBPS**	**UURBS**	**LSA**	**Total**
	2022	**2022**	**2022**	**2022**
Prior year	**£'000**	**£'000**	**£'000**	**£'000**
Current service cost	(14,500)	(207)	(67)	(14,774)
Actuarial gains/(losses)	-	-	101	101
Past Service cost/curtailment	-	-	-	-
Recognised in arriving at operating profit	(14,500)	(207)	34	(14,673)
Expenses	(331)	(470)	(23)	(824)
Net interest on defined benefit liability	(1,720)	-	-	(1,720)
Total recognised in profit or loss	(16,551)	(677)	11	(17,217)

Amounts taken to other comprehensive income	**CBPS**	**UURBS**	**LSA**	**Total**
	2023	**2023**	**2023**	**2023**
Current year	**£'000**	**£'000**	**£'000**	**£'000**
Actuarial (losses)/gains	(49,340)	2,112	-	(47,228)
Remeasurement gains and losses recognised in other comprehensive income	(49,340)	2,112	-	(47,228)

Amounts taken to other comprehensive income	**CBPS**	**UURBS**	**LSA**	**Total**
	2022	**2022**	**2022**	**2022**
Prior year	**£'000**	**£'000**	**£'000**	**£'000**
Actuarial (losses)/gains	26,506	4,630	-	31,136
Remeasurement gains and losses recognised in other comprehensive income	26,506	4,630	-	31,136

26 Retirement benefit schemes **(Continued)**

The amounts included in the balance sheet arising from the Company's obligations in respect of defined benefit plans are as follows:

	CBPS 2023 £'000	UURBS 2023 £'000	LSA 2023 £'000	Total 2023 £'000
Present value of defined benefit obligations	(396,084)	(15,230)	(1,015)	(412,329)
Fair value of plan assets	361,843	-	-	361,843
Surplus/(Deficit) in scheme	(34,241)	(15,230)	(1,015)	(50,486)

	CBPS 2022 £'000	UURBS 2022 £'000	LSA 2022 £'000	Total 2022 £'000
Present value of defined benefit obligations	(508,665)	(17,162)	(999)	(526,826)
Fair value of plan assets	510,500	-	-	510,500
Deficit in scheme	1,835	(17,162)	(999)	(16,326)

Movements in the present value of defined benefit obligations

Current year	CBPS 2023 £'000	UURBS 2023 £'000	LSA 2023 £'000	Total 2023 £'000
Liabilities at 30 June 2022	(508,665)	(17,162)	(999)	(526,826)
Current Service Cost	(8,921)	(115)	(62)	(9,098)
Benefits paid	23,229	575	96	23,900
Past service cost/curtailment	-	-	(173)	(173)
Actuarial (losses)/gains	117,376	2,112	150	119,638
Interest cost	(18,876)	(640)	(27)	(19,543)
Employee Contributions	(227)	-	-	(227)
At 30 June 2023	(396,084)	(15,230)	(1,015)	(412,329)

Prior year	CBPS 2022 £'000	UURBS 2022 £'000	LSA 2022 £'000	Total 2022 £'000
Liabilities at 1 July 2021	(708,283)	(21,610)	(1,074)	(730,967)
Current Service Cost	(14,500)	(207)	(66)	(14,773)
Benefits paid	26,821	496	63	27,380
Actuarial (losses)/gains	200,684	4,629	101	205,414
Interest cost	(13,180)	(470)	(23)	(13,673)
Employee Contributions	(207)	-	-	(207)
At 30 June 2022	(508,665)	(17,162)	(999)	(526,826)

26 Retirement benefit schemes **(Continued)**

The defined benefit obligations arise from plans which are wholly or partly funded.

Movements in the fair value of plan assets

Current year	**CBPS 2023 £'000**	**UURBS 2023 £'000**	**LSA 2023 £'000**	**Total 2023 £'000**
At 1 July 2022	510,500	-	-	510,500
Benefits paid	(23,229)	-	-	(23,229)
Actuarial (losses)/gains	(166,717)	-	-	(166,717)
Interest income	19,362	-	-	19,362
Expenses Paid	(1,703)	-	-	(1,703)
Employer Contributions	23,403	-	-	23,403
Employee Contributions	227	-	-	227
At 30 June 2023	361,843	-	-	361,843

The return on plan assets as at 30 June 2023 was -30.00% (2022: 28.70%). The negative return for the current year was due to the scheme's Liability-Driven Investment ("LDI"), which fell significantly in value over the period as a result of rising gilt yields.

The significant increase in gilt yields in the course of the year reduced the value of the Chivas Brothers Pension Scheme's ("the Scheme") Liability Driven Investments ("LDI") as a consequence of the LDI hedging undertaken by the Scheme. This was the principal component of the overall actuarial loss of £166.7m

Prior year	**CBPS 2022 £'000**	**UURBS 2022 £'000**	**LSA 2022 £'000**	**Total 2022 £'000**
At 1 July 2021	683,100	-	-	683,100
Benefits paid	(26,821)	-	-	(26,821)
Actuarial (losses)/gains	(174,177)	-	-	(174,177)
Interest income	12,849	-	-	12,849
Expenses paid	(1,720)	-	-	(1,720)
Employer Contributions	17,062	-	-	17,062
Employee Contributions	207	-	-	207
At 30 June 2022	510,500	-	-	510,500

26 Retirement benefit schemes **(Continued)**

Fair value of plan assets

	CBPS 2023 £'000	UURBS 2023 £'000	LSA 2023 £'000	Total 2023 £'000
Current year				
Equities	100,231	-	-	100,231
Alternatives	73,816	-	-	73,816
Bonds	41,612	-	-	41,612
Long Lease Property Fund	65,132	-	-	65,132
Cash	81,052	-	-	81,052
Fair value of scheme assets	361,843	-	-	361,843
Present value of scheme liabilities	(396,084)	(15,230)	(1,015)	(412,329)
	(34,241)	(15,230)	(1,015)	(50,486)

	CBPS 2022 £'000	UURBS 2022 £'000	LSA 2022 £'000	Total 2022 £'000
Prior year				
Equities	190,927	-	-	190,927
Alternatives	105,929	-	-	105,929
Bonds	124,562	-	-	124,562
Long Lease Property Fund	86,785	-	-	86,785
Cash	2,297	-	-	2,297
Fair value of scheme assets	510,500	-	-	510,500
Present value of scheme liabilities	(508,665)	(17,162)	(999)	(526,826)
	1,835	(17,162)	(999)	(16,326)

CBPS sensitivities

Defined Benefit Obligation (DBO)	**-50 basis points**	**Benchmark used**	**+50 basis points**
Discount rate	4.7%	5.2%	5.7%
Present value of DBO (£)	430,203,000	396,084,000	365,712,000
Duration (years)	16.5	16.0	16.0
Inflation rate	2.6%	3.1%	3.6%
Present value of DBO (£)	378,007,000	396,084,000	415,263,000

27 Share-based payment transactions

During the year ended 30 June 2023, there were four share based payment arrangements in place. The share based payments relate to Pernod Ricard S.A. shares.

Type of arrangement	Chivas share incentive plan	Chivas employee share ownership plan	Group free shares scheme	Group conditional stock options scheme
Contractual life	n/a	n/a	n/a	8 years
Conditions	Employee remains employed by the group	Employee remains employed by the group	Employee remains employed by the group and certain group performance conditions are met	Employee remains employed by the group and certain group performance conditions are met
Vesting period	3 years	3 years	4 years	4 years
Type	Cash settled	Cash settled	Equity settled	Equity settled

The total expense for the period in respect of the cash settled plans (Share Incentive Plan and Employee Share Ownership Plan) was £2,643,000 (2022: £1,920,000). The expense in respect of all other plans (equity settled) was £1,013,000 (2022: £2,546,000), the prior year included expenses of £1,827,000 for the Group Share ownership scheme, which is offered for to employees on an intermittent basis. In respect of the equity settled plans, the Company is part of recharge agreements with the parent company Pernod Ricard S.A. and as at 30 June 2023, amounts of £nil (2022: £nil) were still to be repaid.

28 Share capital

	2023	2022	2023	2022
Ordinary share capital	**Number**	**Number**	**£'000**	**£'000**
Issued and fully paid				
Ordinary Shares of £1 each	10,580,106	10,580,106	10,580	10,580

The Company has one class of ordinary share that carries no right to fixed income. There were no ordinary shares issued in the current financial year.

29 Capital contribution

In 2018 the Company commenced reimbursing the parent company for equity settled share-based payment transactions, resulting in the annual movement and the associated reimbursement being allocated to the capital contribution reserve.

There was an increase in the reserve in the previous financial year of £45,853,000 comprising £33,403,000 in respect of the gain on divestment of the Tormore business and £12,450,00 in respect of the dividend in specie received from Allied Domecq Spirits and Wine Limited.

30 Other reserves

Other reserves comprise foreign translation differences on historical foreign currency assets (IP licenses) and related borrowings that had arisen over a number of years. This accounting approach ceased by 30 June 2014 once all borrowings were repaid.

31 Hedging reserve

Derivatives used for cash flow hedging are recorded on the balance sheet at fair value and charged or credited to hedging reserve as appropriate. The effective portion of the hedge is recognised in profit and loss when the hedged item itself is recognised in profit and loss, or the Company ceases to hedge that currency. A change in value of an "ineffective" component of the derivative would be recognised directly in profit and loss.

The Company has historically undertaken cashflow hedging, the most recent activity of this nature concluding in August 2020.

32 Financial guarantees and contingent liabilities

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

On 31 March 2020 the Company entered a cross guarantee arrangement with Chivas Brothers International Limited ("CBIL") in favour of the Chivas Brothers Pension Scheme ("CBPS"), with the Company and CBIL both operating as joint guarantors.

Under this arrangement, the Company and CBIL guarantee that in the event of non-payment of a CBPS obligation by the other company, they would pay any amount due as if they were the principal obligator.

The Company and CBIL also agree to pay any associated cost, charge, expense, loss or liability incurred by the Chivas Brothers Pension Scheme Trustee ("the Trustee") in the event any payment obligation of the Company or CBIL becomes unenforceable, invalid or illegal.

Any guaranteed sum not paid accrues interest of 2% per annum above the base lending rate from time to time at the Bank of England, from its due date until it is paid in full to the Trustee.

33 Ultimate controlling party

The Company's immediate parent is Allied Domecq Spirits & Wine Holdings Limited a company registered in England. 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.

34 Related party transactions

The Company has taken advantage of the exemption under the terms of paragraph 33.1A of FRS 102 from disclosing transactions with entities that are wholly owned by the Pernod Ricard S.A. group.

35 Events after the reporting date

Interim Dividends

On 20 December 2023, the Company paid an interim dividend of €79,814,000 (£68,811,000) to its parent Allied Domecq Spirits & Wine Holdings Limited ("ADSWH").