Annual Report 2014

Our goal

Our goal is to become Central and Eastern Europe's leading spirits company – commanding a major stake in each of our core operating markets and making our presence felt in the wider global market.

HIGHLIGHTS

14.4m
9 litre cases
(2013: 17.4m 9 litre cases)

€292.7m
Total revenue
(2013: €340.5 million)

€66.4m
Adjusted EBITDA*
(2013: €83.7 million)

€53.6m
Operating profit
(2013: €47.7 million)

€55.4m
Adjusted EBIT*
(2013: €74.4 million)

€35.8m
Profit for the year
(2013: €8.9 million)

€0.0375
Dividend per share**
(2013: €nil)

€0.18
Basic and diluted earnings per share
(2013: €0.05)

* Stock Spirits Group uses alternative performance measures as key financial indicators to assess the underlying performance of the Group. These include adjusted EBITDA, adjusted EBIT and adjusted free cash flow. The narrative in the Annual Report & Accounts is based on these alternative measures and an explanation is set out in note 7 to the consolidated financial statements included in the Annual Report & Accounts.

** Interim dividend of €0.0125 paid on 26 September 2014 and proposed final dividend for 2014 of €0.025.

For more information
www.stockspirits.com

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As Chairman of Stock Spirits Group PLC, I am pleased to present our Annual Report and Accounts for the year ended December 2014.

Overall, we faced a challenging year, primarily because of the 15% duty increase in Poland. However, what pleases me most about the year is that we continued to invest in our strong leadership brands in Poland, the Czech Republic and Italy. These leading brands finished the year with strong market share and consumer loyalty.

I am also encouraged by the success of our new product development (NPD) programme. This strength in NPD continues to be a major asset for the Group and demonstrates our understanding of consumer trends as well as underscoring our strength in innovation and the scale of distribution in the markets in which we operate.

That distribution scale has also won us agreements with Beam Suntory, Inc. in Poland and with Diageo plc in the Czech Republic. These agreements have benefitted the brand owners and ourselves as we have achieved significant value growth in the first year of our relationships. It is a testament to our delivery that we have signed a new agreement with Beam Suntory, Inc. for the distribution of their brands in Croatia and Bosnia.

Significant work has been undertaken on reviewing opportunities for the development of our business in new markets. We have not been able to conclude a transaction during 2014, but will continue to pursue a number of opportunities in which we are currently engaged.

The Group undertook a partial refinancing during the year and this has resulted in considerable savings on finance costs. We also completed the corporate restructuring, as laid out in our IPO prospectus, to bring the Group in line with other PLC organisations.

The Group enjoys support from a diverse group of shareholders, and we have continued to engage actively through investor events and meetings during the year. I have met with a number of our major shareholders during the year and I am delighted with the support they provide. We remain committed to returning value to our shareholders and have begun paying dividends as envisioned in our prospectus. I am delighted that we are recommending a final dividend of €0.025 per share for approval at the Annual General Meeting.

I would also like to take this opportunity to personally thank Karim Khairallah and Oaktree Capital Management, who fostered the creation of Stock Spirits Group, for being such supportive

> What pleases me most about the year is that we continued to invest in our strong leadership brands in Poland, the Czech Republic and Italy.

shareholders for over seven years until partial divestiture at our IPO. Karim served as a Non-Executive Director after the IPO until the full divestment by Oaktree in April 2014.

People

I would like to recognise the commitment of all our employees and thank them for their contribution to the Group's performance and support during this challenging year.

There have been no changes to the remuneration policy which was approved at the AGM in 2014, details of which are contained within the Corporate Governance section of this report, and the interests of Executive Directors and senior managers remain completely aligned to shareholders.

Governance

The Group is committed to high levels of corporate governance, and I personally place great emphasis on this area. The routine of the Board and its sub committees has settled since the IPO and evaluations have been undertaken of the Board and all the committees, and I thank the Executive and Non-Executive Directors with whom I serve for their support and insight in helping to run the Group.

I commend to your attention the special section on Corporate Governance as well as the reports from our Committee chairmen of Remuneration, Audit and Nomination.

The Board receives input from a number of external advisors who have been invaluable in helping to shape our policies and processes. I would like to thank EY for the service they have provided as our external auditors for the last eight years, and their support throughout the IPO process. We look forward to working with KPMG, our proposed incoming auditors, subject to the approval of our shareholders.

Looking ahead

In spite of the difficult environment we have navigated our way through in 2014, I firmly believe that the outlook for Stock Spirits Group is very promising. We have the right strategy, exceptional brands, a strong financial structure, leading edge production capability and distribution and a proven executive team, to lead the business forward.

Jack Keenan
Chairman
12 March 2015

In spite of the trading conditions, we have remained loyal to our strategy to grow value ahead of volume and, where necessary, concede unprofitable market share.

It has been a very difficult year for the Group, primarily due to the disruption created in Poland, our largest market, as a result of the significant increase in excise duty posted by the Polish government on 1 January 2014. Whilst this has impacted the Group's financial performance and resulted in us having to revise our full year EBITDA forecast lower in November 2014, we are clear that the impact has mostly been restricted to our customers' supply chain, combined with aggressive activity of competitors. However, the consumer environment remains robust as consumers appear to have accepted the increased prices resulting from the duty increase. Whilst we anticipate it may take a little longer for the supply chain to settle down, we expect more normal trading will emerge during 2015.

Despite continued tough trading conditions in our other markets, our results there have been in line with or slightly ahead of expectations. The excise increases posted in Italy and the growth of private label products in the Czech Republic added to the headwind we were facing but, against this backdrop, I am greatly encouraged by the commitment of our people and the underlying strength of our brands in those markets. With regard to our brands, in Poland, Żołądkowa Czysta de Luxe continues to hold the leading position in the clear vodka market. Stock Prestige, supported by a new "limited edition" black pack, performed ahead of the premium category during 2014, growing its share of both volume and value. Also in Poland, the new orange and peach additions to the Lubelska flavoured vodka-based liqueur range have added further consumer choice to the existing range of flavours for this market leading brand. We were also active on Żołądkowa Gorzka, the second biggest flavoured brand in Poland, where we launched a new Black Cherry flavour which has been very well received by consumers and exceeded our expectations. In the Czech Republic, our recent media advertising campaign "Nevy Meknem" ("We won't give in!") has helped to inject growth into our Fernet range, which has grown share in this important category. In Italy, Keglevich has continued to outperform the market in both volume and value terms.

I continue to believe that given the very strong positions we enjoy in our core markets, the leading positions of our brands, our success in new products and the underlying strength of our production capability, we are well positioned to take advantage of the continued strong demand for spirits in the region in which we operate.

Progress towards strategic goals

The strategy remains unchanged and we continue to pursue six key, interlocking aspects:

1. **Further develop the Group's strong brand portfolio in current markets**
2. **Continue to invest in attractive markets with strong growth potential**
3. **Utilise purchasing and production capability to deliver quality products with a competitive cost advantage**
4. **Expand distribution capability in current and new markets**
5. **Continue to invest in people and develop management talent**
6. **Pursue the significant opportunities for acquisitions across Central and Eastern Europe.**

We completed Project Polar in 2014 with the final installation of over 20,000 branded refrigerators in the very important traditional trade channel in Poland. The speed of execution of this project, in around 12 months, was a clear demonstration of our ability to take first mover advantage. The results of this initiative remain very positive and have greatly assisted the retention of our core brands' leading positions in difficult trading conditions, in addition to providing a great platform to showcase our new products and communicate with consumers at the point of purchase.

2014 was the first full year of our new distribution relationships with Beam Suntory and Diageo. The transition from their previous distributors to our business was well executed and we have seen excellent results after the first year. In Poland, whisky is a fast growing and important emerging spirits category. We have been able to outgrow the market in both value and volume for the Beam brands. Likewise, in the Czech Republic, Captain Morgan, the leading brand in Diageo's range there, has outgrown the market in both volume and value in the rum category. In the summer of 2014, we signed a new distribution agreement for the exclusive distribution of the Beam Suntory brands in Croatia and we subsequently agreed to extend it to cover Bosnia, so we are now working in partnership with global spirits leaders in four of our six markets. Our performance to date serves to validate the success of our strategy and demonstrate the confidence of these leading global spirits companies in the quality of our distribution platforms. These agreements support the strategic drive to strengthen the premium elements of our brand portfolio further.

Group financial performance

We fully expected our results to be impacted by the Polish excise duty increase, however the impact, financially, was more significant than we had anticipated. In spite of the trading conditions we have remained loyal to our strategy to grow value ahead of volume and, where necessary, concede unprofitable market share.

We have grown average net selling prices per case by over 4% despite being unable to fully implement planned price rises, and maintained our cost of goods per case at broadly the same level as last year.

We have executed amendments to our borrowing facilities which resulted in a reduction in our borrowing costs, have now completed the corporate restructuring we documented at the time of the IPO, and in September we paid our maiden interim dividend.

We highlighted last year that we estimated the impact of the Polish excise duty increase to have increased our EBITDA for 2013 by €5m and would reduce our EBITDA in 2014 by the same amount. In addition to the estimated impact of excise duty, we have also been impacted by movements in foreign exchange, primarily arising from the devaluation of the Czech Koruna which has further reduced the 2014 result versus 2013 by €1.7m. Our 2014 adjusted EBITDA of €66.4m shows a decrease versus last year of €17.3m.

Our adjusted net free cash flow of €29.3m has been affected by the timing of our sales in the fourth quarter and this will result in a higher level of cash inflow in early 2015.

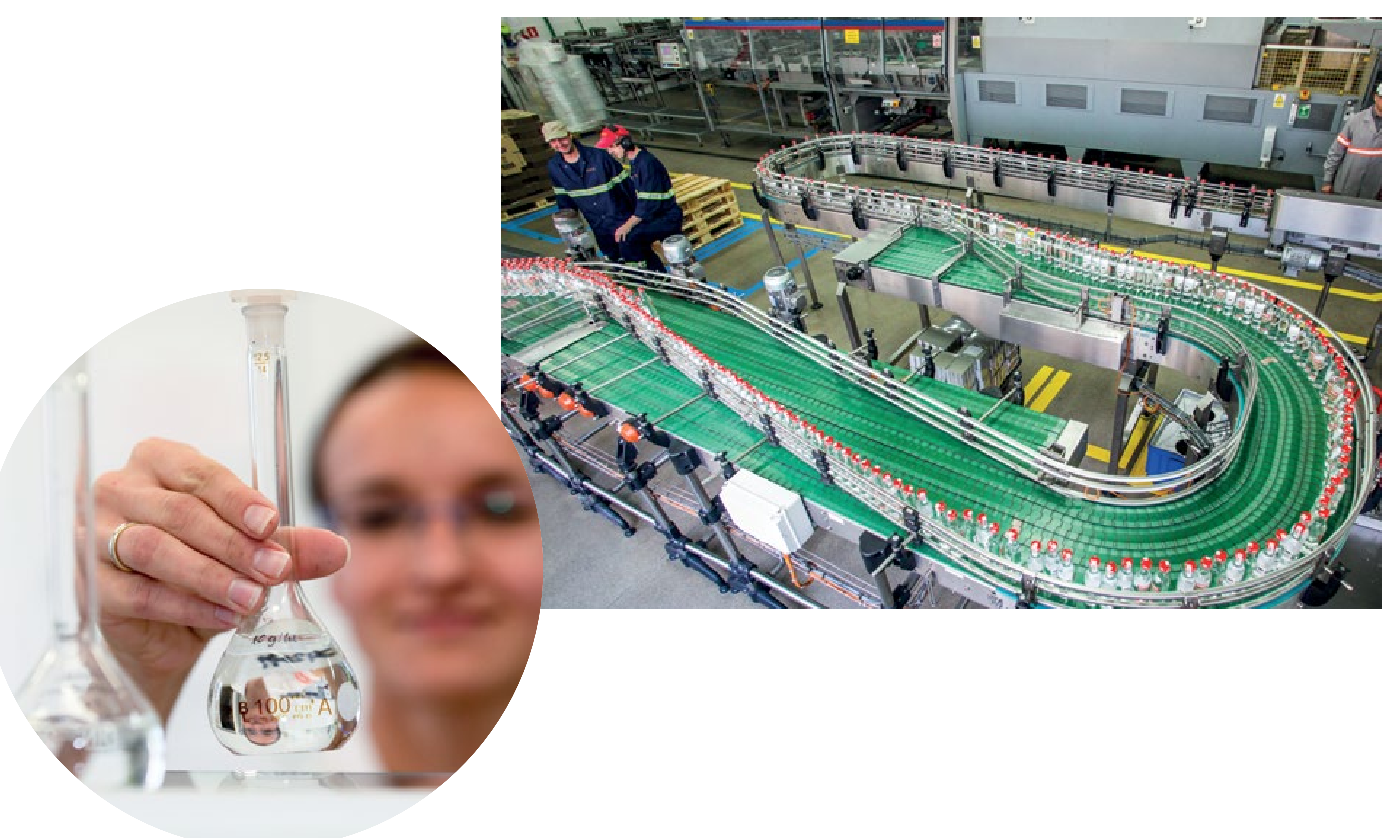
New product development (NPD)

The Group enjoys a very strong track record of developing successful new products and new variants of existing products. 2014 has been no exception and we have continued to launch new products into our markets successfully. The very detailed consumer insight we undertake, complemented by the brand academy initiative we developed in 2013, means that we already have a very strong pipeline of exciting new products for launch in 2015.

People

I would firstly like to thank all of our employees for their considerable support during 2014. They remain one of our strongest assets in the Group with their professionalism, energy and enthusiasm even when the trading environment has proven to be very difficult. They have remained focused on executing our strategy and growing value ahead of volume.

2014 has also been a year of change from a management perspective, with Marek Malinowski, former Managing Director of our Polish business, agreeing to re-join Stock on a temporary basis to guide our Czech and Slovakian businesses to their next phase.



More recently, Ian Croxford, our very experienced COO, has taken on the additional role of acting Managing Director in Poland pending the appointment of a permanent successor to Mariusz Borowiak, and, following the departure of our Italian Managing Director, Claudio Riva, Steve Smith has taken responsibility for Italy in addition to his role as Managing Director, International.

Production

During 2014 we moved the remaining production at the small Slovakian production site to the Czech Republic. In addition we have invested over €3m to upgrade the storage facilities in Poland to enable the business to remain low cost and responsive to future growth opportunities. We believe we have the best in class production facilities in Poland and the Czech Republic, in addition to the small distillery and production unit in the Czech Republic, and the ethanol distillery in Germany. These facilities continue to provide the business with low cost, consistently high quality products.

Outlook

Following the disruption in Poland during 2014 we expect this to continue into early 2015, but remain very encouraged by the consumer trends and fully expect more normal trading patterns to emerge as the year unfolds.

In all of our markets we will further strengthen our core brands and launch a number of new products to meet consumer needs. Having embedded the third party distribution brands in Poland and the Czech Republic, we can accelerate the development of our premium offering.

Whilst we have been unable to complete an acquisition in 2014 we continue to evaluate a number of acquisition opportunities with a view to deliver further growth.

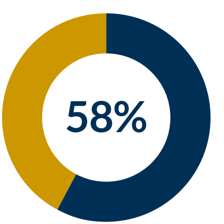
I believe that we are well positioned to take our business forward in 2015.

Chris Heath
Chief Executive Officer
12 March 2015

Building our strength in spirits.

2014 NET SALES REVENUE
(Total number and comparative 2013)

€292.7m
2013: €340.5m



€168.0m
2013: €206.2m

MARKET POSITION

Group

Stock Spirits Group is headquartered in the UK

Poland

No.1 in spirits
37.3% market share

- Vodka and vodka-based liqueurs

CORE BRANDS

We have over 25 brands and export internationally to more than 40 countries worldwide

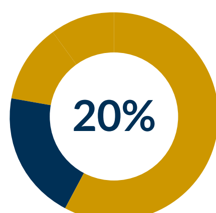
Żołądkowa Czysta de Luxe
Lubelska
Żołądkowa Gorzka
Stock Prestige
1906

HEADCOUNT
Full-time equivalents

923

512

Source
Poland: Nielsen, total Poland, total off-trade, total vodka, flavoured vodka & vodka-based liqueurs MAT volume December 2014.
Czech Republic: Nielsen, total Czech Republic, total off-trade, total spirits MAT volume December 2014.
Italy: IRI retail sales data, total Italy, total modern trade and discounters, total spirits MAT volume December 2014.



€59.5m
2013: €63.2m

Czech Republic

No.1 in spirits
34.3% market share

- Bitters, rum[1], vodka and vodka-based liqueurs

Fernet Stock
Božkov range
Amundsen

216

12%

€35.2m
2013: €36.7m

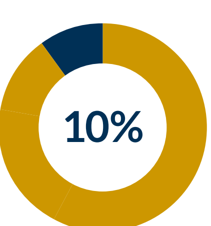
Italy

No.1 in vodka-based liqueurs and Limoncello
5.1% market share

- Vodka-based liqueurs
- Limoncello and brandy

Keglevich
Keglevich Fruit
Limoncè
Stock Original

54



€30.0m
2013: €34.4m

Other

Slovakia, Croatia, Bosnia & Herzegovina. International exports: USA, Germany, Canada, UK, Slovenia and other Balkan countries

Keglevich
Imperator
Stock 84
Fernet Stock Citrus
Hammerhead

141

1. In the Czech Republic, the "rum" category of the spirits market includes traditional rum, which is a spirit drink made from sugar cane, and so-called "local rum", known as "Tuzemak" or "Tuzemsky", which is made from sugar beet. As used in this Report, "rum" refers to both traditional and local rum, while "Czech rum" refers to local rum.

Our successful business model.

Utilising global fast-moving consumer goods (FMCG) best practices and local insight has resulted in the creation of a leading spirits business in Central and Eastern Europe, with an award-winning portfolio of products.

Global FMCG best practices

Procurement

Group buying power
The Group operates a central buying function based in Switzerland with the objective of sourcing raw materials on the most competitive terms

Multi-location sourcing options
The Group has c. 329m litres of bottling capacity at its two bottling sites (located in Poland and the Czech Republic) in addition to an ethanol alcohol distillery providing around 44% of the Group's alcohol requirements

Quality improvement
We constantly aim to ensure that product quality is of the highest standard and seek to improve where the opportunity arises, whether this is new packaging or improved liquids

Cost reduction
The Group strives to reduce production cost without compromising product quality

Production

Targeted capital investment
The Group has continued to invest in state-of-the-art production technology and plant, including the recent upgrade to more flexible liquid processing and storage facilities in Poland

Training
We provide regular training on both operational processes as well as English language courses for our employees

World-class practices
We operate to the highest professional standards across our production environment

Business processes

Performance management
We have cascaded accountability for profitability throughout the Group

Working capital management
We monitor our investment in working capital and ensure that we have efficient and sufficient working capital to support the business and its growth

Systems
The Group has invested in its IT systems and will continue to do so to ensure they support the business

Efficient balance sheet
The capital structure following the IPO has been established to provide an efficient balance sheet which can support the growth ambitions of the Group. We recently completed our corporate restructuring and partial refinancing

Portfolio expansion

Professional key account management
We train our sales teams to operate world-class account management processes

Wholesale and on-trade coverage
We employ dedicated sales teams serving the differing needs of on-trade and wholesale customers

Marketing effectiveness tools
Marketing activity is carefully planned and monitored to ensure maximum effectiveness

World-class brand management
We maintain detailed long term brand plans for all our core brands and measure our performance against these plans

Source

1. Nielsen, total Poland, total off-trade, total vodka, flavoured vodka & vodka-based flavoured liqueurs MAT volume December 2014.
2. IWSR total Czech Republic and Nielsen total Czech Republic, total off-trade, MAT volume and value December 2014.
3. IRI retail tracking data, total Italy, total off-trade modern trade and discounters, MAT volume and value December 2014.
4. SSG internal sales data MAT December 2014.

Local Insights

Sales & marketing

Portfolio analysis
We undertake detailed reviews of our product portfolio to ensure that we have profitable products that meet consumer needs at all price points and have added premium third party brands

Effective and efficient new product development
We operate a world-class NPD process to bring high quality, profitable products to market expediently

Financial resources
We ensure that our brands enjoy the necessary ongoing marketing support

Consumer insight

Consumer trends
We undertake extensive market research to understand emerging consumer trends globally as well as in our individual local markets, and seek to develop new products that match these trends ahead of our competitors

Consumption occasions
Stock's local marketing teams regularly interview consumers to understand what products they prefer to purchase and consume on various occasions and how they wish to enjoy their drinks

Consumer motivation
We have developed a deep understanding of consumer motivation with particular focus on younger adult drinkers to sustain future revenue streams

A leading spirits business in Central and Eastern Europe

We have more than 25 brands and export internationally to more than 40 countries worldwide

We have fully-owned operations in Poland, Czech Republic, Italy Slovakia, Croatia and Bosnia & Herzegovina

#1 in Poland in spirits, vodka and vodka-based liqueurs[1]

#1 in the Czech Republic in spirits, bitters, rum, vodka and vodka-based liqueurs[2]

#1 in Italy in vodka-based liqueurs and limoncello[3]

Our six "millionaire" brands[4]:

Measuring our success against strategy.

The Board has chosen a number of key performance indicators to measure the Group's progress. The table sets out these indicators, how they relate to strategic priorities and how we performed against them.

	What we measure	Why we measure it
Financial Performance We focus on a number of financial measures to ensure that our strategy successfully delivers increased value for our shareholders	Volumes of product sold	To ensure that we are growing the business in a balanced manner
	Net sales revenue	To ensure that we are growing the Net sales revenue of the business
	Adjusted EBITDA & adjusted EBITDA margin*	To track the underlying performance of the business and ensure that sales growth is translated into profit
	Adjusted free cash flow conversion*	To ensure that we are converting profit into cash
	EPS	To provide a measure of underlying shareholder value
Financial Strength	Leverage	To ensure that we have an efficient capital structure with headroom to support organic and inorganic growth. This is an important measure for both our banks and shareholders
Market Position	Volume market share	To ensure that we measure our underlying market position relative to our competitors
	Value market share	To maintain focus on growing value, not just volume at any expense

Source
1. Nielsen, total Poland, total off-trade, total vodka, flavoured vodka & vodka-based flavoured liqueurs MAT volume December 2014.
2. Nielsen, total Czech Republic, total off-trade, total spirits, MAT volume share December 2014.
3. IRI retail tracking data, total Italy, total off-trade modern trade and discounters, MAT volume share December 2014.
4. Internal Group sales data MAT December 2014.

Performance	2014	2013	Comments
Millions 9 litre cases	No.	No.	
Total clear volume	7.2	9.2	Impact of de-stock in Poland following Polish excise duty increase
Total other volume	7.2	8.2	
Total Volume	14.4	17.4	
	€m	€m	
Net sales revenue	292.7	340.5	Driven by lower volumes, but net sales per case has increased by 4%
	€m	€m	
Adjusted EBITDA*	66.4	83.7	2014 EBITDA impacted by Polish excise duty increase
	%	%	
Adjusted EBITDA margin*	22.7	24.6	
	%	%	
Adjusted free cash flow as % of adjusted EBITDA*	44.2	99.6	Strong cash generation in 2013 was affected by higher closing working capital due to timing of sales in Q4
	€ cent per share	€ cent per share	
EPS	18	5	
	Ratio	Ratio	
Net debt**: adjusted EBITDA*	1.24	0.55	Continuing strong leverage position

	2014	%	2013	%	Comments
Poland	Volume	37.3	Volume	38.0	We have included a value measure this year to give a more balanced picture of our market position and to retain our focus on value creation
	Value	38.1	Value	38.5	
Czech Republic	Volume	34.3	Volume	34.5	
	Value	32.9	Value	33.1	
Italy	Volume	5.1	Volume	5.3	
	Value	5.3	Value	5.6	

* Stock Spirits Group uses alternative performance measures as key financial indicators to assess the underlying performance of the Group. These include adjusted EBITDA, adjusted EBIT and adjusted free cash flow. The narrative in the Annual Report & Accounts is based on these alternative measures and an explanation is set out in note 7 to the consolidated financial statements included in the Annual Report & Accounts.

** Net debt is defined as bank borrowings plus finance leases less cash and cash equivalents.

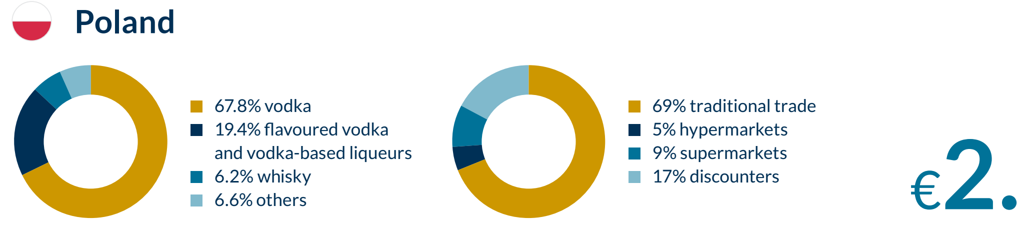
Overview of Stock Spirits Group today and the potential markets.

Source
1. Nielsen, total Poland, total spirits, total off-trade, MAT December 2014.
2. Nielsen, total Poland, total vodka, flavoured vodka and vodka-based liqueurs, MAT December 2014.
   Coverage factor (see separate note below) applied to traditional trade using IWSR.
3. Nielsen, total Czech Republic, total spirits, total off-trade, MAT December 2014.
4. IRI, total Italy, total spirits, total modern trade and discounters, MAT December 2014.
5. IRI, total Italy, total spirits, total modern trade, discounters and cash and carries MAT December 2014.
6. IWSR 2013 data.

Note: A "coverage factor" of 1.18 x has been applied by management to the Nielsen traditional trade data. The coverage factor is derived from the historical difference between IWSR data and Nielsen data. Management considers that IWSR data more accurately represents the traditional trade in Poland.

Existing markets

Poland



Total spirits 2014 market[1]

Off-trade structure for the vodka market 2014[2]

€2.9bn

2014 total off-trade vodka, flavoured vodka and vodka-based liqueurs market value[1]

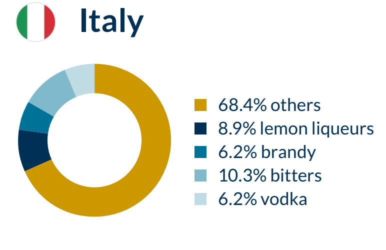
Czech Republic

Total spirits 2014 market[3]

€0.3bn

2014 total off-trade spirits retail value[3]

Italy



Total spirits 2014 market[4]

€1.2bn

2014 total spirits modern trade and discounters retail value[5]

Target new territories

Target new territories account for

c. 103m

9 litre cases of spirits volumes[6]

SPIRITS MARKET OVERVIEW

Key trends

The key consumer trends driving spirits' value growth in Central and Eastern Europe are:

- Desire for affordable luxury
- Diversification of drinking occasions
- Increasing spirits consumption by female and younger adult drinkers
- Growing confidence in local provenance
- Raised awareness of health and social responsibility.

In every one of the last five years and over the last decade, total spirits volume performance in Central and Eastern Europe was superior to that of Europe as a whole*. The performance of spirits in Central and Eastern Europe, as in any region, can be impacted by temporary fluctuations in local economies, but it benefits from the influence of significant consumer trends which, when leveraged correctly, can drive sustainable spirits value growth.

The performance of Stock Spirits Group reflects our ability to identify and take advantage of these trends by evolving our brand portfolio, supported by consistent investment in brand communications, innovation and operational capabilities.

In the short-term, disposable incomes fluctuate with economic circumstances but the long-term evolution of Central and Eastern European markets has seen a progressive growth in standards of living and disposable income and, with them, an expansion of consumer choice which is positively impacting the demand for higher value spirits in the region.

Desire for affordable luxury

As disposable income grows, greater numbers of Central and Eastern European consumers are able to choose higher quality products for which they are prepared to pay more. They seek spirits from trustworthy brands of better and more consistent quality than they were able to purchase historically. This can be through a desire to display their own success or lifestyle through their choice of brands, but the behaviour can also be driven by the desire to retain accessible everyday luxuries when economic times are challenging. Affordable, highly perceived quality brands remain the preferred choice and spirits are just such an affordable luxury.

Diversification of drinking occasions

The number and variety of drinking occasions in Central and Eastern Europe is changing over time, with a gradual increase in "on the go" and "out of home" drinking occasions accompanying social change. These new drinking occasions are a growing part of consumption routines and are opening up opportunities for different formats and pack sizes. For example, ready to drink (RTD) products are enabling consumers to replicate out of home drinking experiences in a convenient, practical format on the go or at home. In home drinking is also diversifying with a move from traditional meal associated usage to contemporary needs such as connoisseurship, by choosing higher quality spirits as a reward at the end of the day.

Source

* IWSR 2013 data.

Increased spirits consumption amongst female and younger adult consumers

Changes in society in Central and Eastern Europe are prompting greater consumption by female and younger adult drinkers and these consumers seek different tastes and alcohol-by-volume to those available historically. Flavoured spirits and relatively lower alcohol-by-volume spirits have grown faster than traditional spirits in recent years as female and younger adult drinkers seek easy drinkability and tastes which appeal to mixed gender groups of friends. There is also a growing desire for innovation and novelty as these consumers see their drinks choice as a means of self-expression and want to drink new and different flavours.

Growing confidence in local provenance

Immediately after the collapse of the old regimes in Central and Eastern Europe, there were a limited number of high quality brands of local provenance available, plus a sense that international brands were superior coupled with a historical suspicion of inconsistent quality and counterfeiting.

Now that the new economies are longer established and memories of the old regimes are fading, there is a resurgence of pride in local achievements, provenance and culture and a dawning recognition that local brands can be as good or superior to imported ones.

Local spirits still make up the vast majority of spirits volume in Central and Eastern Europe and there is a noticeable trend to drink better quality exponents of those local spirits from trusted brands and manufacturers. The fact that many of these markets are “dark”, i.e. marketing communications are strictly regulated and limited, makes it difficult for imported brands to steal share through the deployment of heavyweight advertising investment in the fashion often witnessed in other markets. In this context, affordable, high quality local brands are best placed to act as a bridge to the fulfilment of rising consumer aspirations.

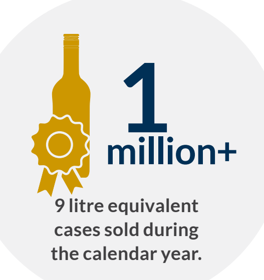
Raised awareness of health and social responsibility

A combination of government regulation and increased consumer awareness of the health and social responsibility issues associated with alcohol consumption is prompting demand for lower alcohol-by-volume spirits ranges and increased consumption of spirits in longer mixed drinks rather than purely as shots, the traditional mode of consumption in much of Central and Eastern Europe. Spirits brands whose ranges include lower alcohol-by-volume and versatile mixers are well placed to take advantage of this trend.

Spirits well placed to grow value sustainably

The combination of our aspirational brands, wide range of innovative tastes, breadth of alcohol-by-volume options and flexible packaging formats mean Stock Spirits Group is well placed to grow sustainably in Central and Eastern Europe by meeting these evolving consumer needs.

OUR "MILLIONAIRE" BRANDS*



Żołądkowa Gorzka
Poland

Produced since 1950 to an unchanged blend of ingredients, inspired by traditional methods which date back to 1822, this is a traditional Polish vodka-based flavoured liqueur made using the time honoured practice of infusing herbs in alcohol.

Made from selected herbs, spices and dried fruits, including oranges, cloves, cinnamon and nutmeg, then matured in vats before bottling, its distinctive aroma and lightly bitter-sweet taste have made it a household name brand in Poland and one of the Group's flagship products. It is available in a variety of blends, including traditional, mint and its new flavour, black cherry, which was launched in 2014.

Żołądkowa Gorzka is the second largest brand by volume and value[1] in the flavoured vodka and vodka-based liqueurs category in Poland and has also been introduced to other international markets. It has received numerous international awards, including two golden stars for Żołądkowa Gorzka Tradycyjna (Traditional) and Żołądkowa Gorzka Czarna Wiśnia (Black Cherry) from the International Taste & Quality Institute awards 2014 (ITQI awards 2014).

1906
Poland

1906 is the leading brand by volume and value[1] in the economy sector in Poland and is sold in over thirty countries around the world.

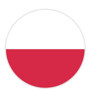
An outstanding, clear vodka which is made through a process of quadruple distillation. It was created to honour the 100th anniversary of the opening of the first spirit production plant Rektyfikacja Lubelska in the city of Lublin in Poland.

Lubelska
Poland

The number one brand by volume and value in the Polish flavoured vodka and vodka-based liqueurs category[1], with a range of ten flavours and a "Three Grains" clear vodka.

Lubelska's success is built on continuous trendsetting in flavour innovation, developing a fun, contemporary range of flavours with particular appeal to younger adults and female drinkers, who enjoy the brand in shots or cocktails.

Lubelska Trzy Zboża (Three Grains) won a silver medal in the 2014 International Spirits Challenge (ISC) and its new flavour, Lubelska Antonówka (Apple) won a golden star from the ITQI awards 2014.



Stock Prestige
Poland

Stock Prestige is a premium vodka launched in Poland in 2009. Stock Prestige is the result of combining 130 years of experience in producing top quality spirits with the most recent technological advancements.

Stock Prestige achieved growth ahead of the premium category during 2014, growing its share of both volume and value.[1]

A six-step distillation process with additional chilled filtration results in a high quality vodka with an exceptionally smooth taste. The raw materials used for Stock Prestige undergo careful selection and a multi-step control process.

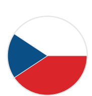
The brand has won several international awards, including a prestigious gold medal and best in class trophy for Stock Prestige grapefruit and a silver medal for Stock Prestige clear in the 2014 ISC. The clear and grapefruit variant were also awarded two gold stars in the ITQI awards 2014.

Żołądkowa Czysta de Luxe
Poland

This crystal clear vodka is the number one brand by volume and value in the Polish market[1], the 7th biggest vodka brand in the world by volume[2] and the best-selling vodka in Stock Spirits' portfolio[3].

Produced to an original recipe using selected grain, a six-step distillation and filtration process over natural carbon filters ensures an exceptionally smooth, high quality vodka.

Żołądkowa Czysta de Luxe has received many international awards, including a gold medal at the International Quality Institute's Monde Selection 2014 awards in Brussels, two golden stars from the ITQI awards 2014, and a silver medal in the 2014 ISC.



Božkov
Czech Republic

The Božkov brand range includes rum**, vodka, vodka-based flavoured liqueurs, gin and other flavoured liqueurs such as apple, apricot, cherry and peppermint.

Božkov Tuzemský is the best-selling member of the Božkov range. It is a Czech domestic rum with a distinctive, fine aroma, subtle golden colour and a delicious flavour. A versatile drink, typically served straight in shots but also used for mixed drinks, and to add flavour for culinary purposes.

Božkov Tuzemský is the number one spirits brand by volume[2] in the Czech Republic and the number one brand by volume and value[4] in the Czech off-trade domestic rum category. In 2014, Božkov Tuzemský won a bronze medal in the ISC awards and Božkov "Special" flavour won two gold stars in the 2014 ITQI awards.

Božkov Vodka is the number three spirits brand by volume[2] in the Czech Republic and the number one brand by volume and value[4] in the Czech off-trade vodka category.

* A "millionaire" brand is one which sold more than one million 9 litre equivalent cases during the calendar year.

** Tuzemsky is a local form of rum.

Source
1. Nielsen total Poland off-trade, MAT December 2014.
2. IWSR 2013 data.
3. Stock Spirits Group internal volume sales data.
4. Nielsen total Czech Republic off-trade, MAT December 2014.

Imperator
Golden Ice Pear

Fruit spirits is the second largest spirits category in Slovakia.[1]

Following the acquisition of Imperator, Golden, the second largest brand in Fruit Spirits in Slovakia,[1] joined the Stock portfolio. An opportunity was identified to build on Golden's established equity by introducing innovative taste attributes to differentiate within the category and command a price premium. The concept of "ice wines", offering greater sweetness and fuller taste, was increasingly familiar to affluent Slovakians. Stock was able to introduce the "Ice" concept to the fruit spirits category to enhance perceived quality and taste delivery. Golden "Ľadová Hruška" (Ice Pear) is a new twist on a traditional Slovak recipe. Smooth and strong, it combines true fruit distillate with high quality spirits to produce a full, sweet taste and delicate aroma. The bottle incorporates matt frosting to enhance the "ice" impression.

Keglevich
Raspberry and Coconut

Keglevich built brand leadership in its category[2] in Italy through its ability to surprise and delight consumers with unique, new and unexpected flavours.

Stock Spirits' continuous innovation on Keglevich enhances the brand's dynamic, contemporary image, recruits new trialists and extends usage amongst existing drinkers. In a first for Stock Spirits, Keglevich's latest range extension, Raspberry and Coconut was developed with direct input from the brand's 220,000 Facebook fans via an interactive online quiz. Its fresh and natural ingredients are reflected in the impactful, colourful packaging. Raspberry and Coconut contributed to the brand performing ahead of the flavoured category in Italy and growing volume and value share during 2014.[2]

Hammerhead
Whisky

Whisky is a high growth category in Central Europe.[3] In 2014, Stock Spirits launched a 25 Year Old Variant of Hammerhead, our unique, vintage single malt Czech whisky.

In 1989 the Pradlo Distillery, in what was then western Czechoslovakia, began a project to create a single malt whisky of unparalleled quality. With great effort, the distillery acquired and installed a traditional cast iron hammer mill of the same style and make as those found in most traditional Scottish distilleries at the time. The whisky was named after the noisy mill's nickname, "Hammer Head". Using only Czech barley and the crisp clean water of the Bohemia region, the whisky has been aged in oak casks made of 100% Czech oak wood. In 2014, the 25 year old variant of the whisky finally became available to enjoy. Its exclusive, premium packaging reflects the unique quality of the whisky within. Launched in selected Duty Free and specialist connoisseur whisky retailers, Hammerhead 25 year old is a flagship for Stock's commitment to quality and distilling expertise.

Lubelska
Orange and Peach

Lubelska is a preferred choice for young adults and female drinkers in Poland, amongst whom it grew its appeal through exotic flavour innovation which expresses the colourful, fun and lively personality of the brand.

In 2014, two new flavours joined the range: Lubelska "Brzoskwinia" (Peach), a sweet and juicy flavour with easy drinkability, brings the taste of summer, served on ice or mixed in a cocktail. Lubelska Pomarańczówka (Orange), a pleasantly refreshing citrus flavour with a hint of mango which appeals to consumers who appreciate lighter tastes, blending sweet and distinct flavours. Orange works well in both long drinks and shots. The continuous evolution of our range keeps the brand fresh for current and new generations of drinkers and helped to secure Lubelska's position as the number one flavoured brand in Poland in 2014.[4]

Żołądkowa Gorzka
Black Cherry

Deeply rooted in Polish tradition, Żołądkowa Gorzka is renowned for its provenance and authenticity.

The brand innovates using only the finest ingredients to bring new tastes and flavours in keeping with its proud Polish heritage. The latest addition to our range, "Czarna Wiśnia" (Black Cherry), enriches the traditional Żołądkowa Gorzka recipe with the distinct taste of black cherry fruit. This brings a bitter-sweet palette of flavours with an additional component reminiscent of the traditional taste of Polish home-made nalewka (an infusion of herbs steeped in alcohol). Żołądkowa Gorzka Black Cherry contributed to the brand's value growth during 2014.[4]

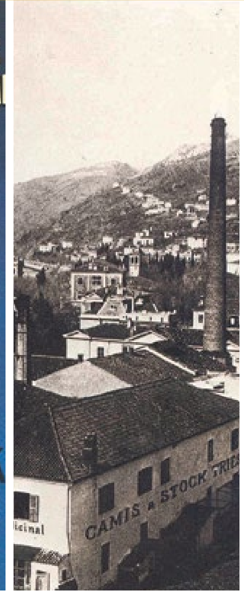
Stock Prestige
130 Years Anniversary

2014 saw the 130th anniversary of the foundation of our business by Lionello Stock.

This innovative Special Edition presentation of premium Stock Prestige Vodka was designed to celebrate our proud heritage and to reinforce the brand's equity with consumers in an eye catching way which broke category conventions. In a "dark market" such as Poland where spirits advertising is restricted, packaging is a hugely important element of brand communication. The additional impact at the point of purchase, which this innovation brought in selected customers, helped Stock Prestige to grow its volume and value share and outperform the category during 2014.[4]

Source
1. Nielsen, total Slovakia, total off trade, volume MAT December 2014.
2. IRI total Italy, total off trade (defined as modern trade plus discounters) volume MAT end December 2014.
3. IWSR 2013 total Spirits and total whisky, Central and Eastern Europe.
4. Total Poland, total off trade, total vodka, flavoured vodka and vodka based flavoured liqueurs volume MAT December 2014.

Stock Spirits Group has a long heritage dating back to 1884.



1884

Camis & Stock founded in 1884 by Lionello Stock in Trieste, then part of the Austro-Hungarian Empire and subsequently, Italy.

Operations expanded across Italy and into the Czech Republic and Austria.

1906

Polmos Lublin founded in Poland.

1920

Stock became one of the largest companies of its kind in Europe by the 1920s.

Established an outpost in New York in 1939.

1950

The flagship brand Żołądkowa Gorzka was created.

2006 – 2007

Oaktree Capital Management acquired Polmos Lublin in Poland.

Oaktree Capital Management acquired the spirits division of Eckes & Stock and its businesses in the Czech Republic, Slovakia, Italy, Slovenia, Austria and the US.

2008

Merger of Polmos Lublin and Eckes & Stock to create Stock Spirits Group.

Headquarters established in Luxembourg.

Sale of Austrian business.

Restructuring of US business.

2009 – 2010

Żołądkowa Czysta de Luxe and 1906 declared the two fastest growing vodka brands in the world.

Stock Spirits Group becomes the number one spirits company in Poland.

Stock established own distribution businesses in Croatia and Bosnia & Herzegovina.

Lubelska declared fastest growing liqueurs brand in the world.

2012

Acquisition of Imperator in Slovakia.

Acquisition of German distillery assets.

Sale of US operations and brands.

Closure of Trieste production facility.

2013

Shares listed on the London Stock Exchange.

Headquarters relocated to the UK.

Distribution agreement for the Czech Republic signed with Diageo.

Distribution agreement for Poland signed with Beam Suntory.

2014

Celebration of 130th anniversary with the launch of Special Edition Stock Prestige.

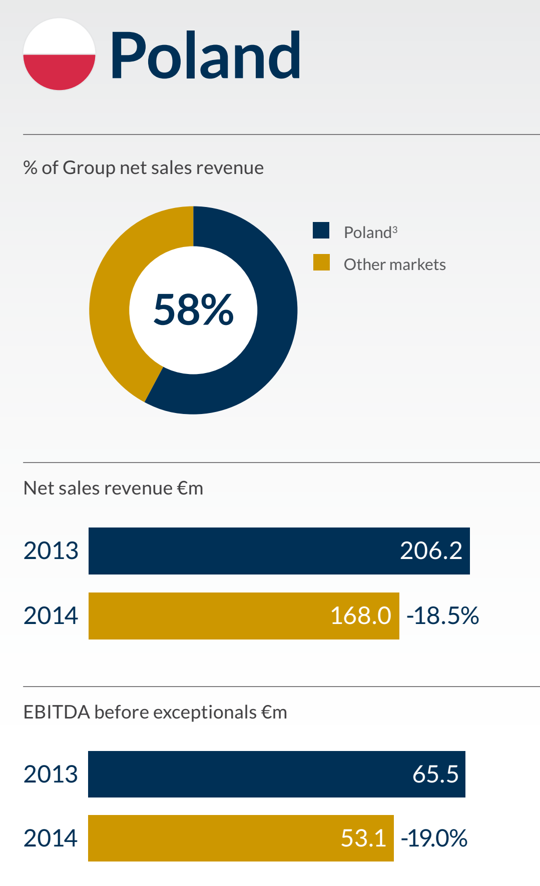
Distribution agreement for Croatia and Bosnia signed with Beam Suntory.

Completion of corporate restructuring.

Closure of the Drietoma production facility.

REGIONAL REVIEW

Poland



Source
1,2. Nielsen, total Poland, total off-trade, total vodka, flavoured vodka & vodka-based liqueurs MAT Dec 2014.
3. IWSR 2013.

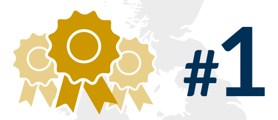
Our largest market is Poland, where we remain the number one spirits producer with an overall volume share of 37.3% (38.0% 2013)[2] of the vodka and vodka-based flavoured liqueurs market, 9.1 volume share points ahead of our nearest competitor.

2014 has been a very tough year in Poland, largely as a result of the 15% excise duty increase posted by the government on 1 January 2014. This significant increase resulted in total product shelf prices increasing by over 7%, accelerating the decline in total market volumes -4.3% versus 2013,[2] and resulting in severe disruption within the market supply chain. The main impacts on customers' supply chain were that many wholesale customers entered the year with exceptionally high inventory levels, resulting in higher demands for promotional support from these customers and heightened competition between spirits producers to encourage the "sell through" of their products to the end retail stores, and ultimately to consumers. Throughout this period of disruption, we have endeavoured to maintain our focus on value creation, not to pursue volume share in isolation. Following the duty increase, Stock has increased average prices per litre ahead of the market and ahead of our main competitors.

In line with our experience of previous excise duty increases in other markets, it is always difficult to predict when the market will return to "normal" and whilst consumption has not declined as much as expected, the disruption in the customers' supply chain has taken longer to unwind than we originally assumed and, as a consequence, we revised our full year profit guidance for the Group in the latter part of 2014.

As we enter 2015, the trading environment remains tough and we expect that it will take a little more time before the customers' supply chain returns to a more normal position. However, the continued success of our core brands and new product launches provides some comfort that consumer dynamics remain robust, and combined with a relatively strong economy, we remain confident that our strategy will continue to deliver strong results in the medium to long term.

Despite the overall market volume decline in 2014, Poland remains the 3rd largest vodka market in the world by value and 4th by volume, and vodka (both clear, flavoured and vodka-based flavoured liqueurs) remains the principal spirit category, accounting for approximately 87% of the overall spirits market.[1]



Stock Spirits is the market leader with 37.3% market share

Poland is the third largest vodka market in the world by value

Vodka (both clear, flavoured and vodka-based liqueurs) accounts for 87% of the spirits market

Key brands

Our financial results in Poland reflect a decline in both net sales revenue and EBITDA. The second half of 2014 was particularly affected by the excise duty increase and the buy forward in the final quarter of 2013. This had the effect of increasing net sales revenue and EBITDA in 2013 at the expense of 2014, with an estimated EBITDA impact of around €5m. In addition, we were unable to fully implement planned price increases due to the competitive landscape. We did, however hold our EBITDA margin at 31.6%, broadly the same level as 2013.

Core brands

In regular vodka, we grew our total value share whilst conceding a small amount of volume share. Żołądkowa Czysta de Luxe once again grew volume share and value share, retaining the number one position in clear vodka. Stock Prestige grew volume and value on its clear and flavoured variants, taking the number one position in premium vodka. Lubelska and Żołądkowa Gorzka (ŻG) retained their number one and number two positions in the flavoured category with a combined value share of 54.3%. ŻG the number two brand in the category, retained an 8.2% value share point lead over the number three branded competitor.

New product development

The Group continued to launch new products into the Polish market in 2014 with a number of successful launches that will provide 2015 value share growth. 2014 witnessed the addition of two new flavours, Orange and Peach, to the successful Lubelska range, and the launch of a new Żołądkowa Gorzka Black Cherry variant.

Stock Prestige launched a limited edition "Black" pack celebrating 130 years of the Stock brand name, reinforcing the premium qualities of this "millionaire" brand. The launch helped us to grow volume and value share in the premium segment ahead of the competition.

Point of sale innovation

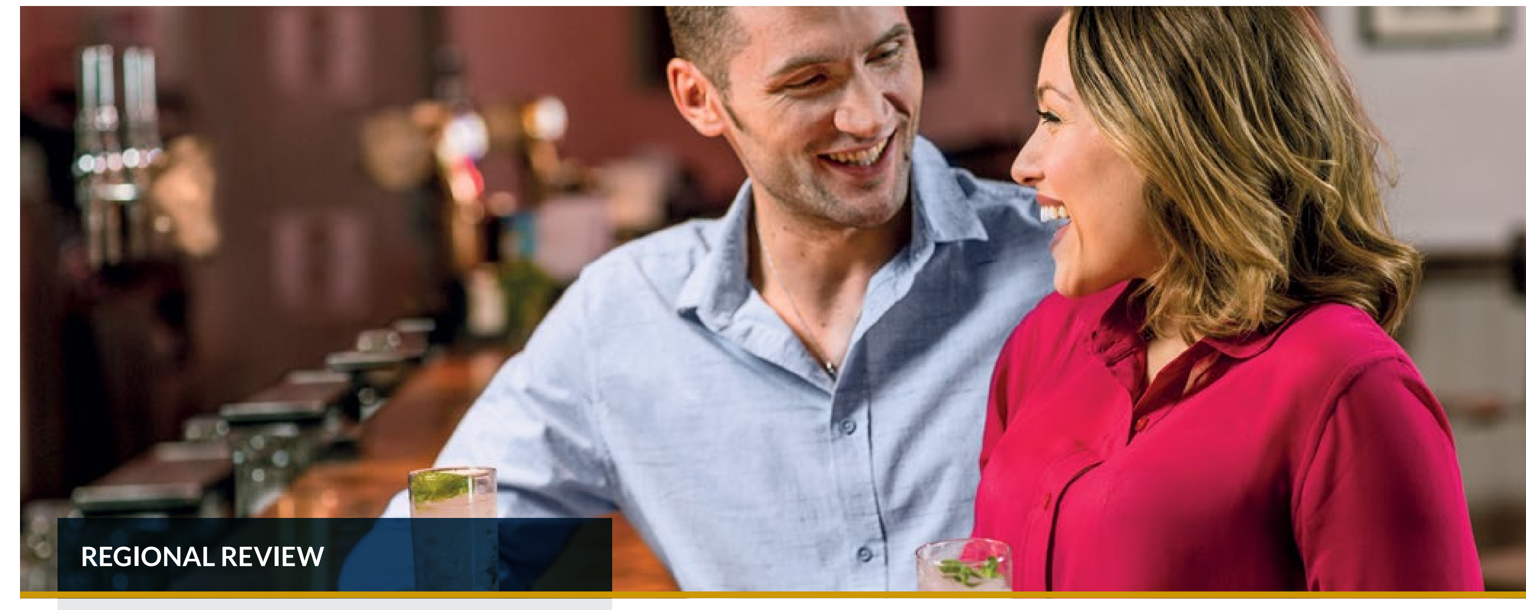
Early in the year, we completed the rollout of the innovative fridge programme, which commenced in 2013, positioning 20,000 fridges in the best traditional trade stores. These represent over 50% weighted volume distribution. This has allowed us to strengthen our distribution further, support this important trade channel and satisfy consumers' desire to enjoy chilled vodka. Results from this innovation have been encouraging with positive feedback from both consumers and store owners. Our ability to launch new products has been enhanced by this initiative, allowing products to be showcased to their best advantage.

Recognition of our distribution capability

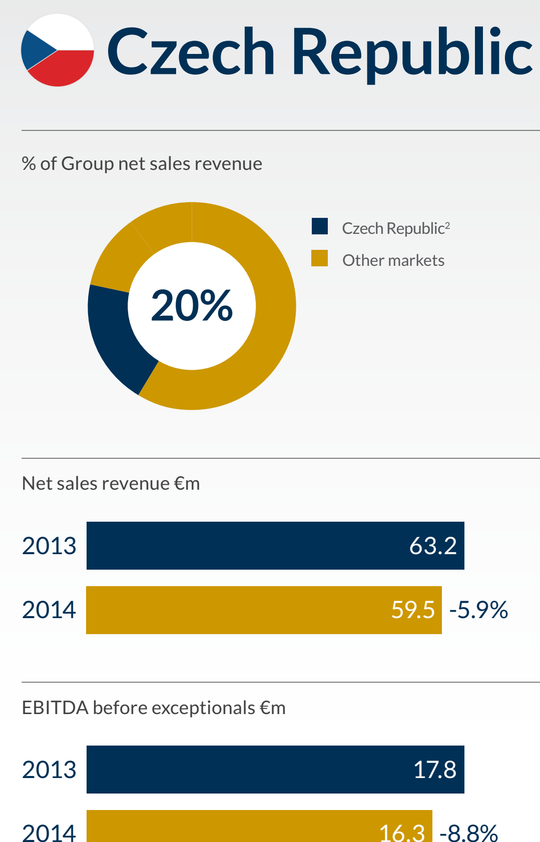
In September 2013 we announced the agreement with Beam Suntory to distribute their portfolio in Poland on an exclusive basis, with distribution commencing shortly afterwards.

We are delighted that after the first year of distribution we have grown both value and volume share of the Beam Suntory brands ahead of the market, in this fast growing and important category.

This is a very exciting development for Stock Polska and provides us with an excellent platform to develop more of our own premium brands in addition to satisfying the strategic objectives of Beam Suntory.



Czech Republic



The Czech Republic continues to be the second largest market for the Group, and we remain market leader in total spirits, with a volume market share of 34.3%,[1] as well as holding market leadership positions in all the main spirits categories.

Four key categories make up the majority of the spirits market, being rum*,vodka, vodka-based liqueurs and herbal bitters.

Whilst the overall market recorded some growth in 2014, this arose principally from private label products, with consumers still demanding high quality affordable economy priced products. This trend emerged during 2013 following the temporary ban on high strength alcohol in late 2012.

This has held back our ability to raise prices although we have still managed to grow sales revenue per case (on a constant currency basis) through a combination of mix management, and new product development. Our results have been impacted by the devaluation of the Czech Koruna at the end of 2013 (affecting the results for the whole of 2014), the change in distribution brand contracts and additional costs arising from the change of management.

On a constant currency basis, 2014 has seen a slight decline in Net sales revenue to €62.9m and EBITDA of €17.2m. At actual rates net sales revenue was €59.5m with EBITDA of €16.3m. EBITDA margin of 27.4% has been held at broadly the same rate as in 2013.

Core brands

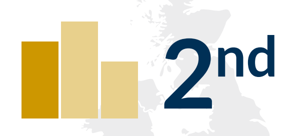
In spite of the growth of private label products our core brands have performed well. In particular, we have maintained our share on the Fernet Stock range in the profitable herbal bitters category, which has seen some decline during 2014, through the very successful new media campaign "Nevy Meknem" (which translates as "We won't give in!" in English). Given the success of the new campaign, more brand building investment is planned in 2015.

New product development (NPD)

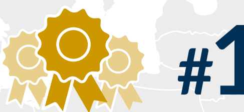
We have further extended our product range in 2014 with the launch of a new flavour variant for the very successful Božkov range.

Source
1. Nielsen MAT December 2014, total Czech Republic, total spirits
2. Internal SSG data

In the Czech Republic market, vodka-based liqueurs also includes "flavoured vodka".
* Tuzemsky is a local form of rum.



Czech Republic is the second largest market for the Group



Stock Spirits has market leadership positions in all the main categories

Vodka, vodka-based liqueurs, bitters and rum account for approximately 80% of the total Czech Republic spirits market by volume

Key brands

Recognition of our Distribution capability

In November 2013, we announced the agreement with Diageo to distribute their portfolio in the Czech Republic on an exclusive basis, with distribution commencing in early 2014.

Our Czech business has over a decade of experience of successfully developing and distributing third party brands on behalf of brand owners. The Diageo brands have now been integrated into the Stock portfolio and have seen growth in both value and volume shares, especially in the rum category with strong growth from the Captain Morgan brand.

The inclusion of the Diageo brands within the Stock portfolio strengthens our position and provides an excellent platform for the growth of our existing brands and new products.

Management changes

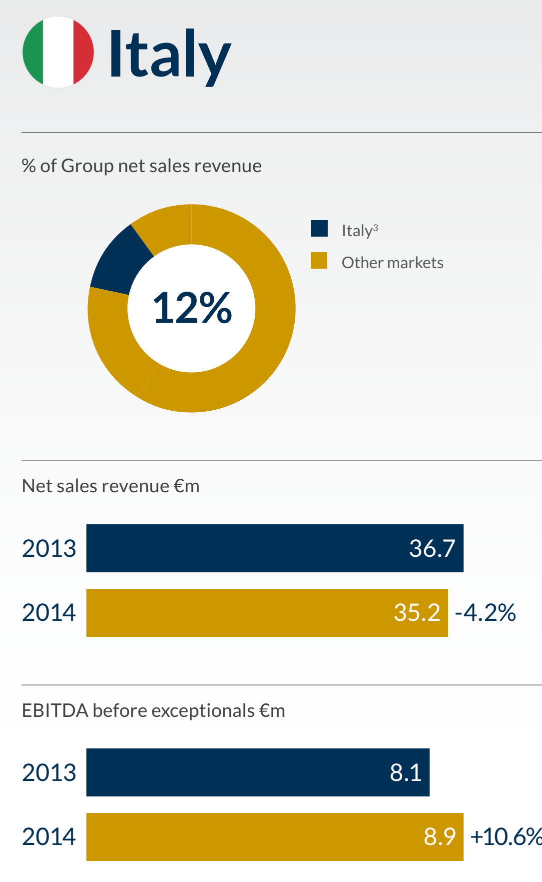
In 2014 Petr Pavlik, who was Managing Director of the Czech business for five years, resigned and left the business at the end of 2014. We thank Petr for his contribution to the business and for leading it through the very difficult time during the temporary ban on high strength alcohol in 2012. We were pleased that Marek Malinowski, former Managing Director of our Polish business, agreed to re-join Stock on a temporary basis to guide our Czech and Slovakian businesses to their next phase.

16%[1]

Spirits representing approximately 16% of the total alcohol market

REGIONAL REVIEW

Italy



Key brands

The Italian market remains the Group's third largest market and, despite continuing difficulties in the trading environment as a result of the tough economic conditions, we continue to hold leading positions in a number of important spirits categories.

During 2014 the spirits market has been impacted by the long term decline in volumes, the significant increase in excise taxes implemented during the last 18 months and an increase in input prices, following a change in the EU support for wine growers, causing a rise in the price of wine distillate. Despite these challenges, the total value of the spirits market still grew in 2014 by 1.1%.[2]

We have passed on the increases in excise tax through to customers, and in the case of brandy products, price increases relating to the higher cost of wine distillate.

We have outperformed the vodka category and grown our share of this important category in both clear and flavoured vodka.[2]

Sales revenue has declined versus last year reflecting the difficult conditions in 2014 and some loss of volumes following the implementation of price increases, particularly for brandy products.

EBITDA however has increased versus last year due to the elimination of non-recurring costs.

New product development (NPD)

During the year we launched a new flavour of Keglevich, Raspberry and Coconut. This, together with the existing range of flavours, has helped to deliver the growth in market share in this category that we have recorded this year.

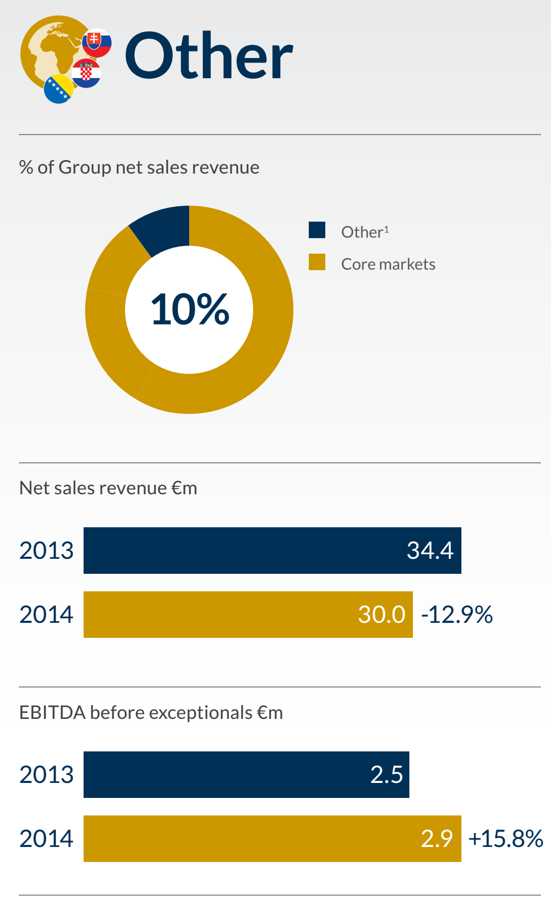
Duty and VAT increases

There had been no increase in excise duty since 2006 until October 2013. In October 2013 a 13% excise increase was implemented, together with a 1% increase in VAT. A further 2% excise duty increase was effected in January 2014, an additional increase of 2% from March 2014 and a 10% increase has been implemented from January 2015. This has resulted in a total increase in excise duty of 29% since October 2013. Although the level of increase is significant, excise duty rates in Italy remain some of the lowest in Western Europe. No further increases have been announced.

Source
1. IWSR 2013.
2. IRI, total Italy, total spirits, total modern trade and discounters, MAT December 2014
3. SSG internal sales data.

This regional segment has delivered EBITDA growth of 15.8%

REGIONAL REVIEW



Key brands

The markets of Slovakia, Bosnia, Croatia and our export activities outside our core markets make up our other regional segment.

During 2014, we completed the integration of the business we acquired in Slovakia at the end of 2012, resulting in the final transfer of production to our site in the Czech Republic. The total brand portfolio has been streamlined and we have reviewed our positions in the leading profit pools and have launched a number of new products as a consequence. This has included a number of flavoured vodka products and a new variant, Golden Ice Pear, to extend our position in the important fruit distillates category.

The savings from the production integration have been reinvested behind an upgraded program of brand building activity for the Slovakian brand portfolio, which has included media advertising. We are very encouraged by the initial results.

Following the restructuring of Slovenia, Bosnia and Croatia in 2013 we have focused upon stabilising our position in these small but important markets. In 2014 we signed a new distribution contract with Luxco, Inc. for the distribution of our brands in the US.

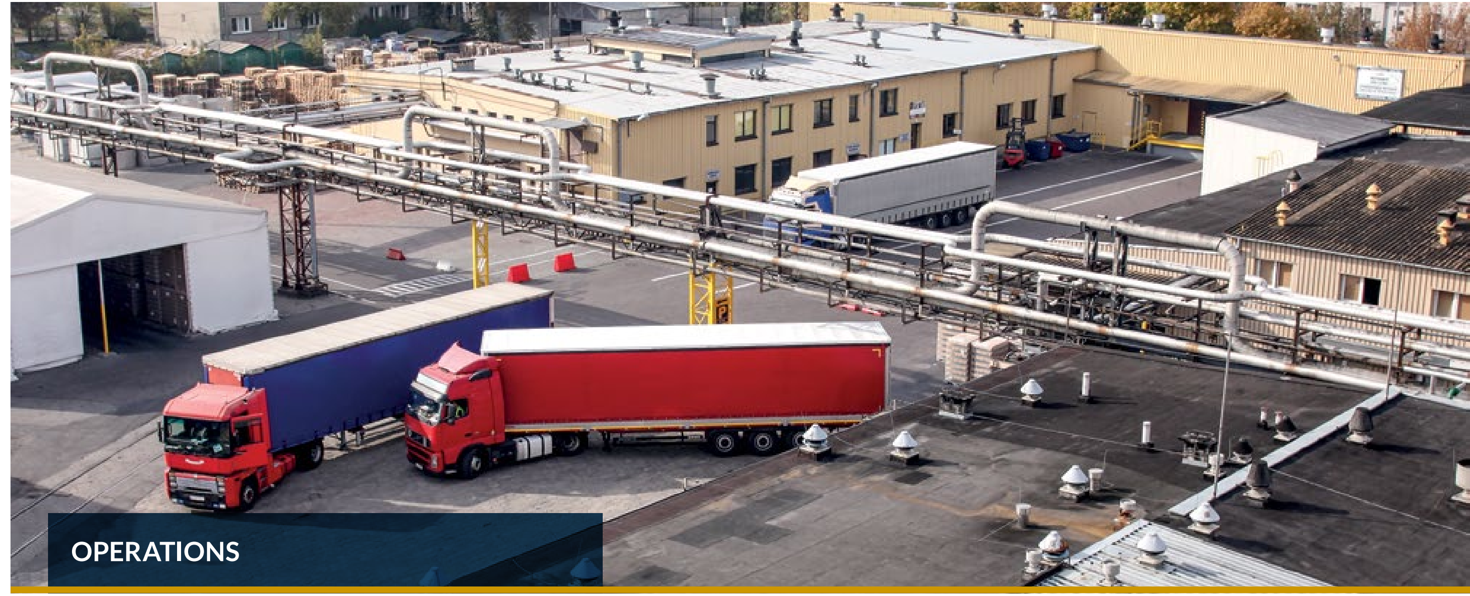
Given the success of our relationship with Beam Suntory in Poland, we have now signed a contract for the exclusive distribution of Beam Suntory products in Croatia and Bosnia.

At the end of 2014 we launched Hammerhead 25 year old, an exclusive limited production aged Czech whisky into our export markets.

This regional segment has delivered sales revenue of €30.0m, a decline of 12.9% and EBITDA of €2.9m, a growth of 15.8%.

At the end of February 2015, Claudio Riva, our Italian Managing Director, left the business. Following a detailed review we have chosen to merge the leadership of the Italian and International business units. There are natural synergies to the two business units as many of the brands sold by the International business are Italian brands, and this will streamline brand building activity. Accordingly, Steve Smith, our International Managing Director, has assumed responsibility for Italy and has commenced the integration process. For external reporting purposes we will continue to report Italy as a separate business segment.

Source
1. Internal SSG sales data.



Our continued investment in our operating assets has provided us with a greater flexibility in liquid production and storage.

Our operating assets underpin our ability to produce high quality liquids consistently, and develop exciting new products driven by consumer insights, in a low cost environment. As in preceding years, we have continued in 2014 to invest in our manufacturing base, with a continuing focus on improving efficiency, reducing wastage, increasing flexibility and maintaining a low cost base.

At the end of 2013, we commenced the preparation for the upgrade of our liquid processing and storage facilities in Poland, to meet the demands of our increasing liquid portfolio, with the installation of tanks transferred from our former unit in Italy. This project has now been completed at a cost of €3.3m and provides our Polish operations with greater flexibility in liquid production and storage. This investment enables a greater variety of new products to be produced and has further raised our fire and general safety standards.

In the Czech Republic we have also invested in improvements in packaging equipment to increase line efficiency and provide flexible facilities for new product development.

During the year, we completed the transfer of the remaining production from Drietoma in Slovakia to Plzeň. This completed the operational integration of the business we acquired in Slovakia at the end of 2012. The site is currently in the process of being disposed of.

The Baltic Distillery supplies around 44% of the Group's alcohol requirements and is now fully integrated into the operations environment. It continues to enjoy ISO certification, organic status and it qualifies for an EU energy grant.

OUR PEOPLE

> We have invested heavily in the development of our people and brought in new talent to support our long-term growth strategy.

Overview

Our people are a core strength to the Group and have continued to show commitment and enthusiasm during this challenging year.

The Group employs over 900 people across our markets, including our UK head office. The majority of our resource is located in the markets in which we operate, with only 27 people located at our head office and service centres.

Whilst most of the market resources are local nationals, we have taken the opportunity during 2014 to grow and develop our own talent with a number of cross market moves. This has the additional benefit of developing best practice across the Group as well as creating opportunities for the individuals concerned.

Commercial

Within the markets, we have continued to invest heavily in standards and competency development and have continued to bring in new talent. The marketing academy, which launched in 2013, with an annual recruitment of undergraduate interns, working within our local marketing teams, is proving to be a great success. It provides the Group with greater insight into our consumer brands and increases our understanding of consumer segmentation, emerging trends and in particular, social media.

Operations

In Operations we have sought to integrate and align many of our processes across the Group to improve our performance and ensure we operate consistently high standards and deliver flexible, low cost, production and logistics. Our people have been key to delivering these changes, and whilst they have been busy delivering change we have continued to develop their skills.

In Poland, the Stock Academy in Lublin was again busy all year with a variety of courses in hard and soft skills, including technical, health and safety, English language, team working, communication and computer skills.

The technical training centre continues to be used extensively for skill assessments and safe offline equipment training. We have not only carried out training using our own facilities but also using external courses.

As a matter of routine we review team performance, individual performance and carry out employee satisfaction surveys. The employee satisfaction surveys continue to develop and show us areas where we can improve.

Business and Ethics

Our Group Code of Conduct and Business Ethics and Anti-Corruption and Bribery Policy (our Code) sets out the ethics, principles and standards which are required to be consistently upheld by each division, business and corporate function within the Group. It also applies to our business partners: suppliers, agents and customers.

During the year, the Group implemented a new Speak-Up telephone line available in all jurisdictions where the Group's operations are present. The Speak-Up line can be used by any employee in the Group and allows them to report any incidents or inappropriate behaviours in their own language. The confidentiality of the information reported is correctly protected. The Group has also carried out full refreshment training on the basic principles of our Code as well as the new Speak-Up line, so it is well-known and can be used, as needed, by any employee in the organisation. The Code and our Speak-Up line Policy are available on our website www.stockspirits.com.

Stock Spirits Group considers that good corporate governance is an essential element of achieving our overall objectives and acting as a responsible organisation.

Our strategy is embedded in our relationships with suppliers and customers; our approach to recruitment, where best in class people are joining the organisation and our commitment to the environment. Our approach to corporate responsibility is closely linked to our business performance.

Alcohol and society

We are conscious that our products should be enjoyed responsibly by those who choose to drink them, and we don't want irresponsible drinking to harm the health of our consumers.

We believe that efforts to reduce the misuse of alcohol are most effective if all parties involved (including authorities, individuals and producers) work together to regulate alcohol consumption.

Czech Republic and Slovakia

Our companies in these markets are founding members of "Fórum PSR," which brings together the countries' major spirits producers and distributors to work against alcohol abuse. The forum focuses primarily on preventive and educational projects targeting the serving of alcohol to minors and drink-driving. Forum members have also pledged to observe a code of conduct that strictly regulates their advertising activities. Stock Spirits Group provides the Vice-Chairman of the Spirits Trade Association in the Czech Republic. This Association was active during 2014 in supporting the local government in its ongoing efforts to implement a strong regulatory environment in the spirits industry.

Poland

Stock Polska belongs to Polish Spirits Industry (Polski Przemysł, Spirytusowy), the trade organisation which, as part of its work, promotes responsible drinking through educational programmes and public campaigns. These include, "Don't drink and drive"; "Pregnant – don't drink", and "Responsible drinking", an educational programme promoting responsible alcohol consumption, including guidelines on "How to sell and serve alcoholic drinks responsibly".

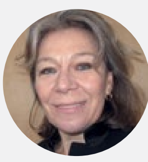
Italy

Our Italian business belongs to Federvini, the national trade association founded in 1917 which, as part of its role, promotes responsible drinking using educational and informative programmes.

Community

Stock Spirits Group provides support to a charity called Project Art Works, which develops ground-breaking visual arts projects for individuals with profound neurological impairments. Chief Executive Officer, Chris Heath, explained: "When we moved offices last year we didn't want to just order some boring paintings from a gallery. We heard about the great work that the Project Art Works charity does and thought this would be a good way to liven up our working environment, whilst at the same time supporting a great cause. Visitors to our offices often ask about our pictures and we take the opportunity to spread the word about Project Art Works and its mission."

Kate Adams, artist, co-founder and director of Project Art Works said "Corporate giving is becoming an increasingly important part of our funding and companies such as Stock Spirits Group who have supported us through our 'art on loan' programme are helping us show that a strong mutual benefit can be generated through arrangements such as these."



Kate Adams,
Director of Project Art Works

Environment

Our businesses are fully aware of their responsibilities to the environment. In addition to mandatory compliance programmes, many of our businesses have undertaken a number of voluntary initiatives, which demonstrate the importance that is given to environmental matters.

For example, during 2014 we introduced in our main factory in Lublin an environmental awareness initiative headed by a mascot named "Sztokus" (image shown above), which is designed to promote environment-friendly behaviours across all activities.

Workplace

We continue to support our people through training and development, so that they can both grow professionally, and meet the evolving challenges of our industry. We also care about a diverse workforce.

Diversity

The Senior Management Teams in our markets comprise mainly local nationals who understand the cultures in which we operate.

We have a recruitment policy to ensure that we recruit high calibre individuals matched to the requirements of the role we wish them to undertake, irrespective of gender, age, race or disability. As a consumer-focused business we recognise the value a diverse mix of employees provides us with, particularly in terms of consumer insights. As at 31 December 2014, at Board level 50% (1 out of 2) of our Executive Directors are male, at a Senior Management level 88% (7 out of 8) are male and across the Group 61% (560 out of 923) of all employees are male.

Human rights

It is not considered necessary for an understanding of the development, performance or position of the Group's business activities to include any information about any policies of the Group in relation to human rights issues. The Group complies fully with relevant legislation in the countries in which it operates.

Key Highlights

- Net sales revenue of €292.7m a decrease of 14.1% versus 2013
- Decline in operating profit before exceptionals
- Operating profit grown to €53.6m from €47.7m in 2013
- Reduction in finance costs to €12.3m from €58.2m
- Profit for the year €35.8m versus €8.9m in 2013
- Closing leverage at the end of December 2014 1.24 (2013: 0.55)
- Adjusted EPS of €0.18 per share (2013: €0.05 per share)

	2014 €m	2013 €m	Movement %	Excl. Foreign exchange %
Revenue	292.7	340.5	-14.1	-13.3
Adjusted EBIT[1]	55.4	74.4	-25.6	-24.3
Adjusted EBITDA[1]	66.4	83.7	-20.7	-19.1
Adjusted EBITDA margin	22.7%	24.6%		
Adjusted free cash flow[2]	29.3	83.3	-64.8	-64.9
Adjusted free cash flow as % adjusted EBITDA[2]	44.2%	99.6%		
Leverage[3]	1.24	0.55		
EPS[4]	0.18	0.05		

Notes:
1. Details of adjusted EBIT and adjusted EBITDA can be found in note 7 to the accounts.
2. Details of adjusted free cash flow can be found in note 7 to the accounts.
3. Leverage is net debt (bank borrowings plus finance leases less cash and cash equivalents) divided by adjusted EBITDA (see note 7 to the accounts).
4. Details of basic and fully diluted earnings per share can be found in note 14 to the accounts.

Operating profit increased from €47.7m to €53.6m, however adjusted EBITDA fell from €83.7m last year to €66.4m this year.

Our underlying results for both revenue and EBITDA have been impacted by the Polish duty increase. On 1 January 2014 the Polish government increased excise duty on strong alcohol by 15%. This resulted in a number of customers buying ahead of the duty increase and thereby increasing Net sales revenue and EBITDA in 2013 at the expense of Net sales revenue and EBITDA in 2014. We estimate that the impact of the duty buy in was 6% increase in sales volumes for Poland and €5m increase in EBITDA in 2013. This impact reversed in 2014. We expected consumer demand to show some deterioration as a consequence of the increased shelf prices, but there has however been a significant amount of disruption in the customers' supply chain as inventory levels have reduced following the buy in and price increases have been passed through to customers and consumers. As the year unfolded it became clear that the level of disruption was far greater than we had anticipated and this resulted in us having to revise our full year EBITDA expectations lower in November 2014.

Net sales revenue of €292.7m has reduced from 2013 (€340.5m) resulting from lower volumes in Poland, as a consequence of the de-stock of inventory following the Polish excise duty increase, and some loss of volumes in Italy, due to the increases that have been passed through to consumers for both excise duty increases and the uplift in the cost of wine distillate. An increase in the average price per case of 4% driven by modest price increases and the introduction of new products has assisted in mitigating some of the impact of the volume reduction.

The final transfer of production from the Slovakian production unit to the Czech Republic and continuing careful management of production costs has helped to offset the impact of the increase in wine distillate resulting in the cost of goods per case remaining broadly in line with 2013.

In 2013, other operating expenses included €11.6m of non-recurring expenses, which are detailed in note 7 to the accounts, and 2014 obviously reflects the non-recurrence of these costs.

As a result, operating profit has increased to €53.6m from €47.7m in 2013 and reported profit from €8.9m to €35.8m.

Given the very significant impact of exceptional costs and non-recurring expenses associated with the IPO and other activities in 2013, the results have also been presented on an adjusted basis to provide transparency of the underlying results for comparative purposes.

For internal purposes, the Group uses adjusted EBITDA to measure the performance of the business, and it is more closely aligned to cash flow which is also a key measure of performance. The adjusted EBITDA for the Group for the full year 2014 is €66.4m, against an adjusted EBITDA of €83.7m in 2013. Details are contained within note 7 to the accounts.

The measures imposed in late 2013 by the Czech National bank to devalue the Czech currency in order to manage deflationary influences, have continued throughout 2014 and impacted our results. We expect these devaluation measures to remain in place during 2015.

On a constant currency basis with 2013, using weighted average exchange rates across the year, net sales revenue would have been €295.5m and adjusted EBITDA €68.1m

Non-recurring and Exceptional Costs

In 2013, we reported within other operating expenses a number of costs which were non-recurring, €11.6m, and exceptional items of €15.1m. These costs were primarily related to the activities involved in transitioning from a private equity owned business to a public company. Details of these costs can be found in notes 7 and 8 to the accounts.

As expected, these costs have reduced significantly and in 2014 non-recurring costs were €0.6m and exceptional items amounted to €1.1m with the key items being associated with the impairment of the Slovakian production site prior to disposal, amendments to our bank facilities and further costs incurred on the corporate restructuring we have undertaken since IPO, and which were detailed in the IPO prospectus.

The reported EBITDA has been adjusted to remove the impact of these costs and a reconciliation is shown in note 7 to the accounts.

Finance Revenue and Costs

Finance income of €7.7m (2013: €1.8m) included a gain on foreign exchange of €6.5m arising on intercompany loans and the impact from the devaluation of the currencies that these loans are denominated in.

Finance costs shown within the consolidated income statement of €12.3m (2013: €58.2m) primarily reflect the cost of third party bank debt and the amortisation of bank charges associated with the establishment of the current debt facilities, which are being amortised over the life of the loans.

In 2013, the finance costs reflected the previous capital structure prior to the IPO and consisted of senior unsecured debt instruments which attracted interest annually and were capitalised and not paid out in cash.

The Group undertook an extensive capital restructuring exercise prior to the IPO, which resulted in the senior unsecured debt instruments being partially repaid and the remaining balance converted to a single class of equity shares.

Taxation

The increase in the tax charge in 2014 to €13.2m versus a credit last year of €17.6m reflects the non-recurrence of the significant deferred tax credit that arose in 2013 as a result of the post IPO corporate restructuring. In addition, further provision has been made against potential tax risks as detailed in note 13.

Cash flow

The Group's cash flow is impacted by both the underlying profit performance and the timing of sales in the fourth quarter. In 2014, cash flow was affected by the increase in working capital at the year end arising from sales occurring during the month of December. This has resulted in a delay in the cash being generated during the year and will result in a higher cash flow in early 2015. Adjusted net free cash flow was €29.3m and our free cash flow conversion was 44.2%.

The Group has also commenced the payment of dividends in line with the policy set out at IPO. Accordingly, an interim dividend of €0.0125 (£0.01) per share was paid in September 2014, following the announcement of our half year results.

The cash flow also includes a one-off payment of €40.3m relating to VAT which was paid in January 2014, which arose from the legal restructuring following the IPO. This was purely a timing impact, with the corresponding receipt of VAT having been received at the end of 2013.

Net Debt and Financing

Net debt at the end of December 2014 was €82.4m, an increase of €36.1m versus December 2013, giving a year end net leverage of 1.24 versus 0.55 in 2013. Adjusting for the one-off VAT payment, as discussed above, net debt at the end of 2013 would have been €86.6m with a closing leverage of 1.03 at the end of 2013.

Ahead of the IPO in 2013, a partial refinancing was undertaken to bring our debt facilities to terms more aligned to a public company. In 2014, we negotiated additional changes to a number of clauses and covenants, in addition to reducing the margins that the banks charge on our debt. These changes were effective from July 2014, and reduced margins on all our debt at all leverage levels by 150 basis points. The Group has also benefitted from reductions in underlying interest rates for debt, and by expiration of the fixed interest rates charged on a proportion of its debt. The Net debt bridge below summarises the key movements in net debt during the year ending 31 December 2014.

There remains sufficient headroom within the current bank facilities to support both our organic and inorganic growth opportunities.

All debt is drawn in local currency to provide flexibility in facilities and a natural hedge for cash flow and balance sheet protection.

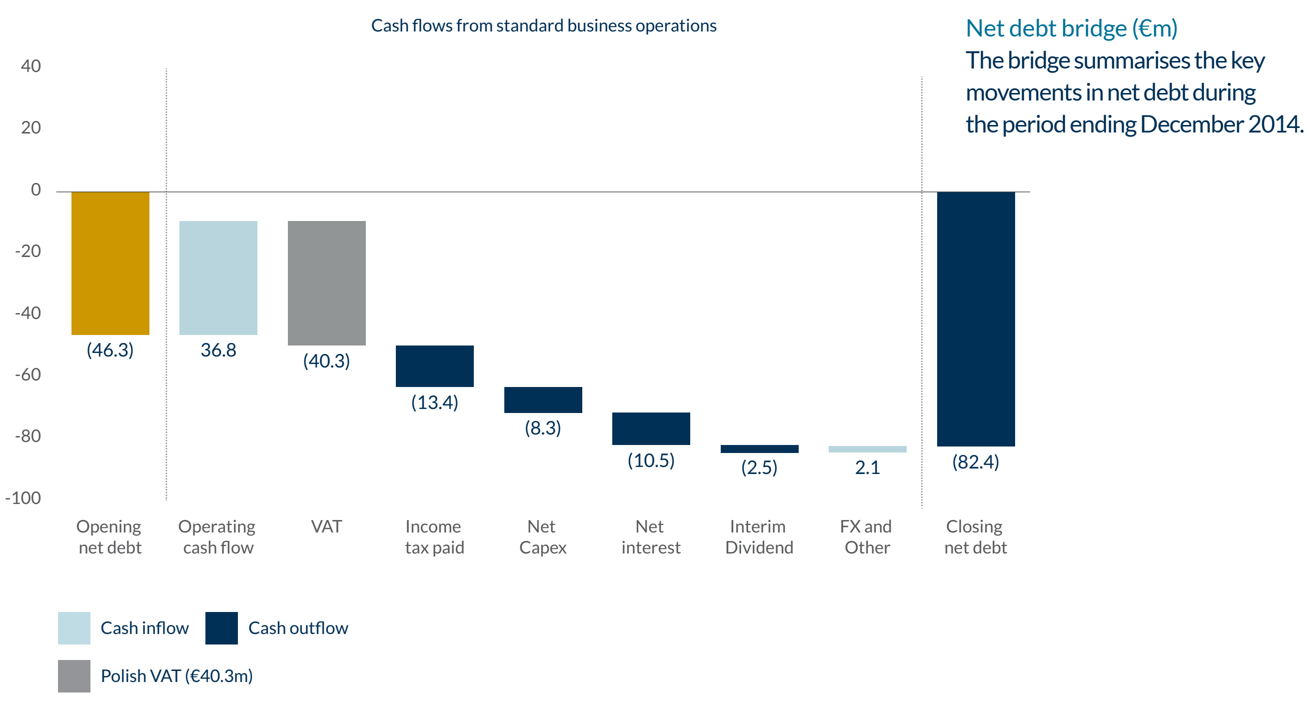
During the year, the hedging that was previously in place to cover a portion of the finance expense in Italy and the Czech Republic with a fixed interest rate, and to provide a cap on the level of the central bank lending rate in Poland, expired and, following a review, has not been renewed. Further details of these instruments can be found in note 23 to the accounts.

Debt maturity profile

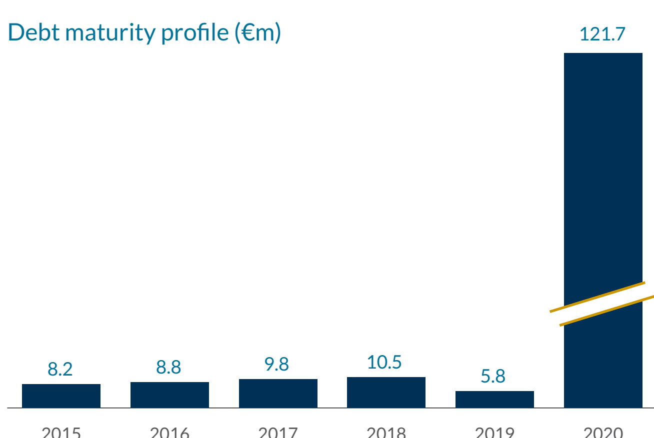
The Group's bank facilities consist of long term loans of €164.8m provided by a club of eight banks, which are subject to the amortisation profile shown in the chart on page 37, together with a revolving credit facility (RCF) of €70m. Further details can be found in note 23 to the accounts.

The RCF is utilised to back excise duty guarantees in a number of our markets. This utilisation reduces the available balance of the RCF but does not constitute drawings against the facility and, as such, this utilisation is not disclosed as a liability in the balance sheet.

At 31 December 2014 there were no drawings against the RCF and the level of RCF used to back excise duty guarantees was €6.5m.



Net debt bridge (€m)
The bridge summarises the key movements in net debt during the period ending December 2014.



Foreign Exchange

The Group is exposed to the impact of foreign currency exchange, with the major currencies being the Polish Złoty and the Czech Koruna. The Group, where possible, aims to match currency cash flows, liabilities and assets through normal commercial business arrangements. An example of this is that all external third party debt is drawn in local currency. There are no hedging instruments in place to manage transaction exposure, where this arises.

The Group will continue to monitor its foreign currency exposures and, where necessary to manage risk appropriately, will implement hedging arrangements.

In early 2015, there has been some devaluation of the Polish Złoty and the Czech Koruna as a result of the removal of the fixed Swiss Franc exchange rate mechanism with the Euro, by the Swiss National Bank. It is currently unclear if this devaluation will remain longer term and therefore this currently represents a risk to our performance in 2015.

	Dec 2014 closing rate	Average rate
Polish Złoty	4.29	4.18
Czech Koruna	27.74	27.55

Equity Structure

There has been no change to the equity structure of the business in 2014 and there remain 200 million shares in issue with a nominal value of £0.10 each.

Earnings per share

On a fully diluted basis, the earnings per share at the end of December 2014 was €0.18 per share versus €0.05 per share in 2013. Excluding foreign exchange gains in finance revenue of €6.5m in 2014, and foreign exchange losses in finance costs of €12.6m in 2013, adjusted earnings per share would have been €0.14 per share in 2014 and €0.12 per share in 2013.

Lesley Jackson
Chief Financial Officer
12 March 2015

PRINCIPAL RISKS

Stock Spirits Group believes the following to be the principal risks facing its business and the steps we take to manage and mitigate these risks. If any of these risks occur, Stock Spirits Group's business, financial condition and performance might suffer and the trading price and liquidity of the shares may decline. Not all of these risks are within our control and this list cannot be considered to be exhaustive, as other risks and uncertainties may emerge in a changing business environment.

Risk	Description and impact	How we manage and mitigate
Economic and Political Change	The Group's results are affected by overall economic conditions in its key geographic markets and the level of consumer confidence and spending in those markets. The Group's operations are primarily in Central and Eastern European markets where there is a risk of economic and regulatory uncertainty. In the Group's experience, the local laws and regulations in the region where it operates are not always fully transparent, can be difficult to interpret and may be applied and enforced inconsistently. In addition, the Group's strategy involves expanding its business in several emerging markets, including in certain Central and Eastern European countries that are not members of the European Union. Political, economic and legal systems and conditions in emerging market economies are generally less predictable.	We monitor and analyse economic indicators and consumer consumption trends, which in turn influences our product portfolio and new product development. The majority of countries that we currently operate in are part of the European Union, and therefore are subject to EU regulation. We monitor the economic conditions within each market and review our product portfolio, route to market and adjust our position accordingly.
Taxes	Increases in taxes, particularly increases to excise duty rates and VAT, could adversely affect demand for the Group's products. Demand for the Group's products is particularly sensitive to fluctuations in excise taxes, since excise taxes generally constitute the largest component of the sales price of spirits. As indicated in last year's Annual Report, on 1 January 2014 the Polish government implemented a 15% increase in the excise duty on spirits and we highlighted the risk, which has now materialised as discussed elsewhere in this report, that such an increase may adversely impact the Group's sales volumes in Poland. The Group may be exposed to tax liabilities resulting from tax audits: the Group has in the past faced, currently faces and may in the future face, audits and other challenges brought by tax authorities. Changes in tax laws and related interpretations and increased enforcement actions and penalties may alter the environment in which the Group does business. In addition, certain tax positions taken by the Group are based on industry practice and external tax advice and/or are based on assumptions and involve a significant degree of judgment.	Through our membership of local market spirits associations we seek to engage with local tax and customs authorities as well as government representatives and, where appropriate, provide informed input to the unintended consequences of excise increases e.g. growth of illicit alcohol and potential harm to consumers. The Group engages the services of a professional global firm of tax advisors and undertakes regular audits of our own tax processes, documentation and compliance. We aim to operate the business in a tax efficient and compliant manner at all times.

Risk	Description and impact	How we manage and mitigate
Strategic Transactions	Key objectives of the Group are: (i) the development of new products and variants; and (ii) expansion, in the Central and Eastern European region, through the acquisition of additional businesses. Unsuccessful launches or failure by the Group to fulfil its expansion plans or integrate completed acquisitions could have a material adverse effect on the Group's growth potential and performance.	We have a robust new product development process which has delivered highly successful innovations and which we continuously seek to improve. We seek to maintain a pipeline of potential acquisition targets and have an experienced management team capable of exploring, pursuing and executing transaction opportunities swiftly and diligently, however the owners of target businesses may have price expectations that are beyond the valuation that we can place on their business.
Consumer Preferences	Shifts in consumer preferences may adversely affect the demand for the Group's products and weaken the Group's competitive position. A decline in the social acceptability of the Group's products may also lead to a decrease in the Group's revenue. In some countries in Europe, the consumption of beverages with higher alcohol content has declined due to changing social attitudes towards drinking.	The Group undertakes extensive consumer research and has a track record of successful new product development to constantly meet changing consumer needs. We have developed a range of lower alcohol products and feel confident that we have the expertise to continue to develop products that meet and satisfy consumer needs.
Talent	The Group's success depends substantially upon the efforts and abilities of key personnel and its ability to retain such personnel. The executive management team has significant experience in the international alcoholic beverages and FMCG industries and has made an important contribution to the Group's growth and success. The loss of the services of any member of the executive management team of the Group or of a company acquired by the Group, could have an adverse effect on the Group's operations. The Group may also not be successful in attracting and retaining such individuals in the future.	The Group operates a competitive remuneration policy that aims to retain, motivate and, where necessary, attract key individuals. We have developed a formal succession planning process to mitigate the risk of losing key personnel.

PRINCIPAL RISKS
CONTINUED

Risk	Description and impact	How we manage and mitigate
Marketplace and Competition	Stock Spirits Group operates in a highly competitive environment and faces competitive pressures from both local and international spirits producers, which may result in pressure on prices and loss of market share. Changes in the Group's distribution channels may also have an adverse effect on the Group's profitability and business. A significant portion of the Group's revenue is derived from a small number of customers. The Group may not be able to maintain its relationships with these customers or renegotiate agreements on favourable terms, or may be unable to collect payments from some customers, which will lead to an impact in its financial condition. The Group is also dependent on a few key products in a limited number of markets which contribute a significant portion of its revenue.	Stock Spirits Group has mechanisms and strategies in place to mitigate the damage of profit erosion but there is no assurance they may work in such economies and competitive environments. We constantly review our distribution channels and our customer relationships. We understand the changing nature of the trade channels and customers positions within those channels. We trade across all channels and actively manage our profit mix within both channel and customer.
Exchange Rates	The Group's business operations and results reported in Euros are subject to risks associated with fluctuations in currency exchange rates. The Group generates revenue primarily in Polish Złoty and secondarily in Czech Koruna and a large portion of the Group's assets and liabilities are denominated in Złoty and Koruna. Additionally, the Group's financial covenants are tested in Euros. Consequently, movement in the other currencies in which the earnings, assets and liabilities of certain of the Group's subsidiaries are denominated could adversely impact the Group's ability to comply with these financial covenants.	The Group aims to hedge transaction risk by matching cash flows, assets and liabilities through normal commercial activities where possible. For example all debt is currently drawn in local currency by market. We monitor currency exposure as an integral part of our monthly review process and, where appropriate, will implement hedging instruments.
Disruption to Operations or Systems	The Group's operating results may be adversely affected by disruption to its production and storage facilities, in particular its main production facilities in Poland and the Czech Republic, or by a breakdown of its information or management control systems.	In addition to holding appropriate insurance cover to protect the business in the event of a production disruption or other business interruption, our two primary bottling sites offer sufficient flexibility that each site is capable of bottling all of our core SKUs. We also have well established and tested Business Continuity and Disaster Recovery policies. Our information and management control systems are subject to internal audit following a risk-based methodology.

Risk	Description and impact	How we manage and mitigate
Laws and Regulations	The Group is subject to extensive laws and regulations limiting advertising, promotions and access to its products, as well as laws and regulations relating to its operations, such as health, safety and environmental laws. These regulations and any changes to these regulations could limit its business activities or increase costs. The Group may be affected by litigation directed at the alcoholic beverages industry and other litigation such as intellectual property disputes, product liability claims, product labelling disputes and administrative claims. The Group may be exposed to civil or criminal liabilities under anti-bribery laws and any violation of such laws could have a material adverse effect on its reputation and business.	The Group has established clear processes and controls to monitor compliance with laws and regulations, and changes to them, and also any litigation action. We operate a detailed anti-bribery and anti-corruption policy and process. Regular update training is conducted across the business and we undertake regular reviews to assess the adequacy and effectiveness of our policy and processes.
Supply of Raw Materials	Changes in the prices or availability of supplies and raw materials could have a material adverse effect on the Group's business. Commodity price changes may result in increases in the cost of raw materials and packaging materials for the Group's products due to a variety of factors outside the Group's control. The Group may not be able to pass on increases in the costs of raw materials to its customers and, even if it is able to pass on cost increases, the adjustments may not be immediate and may not fully offset the extra costs or may cause a decline in sales volumes.	Where possible the Group will negotiate term contracts for the supply of core raw materials and services on competitive terms to manage pricing fluctuations.
Funding and Liquidity	Market conditions could subject the Group to unexpected needs for liquidity, which may require the Group to increase its levels of indebtedness. Access to financing in the longer term depends on a variety of factors outside the Group's control, including adverse capital and credit market conditions. Higher interest rates and more stringent borrowing requirements could increase the Group's financing charges and reduce profitability.	The Group maintains a strong focus on cash, our future requirements for funding and the overall external market for financing. We undertake regular and detailed reviews of both short term and longer term liquidity requirements by market, including our growth ambitions. We are confident that we have the appropriate processes and relationships in place to respond to any unexpected liquidity needs and have placed ourselves in the best position to access funding in the longer term.

Approval of Strategic Report

The Strategic Report comprising pages 2 to 41 was approved and signed on behalf of the Board.

C. Heath

Chris Heath
Chief Executive Officer
12 March 2015

Our Board is committed to maintaining high standards of corporate governance and business integrity in a constantly evolving regulatory environment.

Board structure
Non-Executive Chairman
Senior Non-Executive Independent Director
Two other Independent Non-Executive Directors
Two Executive Directors

Jack Keenan
Non-Executive Chairman

Jack joined Stock Spirits Group as Non-Executive Chairman in 2008. After retiring as Chairman of Kraft International in early 1996, he joined the Board of Grand Metropolitan plc, becoming Chief Executive Officer of its global wine and spirits business. There he led the consolidation of the global drinks industry by merging the businesses of Grand Metropolitan and Guinness (to form Diageo) and leading the acquisition of the Seagram Company. He is also the Chairman of Revolymer plc.

Andrew Cripps
Independent Non-Executive Director

Andrew was appointed to the Board as an Independent Non-Executive Director in October 2013. He qualified as a chartered accountant before working for 20 years in the tobacco industry with Rothmans International and then British American Tobacco plc. He is currently the Independent Non-Executive Deputy Chairman of Swedish Match AB and an Independent Non-Executive Director and Chairman of the Audit Committees of Booker Group plc and Boparan Holdings Limited.

Chris Heath
Chief Executive Officer

Chris joined Stock Spirits Group in 2007 as Chief Financial Officer and in 2009 was appointed Chief Executive Officer. He was previously Group Chief Financial Officer and Commercial Director of Gondola Holdings plc and, before that from 1988 to 2005, held a number of senior positions in Allied Domecq. These included roles as European Finance Director, Managing Director UK, Managing Director Spain and Global Finance Director.

Lesley Jackson
Chief Financial Officer

Lesley joined Stock Spirits Group in 2011 as Chief Financial Officer. A fellow of the Institute of Chartered Accountants, Lesley has more than 15 years of experience in the drinks industry. She has held senior finance positions in Scottish & Newcastle, was Group Chief Financial Officer of publicly listed United Breweries in India and most recently, Group Finance Director at William Grant & Sons.

David Maloney
Senior Independent Non-Executive Director

David was appointed to the Board as Senior Independent Non-Executive Director in October 2013. During a long career in finance, he was Chief Financial Officer of Le Méridien Hotels and Resorts, Thomson Travel Group and Preussag Airlines, and Group Finance Director of Avis Europe. He is currently Chairman of Brandon Hire plc, and the Senior Independent Non-Executive Director of Cineworld Group plc and Enterprise Inns plc. He is also Chairman of Reed & Mackay, a business travel management company.

John Nicolson
Independent Non-Executive Director

John was appointed to the Board as an Independent Non-Executive Director in October 2013. His previous roles include President of Heineken Americas, Executive Director of Scottish & Newcastle plc, Chairman of both Baltika Breweries (Russia) and Baltic Beverages Holding (Sweden) and Executive Director for Fosters Europe. He is currently the Vice-Chairman of Compañía Cervecerias Unidas S.A. (Chile) and the Chairman of A.G. Barr plc.

Elisa Gomez De Bonilla
Company Secretary

See page 45.

Our Senior Management Team has vast experience in the alcoholic beverages industry and FMCG companies.

In addition to the two Executive Directors, whose biographies are set out on page 43, the other members of Senior Management are set out below.

Ian Croxford
Chief Operating Officer and acting Managing Director, Poland

Ian joined the Group in December 2007. He has worked in the alcoholic beverages industry since 1996, when he joined United Distillers & Vintners. Prior to joining the Group, he was Managing Director of John Dewar & Sons Ltd and Banshee Spirits Ltd, Chief Executive Officer of Inter Link Foods PLC and Group Operations Director of Premier Foods PLC. Following the departure of our Polish Managing Director in January 2015, Ian has taken the role of acting Managing Director pending the appointment of a successor.

Marek Malinowski
Managing Director, Czech Republic

Marek joined the Group in 2001 to head up Stock Polska, where he was responsible for promoting key brands in both Polish and international markets. With over 20 years' experience in the field of FMCG, Marek brings his extensive knowledge to the Group as Managing Director of Stock Plzeň-Božkov.

Richard Hayes
Group Sales & Marketing Director

Richard began working with the Group in May 2012. Previously, he worked at Warburtons Bakery, where he held the Marketing Director role for five years and led the marketing, innovation, insight and customer service teams. He has also held UK and international marketing roles at major multinationals including Allied Domecq, Kraft and Nabisco and a former British brewery, Courage Brewery.

Elisa Gomez De Bonilla
General Counsel

Elisa joined the Group in 2008 from Beam Inc where she was Associated General Counsel for International for two and a half years. Prior to this, she worked at Allied Domecq for seven years, as a Senior Legal Advisor to the European Legal Team, having previously worked in private practice, at an international law firm in Spain.

Dorothy Lowry
Group Human Resources Director

Dorothy joined the Group in January 2015. She has held a number of senior level HR positions across a variety of sectors operating in the UK, Continental Europe, North America and Asia Pacific. She was previously the Group HR Director of Devro Plc. She is a Member of the Chartered Institute of Personnel and Development.

Roman Pocs
Managing Director, Slovakia

Roman joined the Group in January 2011 as Country Manager for Stock Slovakia, having acquired over 20 years of commercial experience working for well-known FMCG companies such as Henkel, Gillette, Sodexho and Bongrain.

Steve Smith
Managing Director, Italy and International

Steve joined the Group in May 2012 and was appointed Managing Director, International in September 2012 and Managing Director for the combined Italy and International business in February 2015. He was previously Supply Chain Director at C&J Clarks footwear and held a number of senior finance and operations positions in Allied Domecq.

Corporate governance

Chairman's letter

Dear shareholders

I am pleased to present our Corporate Governance report for the year ended 31 December 2014. This has been the Company's first full year as a listed company since joining the London Stock Exchange main market in October 2013, and we have continued to strengthen the governance policies and processes to support the growth strategy of the Group during this time.

The Board is firmly committed to ensuring that our corporate policies are complied with in all jurisdictions in which the Group operates, by setting up proper processes. In this regard, we can confirm that our internal compliance processes have enabled us during 2014, to identify and address non-compliant situations in our business. We are convinced that strong corporate governance is good for our business and underpins the delivery of shareholder value. We believe that corporate governance structures and processes will help our business to perform in a more efficient and competitive way in the market place and will lead to strong relationships with all of our stakeholders.

In April 2014, Oaktree Capital Management, LLP, the Company's former private equity owner, sold its stake in the Company and Karim Khairallah, their appointed Director, stepped down from the Board. I would like to thank Karim for his significant contribution to the Board, particularly during the Company's transition to the main market. The Board of Stock Spirits Group PLC now comprises myself as Chairman, three Independent Non-Executive Directors and two Executive Directors.

As Chairman of the Board, I work with the Company Secretary to set the agenda for Board meetings. These are structured to ensure that sufficient time is spent on important matters and all Directors have the opportunity to contribute. During the year, the Board has reviewed and evaluated strategy and considered opportunities to expand the brand portfolio and distribution capability. The Board regularly considers opportunities for potential acquisitions across Central and Eastern Europe but these will only be pursued where they would add shareholder value. Alongside strategy, the Board regularly reviews, amongst other things, the performance of each of the markets and considers the principal risks and associated procedures and processes to mitigate them. Further detail on the principal risks can be found on pages 38 to 41.

In the second half of the year, we carried out our first Board evaluation exercise to review the performance of the Board, its Committees and the individual Directors. The exercise was facilitated internally by the Company Secretary under my direction and details of the process and outcomes are shown on page 50. I believe regular and appropriate Board and Committee evaluation is an area which is fundamental to improving Board effectiveness and ensuring that objectives can be met. It enables us to review the effectiveness of individual Directors, the processes under which the Board operates and the quality, timeliness and appropriateness of information submitted by management. Your Board regularly meets with Group management, both at Board and Board Committee meetings and otherwise, which enables the Directors to gain a good understanding of the business and what is happening on the ground. We believe that this is an essential requirement for Directors.

We have set out, in the following pages, details of how the Company has applied the main principles of the 2012 version of the UK Corporate Governance Code* and its compliance with the various provisions.

Jack Keenan
Chairman
12 March 2015

* The 2014 version of the UK Corporate Governance Code applies with effect from our new financial year.

Corporate governance framework

The Corporate Governance report forms part of the Directors' report.

Introduction

This report explains key features of the Company's governance structure to provide a greater understanding of how the main principles of the UK Corporate Governance Code, published in 2012* by the Financial Reporting Council ("the Code"), have been applied, and to highlight areas of focus during the year. The report also includes items required by the Disclosure and Transparency Rules. A copy of the Code can be obtained at www.frc.org.uk.

Compliance with the UK Corporate Governance Code

Since 8 April 2014, the Company has complied fully with the provisions of the Code. Prior to that date the Company did not comply with Code Provision D.2.1. as Karim Khairallah, who was not an independent Non-Executive Director, was a member of the Remuneration Committee.

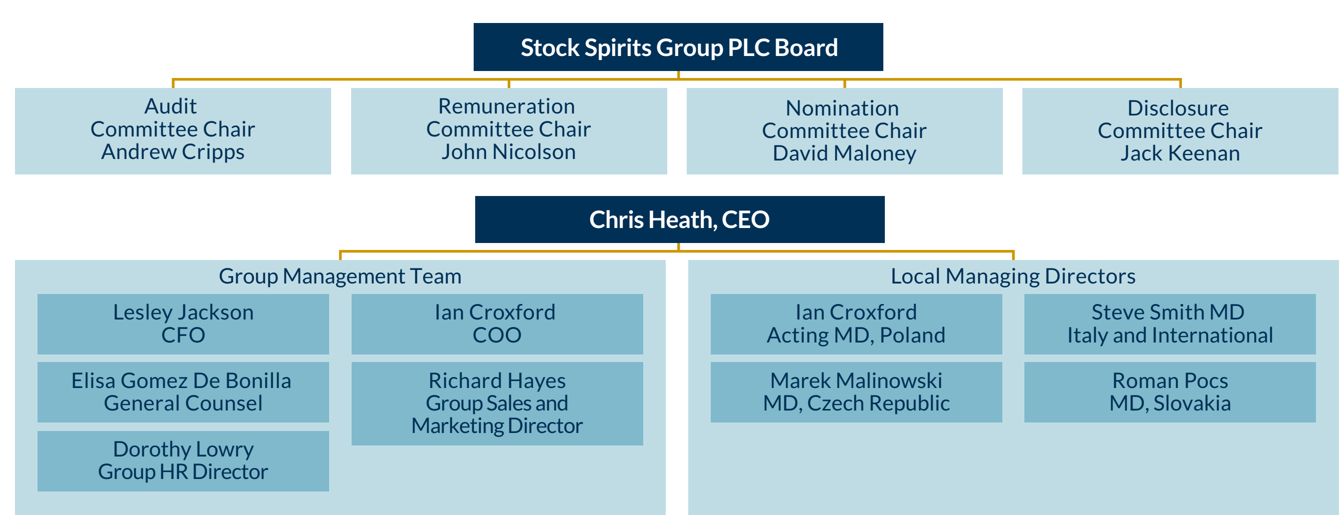
Governance Overview

The Board is collectively responsible to the shareholders for the long-term success of the Company. The Board has delegated certain responsibilities to Board Committees to assist it with discharging its duties. The Board Committees play an essential role in supporting the Board to implement its vision and strategy and provide focused oversight of key aspects of the business. The full Terms of Reference for each Committee are available on the Company's website www.stockspirits.com and are available from the Company Secretary and General Counsel upon request.

Requirements of the Listing Rules

The following table provides references to where the information required by Listing Rule 9.8.4R is disclosed:

Listing Rule requirement	Location
A statement of the amount of interest capitalised during the period under review and details of any related tax relief.	Not applicable
Information required in relation to the publication of unaudited financial information.	Not applicable
Details of any long-term incentive schemes.	Directors' Remuneration Report, pages 58 to 70
Details of any arrangements under which a director has waived emoluments, or agreed to waive any future emoluments, from the company.	No such waivers
Details of any non pre-emptive issues of equity for cash.	No such share allotments
Details of any non pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking.	No such share allotments
Details of parent participation in a placing by a listed subsidiary	No such participations
Details of any contract of significance in which a director is or was materially interested.	No such contracts
Details of any contract of significance between the company (or one of its subsidiaries) and a controlling shareholder.	No such contracts
Details of waiver of dividends by a shareholder.	The right to receive dividends has been waived by the EBT, see note 30
Board statement in respect of relationship agreement with the controlling shareholder.	No such agreements



Corporate governance framework

How the Board Works

The Board

The Company is led and controlled by the Board. The names, responsibilities and details of the current Directors appointed to the Board are set out on pages 42 and 43. The Board agrees the strategic direction and governance structure that will help achieve the long-term success of the Company and deliver shareholder value. The Board takes the lead in areas such as strategy, financial policy and making sure the Company maintains a sound system of internal control. The Board's full responsibilities are set out in the matters reserved for the Board and are available on the Company's website www.stockspirits.com.

Role of the Chairman

The Board is chaired by Jack Keenan, a Non-Executive Director who met the independence criteria in the Code on his appointment. It is the Chairman's duty to lead the Board and to ensure that Directors have sufficient resources available to them to fulfil their statutory duties. The Chairman is responsible for setting the Board's agenda, ensuring that adequate time is available for discussion of all agenda items and ensuring a particular focus on strategic issues. The Chairman promotes a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors in particular, and by encouraging constructive relations between Executive and Non-Executive Directors.

Role of the Chief Executive Officer

Chris Heath is the Group Chief Executive Officer. Through delegation from the Board, he is responsible for executive management of the Group, including the implementation of the Group's strategic objectives. In fulfilling his duties, the Chief Executive Officer is supported by the Senior Management Team whom he also leads (biographies for the Senior Management Team can be found on pages 44 and 45).

Interaction between the Chairman and the Chief Executive

The roles of the Chairman and the Chief Executive Officer are separate, with a distinct division of responsibilities. The partnership between Jack Keenan and Chris Heath is based on mutual trust and facilitated by regular contact between the two. The separation of authority enhances independent oversight of the executive management by the Board and helps to ensure that no one individual on the Board has unfettered authority.

Role of the Senior Independent Director

The Senior Independent Director ("SID") is David Maloney, who is available to shareholders if they have concerns that the normal channels of Chairman, Chief Executive Officer or other Executive Directors have failed to resolve, or for which such channels of communication are inappropriate. The SID also acts as an internal sounding board for the Chairman and serves as intermediary for the other Directors, with the Chairman, when necessary. While there were no requests from shareholders or Directors for access to the SID during the reporting period, the role of the SID is considered to be an important check and balance in the Group's governance structure. In accordance with the Code, neither the Chairman nor the SID are employed as executives of the Group.

Non-Executive Director independence

The Board considers and reviews each Non-Executive Director's independence on an annual basis, as part of the Directors' performance evaluation. In carrying out the review, consideration is given to factors such as their character, judgement, commitment and performance on the Board, and relevant Committees, and their ability to provide objective challenge to management. The Board has considered the findings from the Board evaluation exercise and reviewed the independence of each Non-Executive Director. The Board is of the view that all were, and continue to be, independent in accordance with the provisions of the Code.

Board meeting attendance

Table of Board attendance

During the year ended 31 December 2014, there were seven scheduled Board meetings. The table below summarises the attendance of the Directors.

Director	Meetings eligible to Attend	Meetings Attended
Jack Keenan	7	7
Chris Heath	7	6
Lesley Jackson	7	7
Karim Khairallah*	2	2
David Maloney	7	7
Andrew Cripps	7	7
John Nicolson	7	6

* Resigned as a Director 8 April 2014.

Where Directors are unable to attend meetings, they receive the papers scheduled for discussion at the relevant meetings, giving them the opportunity to raise any issues and give any comments to the Chairman in advance of the meeting.

The Board delegates authority to its Committees to carry out certain tasks on its behalf, so that it can operate efficiently and give the right level of attention and consideration to relevant matters. The composition and role of each Committee is summarised on pages 50 to 51.

Board composition, qualification and independence

The Board is committed to high standards of corporate governance, and as such, its composition, members' experience, balance of skills and effectiveness are regularly reviewed to ensure the right mix of people on the Board and its Committees. Until the resignation of Karim Khairallah on 8 April 2014, the Board comprised seven Directors. Subsequently, the Board comprises six Directors, which include an independent Chairman (who, for the purposes of the Code, was independent on appointment), a Senior Independent Non-Executive Director, two Independent Non-Executive Directors, and two Executive Directors. The Directors have a wide range of skills and experience including expertise in the food and drinks industry, within Europe, and beyond.

Appointment and tenure

All Non-Executive Directors, including the Chairman, serve on the basis of letters of appointment which are available for inspection at the Company's registered office. The letters of appointment set out the expected time commitment of Non-Executive Directors who, on appointment, undertake that they will have sufficient time to meet what is expected of them.

The Executive Directors' service contracts are also available for inspection at the Company's registered office.

The Company does not place a term limit on a Director's service, as all continuing Directors will present themselves for annual re-election by shareholders at the Company's Annual General Meetings ("AGM").

Director induction and training

The Chairman, with the support of the Company Secretary, is responsible for the induction of new Directors and ongoing development of all Directors. New Directors receive a full, formal and tailored induction on joining the Board, designed to provide an understanding of the Group's business, governance and key stakeholders. The induction process includes provision of an induction pack, operational site visits, meetings with key individuals, and briefings on key business, legal and regulatory issues facing the Group.

As the internal and external business environment changes, it is important to ensure the Directors' skills and knowledge are refreshed and updated regularly. Accordingly, the Chairman, with the assistance of the Company Secretary, ensures that regular updates on corporate governance, regulatory and technical matters are provided to Directors at Board meetings. Operational site visits and meetings with senior management in local teams were also organised during the year. In this way, Directors keep their skills and knowledge relevant so as to enable them to continue to effectively fulfil their duties.

Information and support available to Directors

All Board Directors have access to the Company Secretary, who advises them on Board and governance matters. The Chairman and the Company Secretary work together to ensure that Board papers are clear, accurate, delivered in a timely manner to Directors, and of sufficient quality to enable the Board to discharge its duties. As well as the support of the Company Secretary, there is a procedure in place for any Director to take independent professional advice at the Company's expense in the furtherance of their duties, where considered necessary.

Director re-election

In accordance with the Code and the Directors' letters of appointment, the Directors will put themselves forward for annual re-election. Following recommendations from the Nomination Committee, the Board considers that all Directors continue to be effective, committed to their roles and have sufficient time available to perform their duties. Accordingly, all Directors will seek re-election at the Company's forthcoming AGM.

Directors' conflicts of interest

Directors have a statutory duty to avoid situations in which they have, or may have, interests that conflict with those of the Board, unless that conflict is first authorised by the Board. This includes potential conflicts that may arise when a Director takes up a position with another company. The Company's Articles allow the Board to authorise such potential conflicts, and there is in place a procedure to deal with any actual or potential conflict of interest. The Board deals with each appointment on its individual merit and takes into consideration all relevant circumstances. All potential conflicts approved by the Board are recorded in an Interests Register, which is reviewed by the Board at least quarterly to ensure that the procedure is working effectively.

Corporate governance framework

Board evaluation and effectiveness

The effectiveness and performance of the Board is vital to our continuing success. An internal evaluation of the performance of the Board, its Committees and the Chairman was carried out during the year. The process of evaluating the performance was undertaken by the Company Secretary under the direction of the Chairman. A tailored, high level questionnaire was distributed for the Directors to complete. This was structured to provide Directors with an opportunity to express their views about:

- the performance of the Board and its committees, including how the Directors work together as a whole;
- the balance of skills, experience, independence and knowledge of the Directors; and
- individual performance and whether each Director continues to make an effective contribution.

The responses to the evaluation of the Board and its Committees were reviewed with the Chairman and then considered by the Board. The results of the evaluation indicated that the Board is working well and that there are no significant concerns among the Directors about its effectiveness. Some actions were agreed as a result of the exercise and these will be progressed over the coming year. The results of the evaluation of the Chairman's performance were considered by the SID and were discussed with the Chairman at a separate one to one meeting. The performance of individual Directors was evaluated by the Chairman, with input from the Committee Chairmen and other Directors.

Following evaluation, it was agreed that all Directors contribute effectively, demonstrate a high level of commitment to their role, and together provide the skills and experience that are relevant and necessary for the leadership and direction of the Company.

Shareholder engagement

Responsibility for shareholder relations rests with the Investor Relations Director, Andrew Mills. He ensures that there is effective communication with shareholders on matters such as governance and strategy, and is responsible for ensuring that the Board understands the views of major shareholders on such matters.

As part of a comprehensive investor relations programme, formal meetings with investors are scheduled to discuss the Group's interim and final results. In the intervening periods, the Company continues its dialogue with the investor community by meeting key investor representatives, attending investment conferences and holding investor roadshows.

During the year, the Investor Relations Director has met with a number of shareholders and potential shareholders. External presentations are posted on the Company's website at www.stockspirits.com/investors. The Chairman also met with the Company's largest shareholders and is available to meet individual shareholders on request. In addition, he is available to meet shareholders at the Company's Annual General Meeting.

Annual General Meeting ("AGM")

The Company's AGM will take place at 11.00am on Tuesday, 19 May 2015 at the offices of Nomura at One Angel Lane, London, EC4R 3AB. All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. The notice of the AGM can be found on our website www.stockspirits.com and in a booklet which is being mailed out at the same time as this Report. The Notice of the AGM sets out the business of the meeting and an explanatory note on all resolutions. Separate resolutions are proposed in respect of each substantive issue.

The AGM is the Company's principal forum for communication with private shareholders. In addition to the Chairman of the Board, the Chairmen of the Board's Committees, together with senior management, will be available to answer shareholders' questions at the AGM.

Committees

The Company has established an Audit Committee, a Nomination Committee, a Remuneration Committee and a Disclosure Committee. The Board delegated specific responsibilities to these Committees. The role and responsibilities of each Board Committee are set out in formal Terms of Reference, which are reviewed at least annually and are available on the Company's website. The Board Committees make recommendations to the Board as they see fit, as contemplated by their Terms of Reference.

Disclosure Committee

The Committee is chaired by Jack Keenan (Chairman) and its members are Chris Heath (CEO), Lesley Jackson (CFO), Elisa Gomez de Bonilla (General Counsel) and Andrew Mills (Investors Relations Director). During the year ended 31 December 2014 the Disclosure Committee held four meetings. The table below summarises the attendance.

	Meetings eligible to Attend	Meetings Attended
Jack Keenan	4	4
Chris Heath	4	4
Lesley Jackson	4	4
Elisa Gomez de Bonilla	4	4
Andrew Mills	4	3

Role of the Disclosure Committee

The Disclosure Committee assists the Board in discharging its responsibilities for the identification of "inside information" and makes recommendations about how and when the Group should disclose such information. In doing so, the Committee considers all relevant transactions, projects and other circumstances which could potentially give rise to insider information. The Committee is also responsible for analysing market expectations and rumours relating to the Group's performance and monitoring the materiality of any variance between the Group's performance and its own forecasts.

Activity of the Disclosure Committee

During the year, the Committee considered share dealing requests from Senior Management and "Persons Discharging Managerial Responsibilities". In addition, the Committee reviewed management changes and external developments and considered the sensitivity of the information and therefore the need to make announcements regarding these to the market. Also the third quarter Interim Management Statement announcement was reviewed and approved for announcement by the Committee.

Internal controls

Risk management and internal control

The Board recognises its responsibility to present a balanced and understandable assessment of the Group's position and prospects, and has responsibility for ensuring that management maintain an effective system of risk management and internal control, and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute assurance against material misstatement or loss.

Internal control framework

We have a clear framework for identifying, evaluating and managing risk faced by the Group on an ongoing basis, both at an operational and strategic level, which has been in place for the year under review and up to the date of this report, and which accords with "Internal Control: Revised Guidance for Directors on the Combined Code" issued by the FRC. Our risk identification and mitigation processes have been designed to be responsive to the constantly changing environment. Our internal control process starts with identifying risks, compliance matters and other issues. We do this through routine reviews carried out by process owners and facilitated by relevant dedicated, specialist teams. We record risks in our risk registers, assess the implications and consequences for the Group and determine the likelihood of occurrence. The Group's risk register is subject to regular review and scrutiny by the Board. Appropriate action is taken to manage and mitigate risks identified.

The main features of the Group's internal control and risk management systems in relation to the process for preparing consolidated accounts include:

- **Organisational structure,** delegations of authority and reporting lines
- **Group accounting and control procedures**, with a centralised Group finance function which provides direction and support to market finance teams as well as managing the Group consolidation and reporting requirements
- **Budgetary process and financial review cycle**, with a quarterly review of annual budget, business performance and assessment of risks
- **Risk management** through monitoring and maintenance of a risk register for each business unit
- **Capital expenditure** control
- **Internal Audit** regular reports on controls
- **Competence and integrity** of our personnel.

Effectiveness of internal controls

The Board has reviewed the effectiveness of our risk management and internal control process, including financial reporting, to ensure it remains robust. The review covered all material controls, including financial, operational and compliance controls, in the financial period to 31 December 2014 and the period to the approval of this Annual Report and Accounts. Further details are set out in the Audit Committee report on pages 52 to 56.

Jack Keenan
Chairman
12 March 2015

Audit Committee report

I am pleased to report on the role and activities of the Audit Committee for the year.

The principal objectives of the Committee are to monitor the Group's internal controls and financial risk management, to review the integrity of the Group's published financial reports, including these Annual Report and Accounts, and to oversee the conduct of the external audit.

This has been a busy year for the Committee, as may be expected in our first full year as a public company. Two particular matters which the Committee has overseen during the last twelve months are, firstly, reviews of controls over customer marketing support, rebates and discounts and, secondly, a tender for the external audit for our next financial year. Both of these are described in more detail below.

The Audit Committee is satisfied that it is in compliance with the provisions of the UK Corporate Governance Code in relation to audit committees and auditors.

Composition of the Committee

The members of the Committee during the year were as follows:

Andrew Cripps	Chairman and Independent Non-Executive Director
David Maloney	Independent Non-Executive Director
John Nicolson	Independent Non-Executive Director

During the year ended 31 December 2014, the Audit Committee held six meetings. The table below summarises the attendance:

	Meetings eligible to Attend	Meetings Attended
Andrew Cripps	6	6
David Maloney	6	6
John Nicolson	6	5

All the members of the Committee are Independent Non-Executive Directors. Andrew Cripps and David Maloney are each qualified accountants and the Board is satisfied that each of these members brings recent and relevant financial experience to the Committee, as recommended by the Corporate Governance Code.

Elisa Gomez de Bonilla (General Counsel and Company Secretary) serves as Secretary to the Committee. The Chairman of the Company, Chief Executive Officer, Chief Financial Officer and Head of Internal Audit, Risk and Compliance and audit engagement partner from our external auditor generally attend our Audit Committee meetings by invitation. We also ask other members of senior management to present to the Committee as appropriate.

Committee meetings are planned so as to enable review of quarterly interim statements, the half-yearly report and the Annual Report and Accounts, with additional meetings taking place as necessary. The Committee met six times during 2014.

Responsibilities and role of the Audit Committee

The Committee's main responsibilities are to oversee, monitor and make recommendations to the Board on:

- The effectiveness of the Group's internal control and risk management, including control over financial reporting
- The effectiveness of internal audit, including co-ordination with the activities of external audit
- The Group's policies and procedures relating to business conduct, including whistleblowing arrangements and fraud prevention and detection procedures
- The Group's overall approach to ensuring compliance with laws, regulations and policies
- The appointment of the external auditor, including a tender selection process where appropriate, as well as terms of engagement and remuneration
- The scope of the external audit, its findings and the effectiveness of the audit process
- The overall relationship with the external audit firm including the provision of non-audit services to ensure that independence and objectivity are maintained
- The integrity of the financial statements, including a review of the significant accounting policies and financial reporting judgments
- Whether, taken as a whole, these Annual Report and Accounts are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

The full Terms of Reference of the Committee are available on our website at www.stockspirits.com

The Committee's role is primarily advisory: ultimate responsibility for internal control, the Annual Report and Accounts, half-yearly reports and quarterly interim statements remains with the Board.

Main activities of the Committee during the year

Internal controls and risk management

At each meeting we consider aspects of the Group's internal controls and risk management and over the year have reviewed reports from the Chief Executive Officer, Chief Financial Officer and Company Secretary as well as from other members of management and the internal audit team.

During the second half of the year, Polish management found evidence of transactions which did not comply with Group policies relating to marketing support and sales agency contracts. Our internal audit team and external advisors were appointed to investigate the evidence and to recommend remedial action. The investigation has shown evidence of alleged fraudulent payments having been made from within the Polish business in the current year, which may amount to approximately €1.2 million in 2014, and similar amounts in each of the four preceding years. The amounts are not material in the context of the Group's financial performance and no restatement of prior periods was deemed appropriate. Adequate provision has been recorded in the financial statements for the costs and related taxation connected with this matter. The necessary actions and internal control improvements that were identified are in the process of being implemented. The Committee received regular updates about the investigation from the Executive Directors and the Group General Counsel. Representatives from the Group's internal audit team and external advisors that performed the detailed investigation work attended the March 2015 Audit Committee meeting to respond to the Committee's questions about their reports and findings. The Committee considered the findings in respect of breaches of management integrity; the risk of potential breach of laws in Poland and the UK; the adequacy of the provisions recorded for costs and related taxation connected with the investigation; and the appropriateness and adequacy of management's responses to the control deficiencies identified. The Committee also considered the advice of external legal advisors which confirmed that no further disclosures were necessary. The Committee discussed these matters in detail with the external auditors. The Committee concluded that reasonable steps had been taken to investigate the evidence and that appropriate actions were underway to remediate the findings in respect of internal control and management integrity.

A key focus has been to review the related areas of customer discounts and trade marketing practice in the two largest markets. These are areas where it can be challenging to tightly control expenditure in our industry. Whilst there are a number of areas of good practice, the investigations conducted will lead to improvements in controls in these important areas in future.

With the Committee's encouragement, two key control documents which needed updating have been revised and issued to all business units since the year end; these are the Group Reporting Manual and the Delegated Authorities Matrix. The Committee reviewed and approved an updated Delegated Authorities Matrix that strikes a balance between central control and local empowerment. We also approved the Group Reporting Manual, which defines and formalises existing requirements for reporting, valuation and the application of other policies across the Group.

In addition to our normal programme, the Committee reviewed a number of matters relevant to the financial structure of the Group. These included the adequacy of the Group's financing facilities, proposals to simplify the corporate structure, updates on the Group's risk management and insurance programmes and we considered the availability of distributable reserves within the Group and the ability of the Company to pay dividends. We believe that the Group ends the year in a stronger position as a result of changes implemented following these reviews.

Internal audit

The remit of internal audit is to undertake financial, operational and strategic audits across the Group using a risk-based methodology. Internal audit prepared an inventory of the key control and risk areas across the Group, informed by the latest quarterly risk registers, which drove priorities for the internal audit plan for 2014 that was approved by the Audit Committee in January 2014. This plan contained audits and reviews focused on areas identified as having the most risk to the business, covering all parts of the Group down to individual sites, processes and activities, and all aspects of the business including finance, purchasing, sales, marketing, capital investments, compliance and business continuity. In each case, the audits confirmed the sufficiency of controls and proposed areas for improvement which are now being implemented. Results were graded, and where improvements were identified, appropriate remedial actions were agreed with the management concerned and the Committee ensures that these are followed-up. We considered the internal control issues raised in internal audit reports that we received during the year, the adequacy of internal audit resources and the effectiveness of the internal audit function. As Chairman of the Committee I am also pleased to have met representatives of our internal audit function in each of our key markets. The Committee also held a session with the Head of Internal Audit without other members of management being present.

Audit Committee report

Whistleblowing

Part of our remit is to oversee the Group's processes for handling reports from whistleblowers. Our Code of Business Conduct encourages all employees to report any potential improprieties in financial reporting or other matters. An independent compliance hotline operated by an external agency was implemented during the year. This is available to all employees, suppliers, customers and other stakeholders, in each of the languages used throughout the Group, and, subject to legal requirements, callers can remain anonymous if they wish. All contacts received are reported to the Audit Committee. Where appropriate, our Legal and/or Internal Audit teams may be asked to investigate issues and report to us on the outcome.

The Committee also received regular updates from the Group General Counsel on significant litigation and disputes.

Review of Annual Report and Accounts and preliminary results announcement

The Committee has considered the appropriateness of the accounting policies used. Further, the Committee considered this document as a whole, confirming that the description of the business and its results for the year accord with our own understanding. Supported by a presentation requested from management, the Committee has recommended to the Board that, taken as a whole, the Annual Report and Accounts (ARA) are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy. In order to make this recommendation, the Committee carried out a comprehensive review of the ARA and considered a number of factors, including the balance between reporting of positive and negative aspects, consistency throughout the ARA and made specific enquiry of business unit managers and other relevant management of the most significant challenges, set-backs and achievements of the year.

Significant issues considered in relation to the Annual Report and Accounts

In reviewing the financial statements with management and the auditors, the Committee has discussed and debated the critical accounting judgements and key sources of estimation uncertainty set out in note 4 to the financial statements. As a result of their review, the Committee has identified the following issues that require particular judgement or have significant impact on interpretation of this Annual Report.

Revenue recognition

In the Group's main markets, seasonal sales peaks occur around the Christmas period, therefore procedures for appropriate cut-off and recording of revenue and related rebates to the correct period are important. The Group's policy is set out on page 88. In line with normal practice, the businesses within the Group provide discounts, rebates, promotions and marketing support to customers, the calculation of which can involve estimation and judgement. As we noted last year, a duty increase in Poland with effect from 1 January 2014 encouraged customers to purchase unusual quantities in the preceding period, which had a disruptive effect on sales in 2014. In view of this, management performed additional procedures to ensure the completeness and accuracy of discounts and rebates. We reviewed the additional procedures performed by management and the auditors to ensure the accuracy and completeness of such reserves at the year end.

Carrying value of intangible assets

The Group's policies on accounting for separately acquired intangible assets and goodwill on acquired businesses are set out on page 90. Goodwill on acquisitions and acquired intangible assets, such as brands, which are judged to have indefinite lives are initially recorded at fair value and are subject to testing for impairment at each balance sheet date. As is customary, such testing involves estimation of the future cash flows attributable to the asset, or cash generating unit of which it is part, and discounting these future cash flows to today's value. The Committee has reviewed the key assumptions behind these valuations, notably the expected development of future cash flows and the discount rates used, as well as considering reasonable sensitivities to these estimates and concluded that these support the carrying values set out in notes 15 and 16. As reported in the half year results, a prior year adjustment was recorded in respect of unamortised agency contract intangible assets. The Committee reviewed the circumstances leading to the misstatement and the findings of the external auditors, and concluded that the adjustment had been appropriately recorded in the financial statements.

Taxation

As is normal, the Group has a number of outstanding tax assessments, and regularly undertakes reviews to assess tax risks across the Group, for example risks associated with VAT or transfer pricing. The Group has undertaken a review of potential tax risks and current tax assessments, and whilst it is not possible to predict the outcome of any pending enquiries, the Committee concur with management's assessment of the additional provisions made during the year (see note 13), and agree that no further provisions are required.

Exceptional items

A number of exceptional items were shown separately in the Income Statement last year to assist understanding of the underlying profitability of the Group. The corresponding amounts incurred this year in relation to these items have been similarly disclosed in note 8 but no new exceptional items have been identified in the year. The Committee is satisfied that this treatment aids understanding, that it is not aware of similar items, and that the treatment accords with guidance including the Financial Reporting Council's publication on this topic.

Share plans and other incentive arrangements

The Group initiated a Performance Share Plan (PSP) during the year, under which shares are awarded in the form of nil-cost options. Management instructed PWC to perform an independent valuation of the PSP awards. The Committee considered evidence of the appropriateness of the pricing model and assumptions used to determine the value of each grant and concurred with the accounting treatment applied to the awards.

Going concern

In assessing whether the Company is a going concern, and accordingly making our recommendation to the Board, we considered a paper prepared by management based on guidance published by the Financial Reporting Council and reviewed the findings of the external auditors. The assessment was made for the period to 31 December 2016, in accordance with accepted practice. Based on internal forecasts, we reviewed the Group's debt maturity profile, including headroom and compliance with financial covenants, and its capital structure. We stress tested this by adjusting the Company's internal full year forecast cash flow by a combination of two of the principal risks we have identified – an economic downturn leading to loss of revenue, and customer default (see Principal risks – Economic and Political Change; and Marketplace and Competition). See note 2 to the accounts (Going Concern), page 85. The Committee concluded that the application of the going concern basis for the preparation of the financial statements remained appropriate.

External audit

During the year, the Audit Committee assessed the ongoing effectiveness and quality of the external audit process, on the basis of a questionnaire-based internal review with members of the Audit Committee, the external auditors and key members of the finance team. The Committee concluded that the audit process was effective, while identifying a number of learnings that will be applied to future audits as part of our commitment to continuous improvement.

The Committee maintained a dialogue with our external auditors Ernst & Young LLP (EY) on the key financial statement risks upon which the half year review and full year audit would focus. EY's approach to materiality informed discussion of the appropriate level of materiality for the audit and the Committee concurred with EY's proposals as set out in their report.

Before concluding our recommendation on the Annual Report and Accounts in March, we reviewed a report from EY on the findings from their audit with particular attention on key issues arising out of the audit, including their views on critical estimates and judgements, key assumptions, clarity of disclosures and proposed audit adjustments. We discussed these with management and satisfied ourselves that the issues raised had been properly dealt with. We received and considered confirmation of the independence and objectivity of the auditors and reviewed the effectiveness of the audit process by interrogation of management and auditors. The Committee also sought assurance from management that all appropriate matters had been brought to the auditors' attention.

Non-audit services policy and auditor independence

We have a policy on non-audit services provided by the external or internal auditors. Specific approval must be sought from the Audit Committee for:

- Single or linked advice from our auditors, the cost of which is likely to exceed €50,000 in the financial year
- Employment into control positions of individuals who have worked directly on the external audit in the previous two years.

Our policy also states that we require annual confirmation of the independence of an audit firm in accordance with its own and required regulatory and ethical guidelines. We review a quarterly report from the Chief Financial Officer of the actual level and nature of non-audit work and periodic confirmation from EY of their independence.

The total fees paid to EY for audit services for the year were €949,000 and non-audit fees amounted to €1,264,000. The non-audit work almost entirely comprised continuing advice on taxation, corporate structure and other matters which arose prior to, or consequent upon, the listing last year as well as due diligence work. We are satisfied that this non-audit work did not detract from the objectivity and independence of our external auditors. Further details of the fees paid to the external auditor are set out in note 12.

Tender and replacement of external auditor

As reported last year, we have been monitoring implementation of EU legislation concerning the rotation and independence of external auditors. In view of the continuing significance of the advice provided by EY across the Group and, whilst very satisfied with the audits conducted by EY to date, the Committee decided that it would be appropriate to seek a different firm as external auditor from next year. Accordingly we conducted a formal tender process in the second half of the year. Having considered a range of alternative auditors, informed by the tender for internal audit services that the Group conducted in 2013, we invited three firms to participate in the tender which included presentations from management, visits to the principal sites, enquiry of personnel and of EY, culminating in written and verbal presentations addressing pre-determined selection criteria. Following this comprehensive and thorough process, and in accordance with the new regulations, the Committee, recommended to the Board two firms as potential external auditors, expressing a preference for KPMG LLP, which the Board accepted. Therefore a resolution to appoint KPMG LLP as the Group's auditor will be put to shareholders at the Annual General Meeting in May.

Audit Committee report

Governance

The Committee has reported in accordance with its Terms of Reference and in particular has recommended to the Board the adoption of this Annual Report and Accounts and the proposal to appoint KPMG LLP as independent auditors at the AGM. A formal evaluation of the effectiveness of the Committee was carried out during the year (see page 50); based upon the results of that evaluation, the Committee believes that it has operated effectively during the year.

Andrew Cripps
Chairman of the Audit Committee
12 March 2015

Nomination Committee report

I am pleased to present the report of the Nomination Committee for 2014.

Composition of the Committee

The members of the Committee during the year were as follows:

David Maloney	Chairman and Senior Independent Non-Executive Director
Andrew Cripps	Independent Non-Executive Director
Jack Keenan	Chairman of the Board

During the year ended 31 December 2014, the Nomination Committee held two meetings. The table below summarises the attendance.

	Meetings eligible to Attend	Meetings Attended
David Maloney	2	2
Andrew Cripps	2	2
Jack Keenan	2	2

David Maloney and Andrew Cripps are Independent Non-Executive Directors, and Jack Keenan, Chairman of the Board, met the independence criteria in "The Code" on appointment. Elisa Gomez de Bonilla (General Counsel and Company Secretary) serves as Secretary to the Committee. The Chief Executive Officer generally attends our Committee meetings by invitation. We also ask other members of senior management to present to the Committee during the year.

Responsibilities and roles of the Committee

The Nomination Committee is responsible for regularly reviewing the structure, size and composition (including the skills, knowledge, independence and experience) required of the Board compared to its current position, and making recommendations to the Board with regard to any changes; giving full consideration to succession planning for directors, taking into account the challenges and opportunities facing the Company, and the skills and expertise that will, therefore, be needed on the Board in the future; and identifying and nominating for the approval of the Board, candidates to fill Board vacancies, as and when they arise.

The Nomination Committee takes into account the provisions of the UK Corporate Governance Code 2012 (the "Code") and any regulatory requirements that are applicable to the Company. It ensures that external evaluations of the Board are carried out according to the applicable regulations. The full Terms of Reference of the Committee are available on our website www.stockspirits.com.

Main activities of the Committee during the year

The Committee met in January 2014 to determine Directors' independence or non-independence for the purpose of recommending to the Board the re-appointment of Directors at the AGM.

In July 2014 the Committee met to discuss succession planning of Senior Management, both in terms of permanent succession and also short term cover for senior roles. The Board recognises that effective succession planning is fundamental to Board effectiveness. By ensuring that there is development of talented personnel to move into senior management positions where appropriate, and to provide cover for such positions, this helps to mitigate the risks associated with unforeseen events such as the departure of a key individual and also assists in promoting diversity. The Committee recognises that more work is required on this area and further review is scheduled to be carried out during 2015.

All of the Company's Directors will stand for re-election at the forthcoming AGM. The biographical details of the current directors can be found on pages 42 and 43. The Committee considers that the performance of each of the Directors standing for re-election continues to be effective and that they each demonstrate commitment to their role, including commitment of time for Board and Committee meetings and any other duties.

In accordance with the recommendation for FTSE 350 companies set out in the Code, all of the Directors of the Company will be subject to annual re-election.

The corporate responsibility section on pages 32 to 33 of the report explains the Group's approach to diversity, including gender diversity percentages.

The terms and conditions of appointment of Non-Executive Directors, including the expected time commitment, are available for inspection at the Company's registered office.

David Maloney
Chairman of the Nomination Committee
12 March 2015

Directors' remuneration report
Committee Chairman Statement

I am pleased to introduce the Remuneration Report for our Company.

The Group's strategy is to become the leading spirits company within Central and Eastern Europe and the primary objective of our remuneration policy is to ensure that it supports delivery of this strategy. Our remuneration policy, which is set out for reference on pages 60 to 65, received the overwhelming support of shareholders at last year's AGM (with 97.2% of votes cast in favour). No changes are proposed to the policy and therefore there will be no separate vote on the policy at this year's AGM.

It is the Group's belief that our employees are key to the success of our Company and our business. As a consequence, our remuneration policy seeks to provide the appropriate reward to attract, motivate and retain best in class people within the industry as it is these people who will help us to deliver our strategy and results.

The Annual Report on Remuneration (pages 65 to 70), sets out how the policy was applied in 2014 and details the rewards received by directors. It also sets out how we intend to apply the policy in 2015. The Annual Report on Remuneration is subject to an advisory vote by shareholders at the AGM.

As indicated by the Chairman and Chief Executive Officer in their respective statements, the Group's performance during 2014 was not in line with expectations and annual targets. That has resulted in no annual bonus being paid to senior and middle management and no salary increases for 2015 have been applied to the Directors or Senior Management Team. The Committee has however agreed to apply salary increases in 2015 for the rest of the organisation in line with the average increased price index for 2015 in the territories where the Company is present. Equally, the Committee has considered it advisable in order to motivate the Group's key employees, to issue second awards, during 2015, under the Performance Share Plan.

Annual bonuses will continue to be based on a combination of annual company and personal targets which support delivery of the Company's strategy. In 2014 we made our first awards under the Performance Share Plan: these awards include a stretching total shareholder return ("TSR") performance condition over the three-year performance period. Awards to be made in 2015 and beyond will be based on earnings per share targets as well as TSR.

I hope that you will find this report clear and helpful and that we will receive your support at our AGM to be held on 19th May 2015.

John Nicolson
Chairman of the Remuneration Committee
12 March 2015

Remuneration policy

The Company undertook a thorough review of its remuneration policy prior to admission. The remuneration arrangements for the Executive Directors have been designed in accordance with the principles set out in the UK Corporate Governance Code and current market and best practice. There have been no changes to the remuneration policy from that set out in the Annual Report 2013, and the remuneration policy will not be subject to a Shareholder vote at the 2015 AGM. However, the policy is reprinted below for reference.

In summary, the aim of the remuneration policy is to:

- Align the interests of Directors and management of the business with the interests of shareholders
- Enable the Company to offer remuneration packages that attract, retain and motivate senior management (including the Executive Directors) of the highest calibre
- Balance these with appropriate levels of incentives for both short-term and long-term performance.

Role of the Remuneration Committee:

The Remuneration Committee determines and agrees with the Board the framework or broad policy for the remuneration of the Senior Executives. The remuneration of Non-Executive Directors is a matter for the Chairman of the Board and the Executive Directors subject to the constraints contained in the Company's Articles of Association. No Director or manager shall be involved in any decisions as to their own remuneration.

The Remuneration Committee will determine the policy for and scope of service agreements, termination payments and compensation commitments for the Senior Executives. It also ensures that contractual terms on termination are observed, that failure is not rewarded and that the duty to mitigate loss is fully recognised. The Remuneration Committee will also agree the policy for authorising claims for expenses from the Directors.

The full Terms of Reference of the Committee are available on our website at www.stockspirits.com.

Directors' remuneration report
Directors' remuneration policy

Remuneration structure

This table below sets out the elements which are included in the remuneration package for Executive Directors and explains how each element of the package operates. The Committee ensures that the incentive structure to be applied does not raise environmental, social or governance risks by inadvertently motivating irresponsible behaviour.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Salary	To provide salaries that are sufficient to attract and retain experienced and capable executives who can drive the business forward. In considering the base salary (and other elements of remuneration) of senior executives, the Committee takes due regard of the pay and conditions of the workforce generally.	Salaries are paid in equal monthly instalments and are normally reviewed on an annual basis.	The current salaries for the Executive Directors are set out in the Annual Report on Remuneration. Having due regard to the average level of increase for other Group employees, annual salary reviews will be conducted taking full consideration of external market relativities through formal published surveys; the economic environments in which the Company operates; and the Company's ability to pay based on past performance and future outlook.	Not applicable.
Benefits	To operate a competitive benefits structure that provides adequate protection to our Directors and aids in their recruitment and retention.	Benefits currently provided include private medical cover, critical illness cover, life insurance and an annual car allowance. Additional benefits may be provided as appropriate to take into account the nature and location of the role.	The Committee monitors the overall cost of the benefit provision on a periodic basis. The current benefit cover includes: – critical illness cover of 75% of salary, – life assurance of 4x salary, – car allowance of £12,000 p.a., – Private medical benefits. Critical illness cover, life assurance and private medical cover are provided through third party providers and therefore the cost to the Company and the value to the Executive Director may vary from year to year.	Not applicable.
Pension	Provide a competitive means of long-term retirement saving for executives.	The Company will provide a monthly cash allowance in lieu of a contribution to a pension scheme or contribute an amount to a money purchase pension scheme.	Up to 15% of salary.	Not applicable.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual Bonus Plan (ABP) and Deferred Annual Bonus Plan (DABP)	Rewards achievement of annual financial objectives whilst encouraging a long-term focus through the use of deferred share awards.	The annual bonus may be paid in cash or in deferred shares (under the DABP). The Committee's current intention is for 25% of any bonus to be deferred under the DABP. However, under the rules of the ABP the Committee may decide to satisfy it entirely in shares. Any deferred shares will be granted in the form of nil (or nominal) cost options or conditional awards and will normally be subject to a two-year vesting period. Dividend equivalents may be payable on the deferred share awards. Clawback and, in the case of deferred share awards, malus provisions will apply (see below).	Maximum bonus (inc. cash and deferred shares) of 140% of salary.	The performance targets used for the annual bonus will be set by the Committee at the start of each financial year. The metrics and weightings used may vary from year to year to reflect changing business priorities. The measures will be based on financial performance and the individual Key Result Areas (KRAs) for each executive.
Performance Share Plan (PSP)	Encourages sustained performance, assists with retention, incorporates long-term incentives into the remuneration package and aligns Directors' interests with shareholders' interests.	At the discretion of the Committee, Executive Directors will receive annual awards of shares in the form of nil (or nominal) cost options or conditional awards which will usually vest on the third anniversary of grant (or, if later, when the Remuneration Committee determines that the performance conditions have been satisfied). The awards are subject to forfeiture and performance conditions. Dividend equivalents may be offered and clawback provisions will apply to any vested awards.	Maximum PSP award opportunity of 200% of salary (or 300% in exceptional circumstances). However, awards for 2014 were, and those for 2015 will be, limited to 140% of salary.	The vesting of PSP awards granted to Executive Directors will be subject to performance conditions set by the Committee prior to grant. For 2014, 100% of the awards were based on relative total shareholder return (TSR) performance. For subsequent awards (to be made in 2015 and beyond), 50% of the awards will be based on adjusted earnings per share (EPS) performance, and 50% will be based on relative total shareholder return (TSR) performance. The EPS targets will be set prior to each grant taking into account the future outlook at that time. A sliding scale of targets will be set with no more than 25% vesting at threshold performance. The TSR condition will be measured relative to an appropriate peer group of companies, with 25% vesting at median performance increasing on a straight-line basis to full vesting for upper quartile performance or above.
Shareholding guidelines	To encourage the Executive Directors to build and maintain shareholdings in the Company.	The Executive Directors are required to retain 50% of the shares (net of tax) vesting under the incentive schemes until the guideline has been achieved.	100% of salary.	Not applicable.

Directors' remuneration report
Directors' remuneration policy

Further details on the operation of the incentive schemes

Annual bonus

The payment of any bonus is ultimately at the discretion of the Committee. The Committee retains the ability, in exceptional circumstances, to adjust previously set targets and/or set different performance measures if events occur which cause the Remuneration Committee to determine that the measures are no longer appropriate and that amendment is required so that they achieve their original purpose.

Performance share awards

The Remuneration Committee may, acting fairly and reasonably, vary performance conditions applying to existing PSP awards if an event has occurred which causes the Remuneration Committee to consider that it would be appropriate to amend the performance conditions and the varied conditions are not materially less challenging than the original conditions would have been but for the event in question.

In relation to performance conditions applying to future PSP awards, the Remuneration Committee retains the ability to adjust the weightings and/or set different performance measures to those described above if it considers it appropriate to do so. However, the Committee would notify its major shareholders in advance of any such changes.

Clawback provisions

Clawback provisions may be operated at the discretion of the Committee in respect of awards granted under the ABP, the DABP and the PSP in certain circumstances (including where there has been a material misstatement of accounts, an error in assessing any applicable performance condition or misconduct on the part of the participant). Clawback may be operated during a period of two years following the vesting of a DABP or PSP award or within two years following the payment of an ABP bonus.

Malus provisions

Malus provisions may be operated at the discretion of the Committee in respect of awards granted under the DABP in certain circumstances (including where there has been a material misstatement of accounts, an error in assessing any applicable condition or misconduct on the part of the participant). Malus may be operated before the vesting of an award.

Differences in policy from the wider employee population

The Company's approach to annual salary reviews is consistent across the Group. However, there are some differences between the policy for Executive Directors set out above and its approach to payment of employees generally, for example there is an increased emphasis on performance-related pay for Executive Directors through a higher annual bonus opportunity and participation in the PSP, plus a higher proportion of their total remuneration is also at risk. The Committee has not consulted directly with employees on the executive remuneration policy but takes into account the pay and employment conditions of the general workforce when considering any changes to the quantum or structure of the executive remuneration packages.

Non-Executive Directors Fees

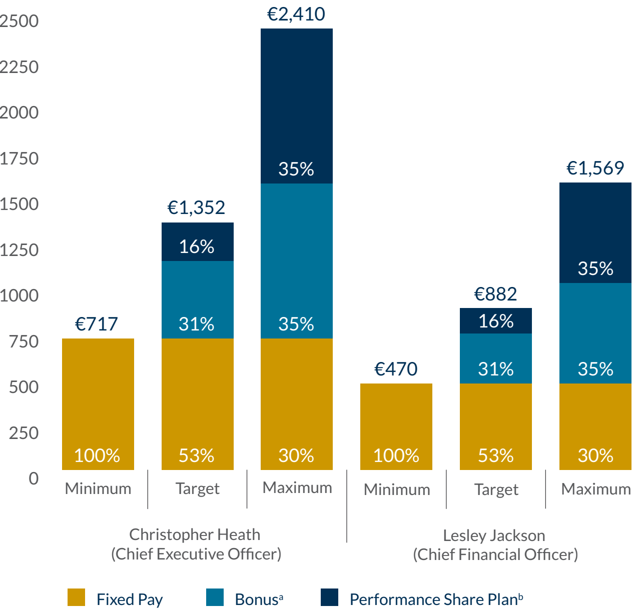
The remuneration for the Chairman and Non-Executive Directors takes the form solely of fees.

Purpose and link to strategy	Operation	Opportunity
To attract and retain high calibre Non-Executive Directors by offering competitive fees.	Fees are paid on a per annum basis and are not varied for the number of days worked. The fees are set to take into account the responsibilities of the role, the experience of the Chairman and Non-Executive Directors and the expected time commitment involved. Additional fees may be paid to reflect extra responsibilities such as for the Senior Independent Director, or acting as Chairman or a member of any of the Board Committees.	The current fees for the Chairman and Non-Executive Directors are set out in the Annual Report on Remuneration. The fee levels may be reviewed bi-annually and may be increased if appropriate to do so. The maximum aggregate fee to all Directors that may be paid is limited to £2,000,000 under the Company's Articles of Association.

Reward scenarios

The chart below shows the potential reward available to the Executive Directors under the remuneration policy. The charts have been updated to show how the policy will be applied in 2015. For illustration, target performance assumes a bonus of 50% of the maximum and threshold vesting under the Performance Share Plan (25% of the maximum). The Directors are paid in Sterling but the chart has been presented in Euros, which is the Group's reporting currency using an exchange rate of €1:£0.81. No assumptions have been made as to possible share price growth or dividends earned in relation to share awards.

Reward Scenarios (€000)



a. 140% of salary at maximum, assumes bonus of 70% of max at target.
b. Assumes grant of 140% of salary and threshold vesting (25% of max) at target.

Legacy arrangements

This provides details on certain arrangements that were entered into with the Executive Directors prior to Admission and which were fully disclosed in the Prospectus. No further awards will be granted under either Agreement. Details of the outstanding awards under the Agreements are set out below and further details are provided in the Annual Report on Remuneration.

Joint ownership equity (JOE) agreements

Prior to admission, the Executive Directors owned shares in a Group Company under a joint ownership equity arrangement. As part of the corporate reorganisation on admission, these shares were exchanged for shares in the Company and the Executive Directors each entered into a new joint ownership equity agreement (the JOE agreements) in relation to such shares. Under these agreements, each of the Executive Directors was granted an option to purchase the interest in shares held by the trustee. Each option is exercisable for five years from the date of admission and is not subject to performance conditions or forfeiture. Details of the awards are set out in the Annual Report on Remuneration. Dividends are payable on the JOE shares.

Top-up option agreements and substitute option agreement

The Top-up option agreements document one-off share option awards granted to the Executive Directors on admission to reward management for bringing the company to admission. The substitute agreement documents a one-off share award granted to the Chief Financial Officer on admission in substitution for a commitment over shares in another Group Company given in 2012. These nil-cost options are not subject to forfeiture or performance conditions and are ordinarily exercisable up until the tenth anniversary following grant. The Chief Executive Officer was granted a top-up option over 535,137 shares. The Chief Financial Officer was granted a top-up option over 226,728 shares and a substitute option over 531,773 shares. Dividend equivalents are payable on the vested shares between grant and exercise.

Service contracts and letters of appointment

Each Executive Director has been appointed under a service contract. These contracts contain the following obligations on the Company which could give rise to, or impact on, remuneration payments or payments for loss of office:

- To provide pay, contributions to a pension scheme (or a cash allowance in lieu) and benefits as specified in the contract
- To give the Executive Director eligibility at the discretion of the Remuneration Committee to participate in short- and long-term incentive plans
- To provide 30 working days' paid holiday per annum, or pay in lieu of any accrued but untaken holiday on termination of employment
- To provide sick pay as specified in the contract
- To terminate the contract on not less than 12 months' notice by either the Company or the Director or to make a payment in lieu of notice equal to value of the base salary either in one lump sum or in phased instalments and reduced by amounts earned from alternative remunerative positions obtained during the notice period.

Each of the Non-Executive Directors is appointed by letter of appointment for an initial term of three years. Their appointments may be terminated earlier without compensation on three months' notice and are subject to annual re-election by the shareholders.

The Executive Directors' service contracts and the Non-Executive Directors' letters of appointment are kept available for inspection at the Company's registered office.

Directors' remuneration report
Directors' remuneration policy

Payments for loss of office

In the event of an Executive Director's departure, the Company will honour the contractual entitlements of that Director. The Company's approach to payments for loss of office will be based on the following principles:

Notice period/pay in lieu

Executive Directors have rolling contracts with 12-month notice periods. The Company may elect to terminate employment immediately by making a payment in lieu of notice equivalent to the Executive Director's salary for the notice period. The payment in lieu of notice may be made in monthly instalments, which can be reduced to the extent the Executive Director obtains alternative paid employment. All other benefits including pension contributions or allowance (as the case may be) will cease on termination.

The Company may terminate a Director's employment without notice (or payment in lieu) in certain circumstances including where the executive commits a serious breach of his or her service agreement or is found guilty of gross misconduct.

Outstanding incentive awards

Leavers

As a general rule, incentive awards (e.g. outstanding PSP and DABP awards and entitlement to annual bonus) will lapse upon a participant ceasing to hold employment or be a Director within the Company's Group.

Good leavers

However, if the reason for the cessation for employment falls within certain good leaver categories (which include, for example, cessation due to a participant's injury, disability, retirement, redundancy, the employing company or business being sold out of the Company's Group) or in other circumstances at the discretion of the Remuneration Committee then the incentive award will ordinarily vest/be payable, on the normal vesting/payment date, subject to performance and time pro-rating.

The Remuneration Committee retains the discretion not to time pro-rate if it considers it appropriate to do so. Under the rules of the PSP the Committee may allow the outstanding share award to vest early to a good leaver and if a participant dies, his award will ordinarily vest early (unless the Remuneration Committee decides otherwise).

In the case of DABP awards, outstanding awards for a good leaver will vest early to such extent as the Committee determines appropriate.

Takeovers

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation), all PSP awards will vest early, subject to: (i) performance and (ii) time pro-rating, although the Remuneration Committee can decide to reduce or eliminate the pro-rating of a PSP award or to disapply (or partially disapply) any performance conditions if it regards it as appropriate to do so in the particular circumstances.

In the event of a takeover or winding up of the Company, the Remuneration Committee may allow bonuses for that financial year to be paid early, subject to: (i) the extent that the performance conditions have been satisfied at that time; and (ii) the pro-rating of the bonus to reflect the reduced period of time between grant and the date of such event, although the Remuneration Committee can decide to reduce or eliminate the pro-rating of a bonus.

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation), all DABP awards will vest early in full.

Internal corporate reorganisation

In the event of an internal corporate reorganisation, PSP and DABP awards may, at the discretion of the Remuneration Committee, be replaced by equivalent new awards over shares in a new holding company, provided that the Board of Directors of the new holding company agrees. If such replacement is not agreed before the internal corporate reorganisation takes place, then the PSP and DABP awards will vest on the basis which would apply in the case of a takeover.

JOE agreements, top-up option agreements and substitute option agreement

In the event of the Director's loss of office or a change of control, any unexercised option will remain exercisable in accordance with the terms of the relevant agreement until the expiry of the relevant exercise period.

Outplacement services may be provided where appropriate and any statutory entitlements or sums to settle or compromise claims in connection with a termination would be paid as necessary.

Recruitment of Directors

Where a new Executive Director is appointed, the principles outlined above in relation to the structure, components and maximum opportunities of the existing Executive Directors' remuneration package and service contract terms will also apply to any newly appointed Director. Salaries for new hires will be set to reflect their skills and experience, the Company's intended pay positioning and the market rate for the role. In accordance with the above policy table, the maximum variable pay that may be offered is 340% of salary (440% in exceptional circumstances).

Annual Report on Remuneration

It may be necessary to buy out incentive awards which would be forfeited on leaving the previous employer. In determining the structure of any buy out award the Committee will take into account the form of the awards forgone (cash or shares), the timing of the awards and their expected value. Replacement share awards, if used, may be granted under the PSP, although awards may also be granted outside of these schemes if necessary and as permitted under the Listing Rules.

In the case of an internal promotion, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant.

Fees for a new Chairman or Non-Executive Director will be set in line with the approved policy.

Non-Executive positions by Executive Directors

The Company's policy is to allow the Executive Directors to take only one Non-Executive role in another company with prior consent from the Board, which cannot be unreasonably withheld.

Consideration of shareholder views

The Remuneration Committee is committed to open and transparent dialogue with shareholders and seeks major shareholder views in advance of proposing significant changes to its policy.

There were no changes to the Remuneration policy during 2014, so consultation with shareholders is not necessary on this occasion.

This part of the report details how the Remuneration Policy was implemented during 2013. It has been prepared in accordance with Part 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and 9.8.6R of the Listing Rules. The Annual Report on Remuneration will be put to an advisory Shareholder vote at the 2015 AGM. The information in this section has been audited where stated.

Composition of the Remuneration Committee

The members of the Committee of the Company were as follows:

John Nicolson	Chairman and Independent Non-Executive Director
Jack Keenan	Chairman of the Board
Andrew Cripps	Independent Non-Executive Director
David Maloney	Senior Independent Non-Executive Director
Karim Khairallah[a]	Non-Executive Director

a. Karim Khairallah stepped down from the Committee and Board in April 2014 following the sale of Oaktree Capital Management LLP's remaining interests in the Company.

The majority of the members of the Committee are Independent Non-Executive Directors, with the exception of Karim Khairallah, who was a representative of the major shareholder of the Company. As disclosed at IPO, Mr. Khairallah's experience and involvement in the former remuneration policies of the Group, made his presence an important addition to the Remuneration Committee.

Elisa Gomez de Bonilla (General Counsel and Company Secretary) serves as Secretary to the Committee, and the Chief Executive Officer generally attends our Committee meetings by invitation. We also ask other members of senior management to present to the Committee during the year.

The Committee of the Company was established by resolution of the Board dated 21 October 2013.

During the year ended 31 December 2014 the Remuneration Committee held five meetings. The table below summarises the attendance.

	Meetings eligible to Attend	Meetings Attended
John Nicolson	5	3**
Jack Keenan	5	5
Karim Khairallah*	3	3
David Maloney	5	5
Andrew Cripps	5	5

* Resigned as a Director 8 April 2014.

** The Committee originally scheduled 3 meetings for 2014, but 2 additional meetings were arranged during the year to approve work covered in preceding meetings. Due to prior commitments to the board of another company, which had been disclosed when he joined the Board, Mr. Nicolson was unable to attend those additional meetings.

Directors' remuneration report
Annual Report on Remuneration

Advice provided to the Committee
During the year, the Committee were advised by New Bridge Street ("NBS"). NBS were appointed as independent advisors to the Committee in 2013. NBS is a separate subsidiary of the insurance broker Aon plc, which does not provide any other services to the Company. NBS is a founder signatory to the Remuneration Consulting Group's Code of Conduct, and its total fees in relation to Remuneration Committee advice during the year were £25,192 plus VAT. The Committee reviewed the potential for conflicts of interest and the safeguards against them and is satisfied that NBS does not have any such interests, or connections with the Group, that may impair its independence.

Directors' remuneration (audited)
The table below sets out the total remuneration for the Directors in 2014 and 2013. As the Company was listed in October 2013, most of the prior year information relates to remuneration paid under the pre-IPO remuneration policy (as explained in the notes below).

The Directors are paid in Sterling, but figures in this report are disclosed in Euros (the Group's reporting currency). The exchange rate used is €1:£0.81 unless otherwise noted.

€'000	Total amount of salary and fees		All taxable benefits		Annual incentive arrangements		Long-term incentive arrangements		Pension		Other[a]		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Executive Directors														
Chris Heath	**605**	468	**21**	20	**–**	853	**–**	–	**91**	19	**114**	1,486	**831**	2,846
Lesley Jackson	**393**	334	**18**	18	**–**	733	**–**	–	**59**	12	**74**	629	**544**	1,726
Non-Executive Directors														
Jack Keenan[b]	**247**	167	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**247**	167
David Maloney[c]	**88**	16	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**88**	16
Karim Khairallah[d]	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Andrew Cripps[c]	**81**	15	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**81**	15
John Nicolson[c]	**75**	14	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**75**	14

a. The 2014 figures under "Other" relate to the award of PSP options of 234,690 and 152,309 nil-cost options to Chris Heath and Lesley Jackson respectively. The 2013 figures under "Other" relate to the award of Top-up Options made on IPO of 535,137 and 226,728 nil-cost options to Chris Heath and Lesley Jackson respectively. The options were granted on admission and were immediately exercisable. They have been valued using the IPO price of 235 pence per share and converted into Euro using an exchange rate of 0.8466 (being the exchange rate on the date of the IPO).

b. In 2013, part of this amount was paid to Grand Cru Consulting Limited in respect of Jack Keenan's role as Chairman of the Group (he was Chairman of the former holding company of the Group, Stock Spirits Group Luxembourg Holdings S.à.r.l.). Grand Cru Consulting Limited is a private limited company incorporated and registered in England and Wales with registered number 04302451. Jack Keenan owns 99.9% of the shares in Grand Cru Consulting Limited and is the sole director of Grand Cru Consulting Limited. Jack Keenan was appointed as Chairman of the Board of the Company on 21 October 2013.

c. David Maloney, Andrew Cripps and John Nicolson were appointed to the Board of the Company on 21 October 2013.

d. Karim Khairallah was appointed to the Board of the Company on 21 October 2013 and represented Oaktree Capital Management (OCM). Karim Khairallah received no fee in respect of his services to the Company, as Director and Remuneration Committee member, but OCM received a fee of £12,750 during 2014. Karim Khairallah resigned from the Remuneration Committee and Board on 8 April 2014.

Annual bonus awarded for 2014 (audited)
Due to the performance of the Company during 2014, there was no annual bonus for 2014. The bonuses were based on challenging financial and personal targets. 50% of the bonus was based on EBITDA, 30% on cash flow targets and 20% on individual Key Result Areas ("KRAs"). The targets themselves are considered to be commercially sensitive as they refer to the specific strategy of the Company. Should they be known by the Company's local competitors, it would give a competitive advantage against the Company's performance in those territories. The potential reward available under the bonus plan was capped at 140% of salary for each Executive Directors.

Long-term incentives awarded in 2014 (audited)

The first awards under the post-IPO Performance Share Plan were made in May 2014. Both Executive Directors were awarded performance shares under the Stock Spirits Performance Share Plan valued at 140% of salary. These awards are subject to a TSR performance condition.

Director	Type of Award	Date of Award	Market Price on date of award	Number of shares awarded	Performance Period
Chris Heath	Performance shares	6 May 2014	£2.92	234,690	Three financial years to 31 December 2016
Lesley Jackson	Performance shares	6 May 2014	£2.92	152,309	Three financial years to 31 December 2016

The performance condition for the 2014 PSP awards assesses the Company's TSR performance relative to a comparator group of 13 international food and beverage companies. 25% of the awards will vest if the Company is ranked at least median against the comparator group, increasing on a straight-line basis for full vesting for upper quartile performance or above.

The base period for calculating TSR has been taken as the average return index over the period from 21 October 2013 (the date of IPO) to 31 December 2013. The end average will be measured over the 90 days to 31 December 2016.

Summary of outstanding awards (audited)

As set out in the Prospectus, the Executive Directors received Top-Up Options on IPO. The Top-Up Options are nil-cost options that were granted to nine senior executives (including the Executive Directors) on IPO. The options were not subject to performance or service conditions and were exercisable immediately upon grant. Full details of the options have been set out in the table of outstanding share interests below.

Outstanding share options (audited)

Type of interest	Date of grant	Performance condition	Interest as at 31 December 2013	No. shares under award	No. shares under any lapsed portion of the award	Share options as at 31 December 2014	Vesting date or (for options) exercise period	Exercise price per share (if applicable) (£)	Face value of awards granted in 2014 (€'000)[a]
Chris Heath									
PSP	06.05.14	TSR	Nil	234,690	Nil	234,690	06.05.17	Nil	830
JOE Agreement	21.10.13[b]	None	2,861,795	Nil	Nil	2,861,795	21.10.13 – 24.10.18	0.001183258	N/A
Top-up Option Agreement	21.10.13	None	535,137	Nil	Nil	535,137	21.10.13 – 20.10.23	Nil	N/A
Lesley Jackson									
PSP	06.05.14	TSR	Nil	152,309	Nil	152,309	06.05.17	Nil	539
JOE Agreement	21.10.13[b]	None	715,449	Nil	Nil	715,449	21.10.13 – 24.10.18	0.001183258	N/A
Top-up Option Agreement	21.10.13	None	226,728	Nil	Nil	226,728	21.10.13 – 20.10.23	Nil	N/A
Substitute Option Agreement	21.10.13[c]	None	531,773	Nil	Nil	531,773	21.10.13 – 20.10.23	Nil	N/A

a. Valued using the daily closing price of 292 pence per share and converted into Euros using an exchange rate of 0.81995 (being the exchange rate on the date of award).

b. The JOE agreements were put in place prior to Admission to replace existing JOE arrangements over F shares in another Group Company (OCM Luxembourg Holdings S.à.r.l.). The shares were converted on IPO at a rate of 17,886 shares in Stock Spirits Group PLC for each F share held.

c. The Substitute Option agreements were put in place on Admission to replace a commitment over shares entered into with Lesley Jackson in December 2012.

Directors' remuneration report
Annual Report on Remuneration

Payments to past directors (audited)
There have been no payments to past Directors in the year.

Payments for loss of office (audited)
There have been no payments made to directors for loss of office during the year.

Directors share interests (audited)
The table below sets out the Directors' shareholdings and, for the Executive Directors, a summary of their outstanding scheme interests (being the JOE and option awards).

The Executive Directors are subject to shareholding guidelines requiring them to build and maintain a shareholding equivalent to 100% of base salary. Their achievement against these guideline limits is set out in the table below.

As at 31 December 2014	Beneficially owned shares	Outstanding Scheme Interests			Value of shares counting towards the shareholding guideline[a]	
Executive Directors		PSP	JOE agreements	Top-Up and Substitute Options	£'000	% salary
Chris Heath[b]	787,609	234,690	2,861,795	535,137	8,029	1,639%
Lesley Jackson[c]	176,259	152,309	715,449	758,501	1,962	617%
Non-Executive Directors						
Jack Keenan[d]	1,085,180	–	–	–	–	–
David Maloney[e]	5,000	–	–	–	–	–
Karim Khairallah	–	–	–	–	–	–
Andrew Cripps	20,000	–	–	–	–	–
John Nicolson	–	–	–	–	–	–

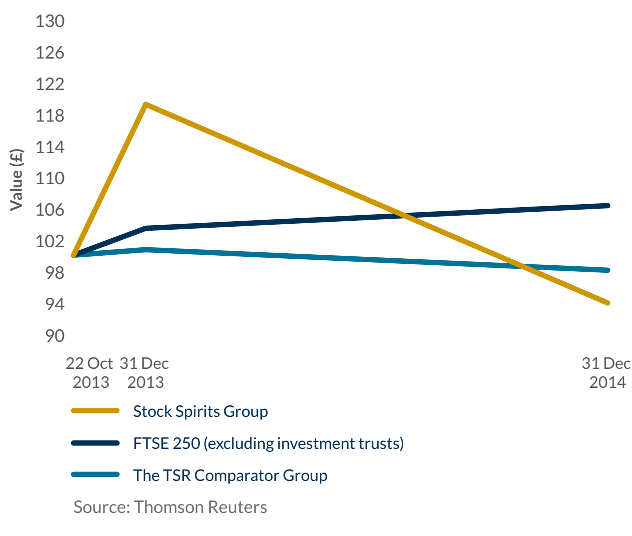
a. Only the shares beneficially owned and those shares held pursuant to the JOE agreements count towards the thresholds set out in the share ownership guidelines. Achievement against the guideline is calculated using the year-end share price of £2.20 and expressed as a percentage of current salary.
b. Includes 425 shares held by Ben Heath, his son.
c. All beneficially owned shares are held in the name of Mark Jackson, her husband.
d. Includes 357, 724 shares held by Grand Cru Consulting Limited, a private limited company incorporated and registered in England and Wales with registered number 04302451. Jack Keenan owns 99.9% of the shares in Grand Cru Consulting Limited and is the sole Director of Grand Cru Consulting Limited.
e. All of which are held in the name of Agneta Maloney, his wife.

There were no changes in the Directors' shareholdings between 31 December and the date of this report.

Total shareholder return performance

The chart below shows the Company's total shareholder return performance relative to the FTSE 250 Index (excluding investment trusts) and a Bespoke Index comprising 13 international food and beverage companies. The FTSE 250 Index (excluding investment trusts) has been chosen as a comparator as it represents a broad UK equity market Index. The Bespoke Index reflects the TSR Comparator Group used for PSP awards.

Total shareholder return



Source: Thomson Reuters

Total remuneration of Chief Executive

The table below shows a summary of the total remuneration received by the Chief Executive since 2012.

	2012	2013	2014
Single figure total remuneration (€'000)	1,306	2,846[a]	831
Total annual bonus pay-out (as % of maximum opportunity)	N/A[a]	N/A[b]	N/A[b]
Long-term incentive vesting (as % of maximum opportunity)	N/A	N/A[c]	N/A[c]

a. Prior to IPO, a significant portion of the remuneration package was in the form of share based incentives and performance uncapped annual bonuses After IPO, base salary was brought in line with market median of FTSE250 and an annual bonus cap and PSP were introduced.
b. Under the pre-IPO bonus scheme, the bonus opportunity was uncapped.
c. There have been no long-term incentives vesting to date.

Percentage change in the remuneration of the Chief Executive

The table below shows the movement in salary, benefits and bonus for the Chief Executive between the current and prior year compared to the average remuneration for all employees.

% change in:	Chief Executive	All employees[a]
Base salary	29.1%	22.1%
Benefits[d]	184.8%	-10.1%
Total annual bonus	-100%	-54.6%
Total remuneration[c]	-47.3%	-11.4%[b]

a. Also including Chief Executive Officer's remuneration.
b. The long term incentive plan existing prior to IPO is included as part of the remuneration.
c. Excluding share-based compensation.
d. Benefits include car allowance, health and dental cover, and pension contributions.

Relative importance of the spend on pay

The following table shows the relative importance of the spend on pay which compares the total remuneration paid to all employees to the amount distributed to shareholders by way of dividend or share buy-back. Shareholders have been defined as shareholders of Stock Spirits Group PLC and therefore relate to the shareholders since Admission.

	2013	2014	% change
Remuneration paid to all employees (€m)[a]	38.6	32.8	-15.0%
Distributions to shareholders (€m)	–	2.5	N/A

a. Excluding share-based compensation.

How the remuneration policy will be applied for 2015

The remuneration policy to be applied for 2015 is consistent with that set out in the Remuneration Policy Report.

Base salaries

The base salaries for the Executive Directors were set on IPO and no changes are proposed for 2015. The current salaries for the Chief Executive Officer and Chief Financial Officer are £490,000 (€604,938) and £318,000 (€392,593) respectively.

Annual bonus

The annual bonus plan for 2015 will be based on achievement against a range of financial targets and individual "Key Result Areas" (KRAs). The KRAs are linked to the financial, strategic and operational performance of the business and include measures relating to business and sales growth, market share, brand building and organisational targets. The Annual Bonus will be based 50% on achievement of the EBITDA target, 30% on the cash target and 20% on the KRAs. These performance targets are the key drivers to sustain the growth of the Group, and the individual KRAs ensure that the Executive Directors are committed to the Group's strategy. The forward-looking

Directors' remuneration report
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targets are deemed to be commercially sensitive. Under the post-IPO remuneration policy, the maximum bonus opportunity is 140% of salary and 25% of any bonus paid for 2015 will be issued in the form of deferred shares.

Performance Share Plan

The next award of shares under the Performance Share Plan will be made within six weeks after the preliminary announcement of the 2014 annual results. Awards of 140% of salary will be granted. The awards vest after three years subject to continued employment and the achievement of the performance targets.

50% of any awards to be made will be subject to a relative total shareholder return (TSR) performance condition which compares Stock Spirits Group TSR performance to a peer group of 13 international food and beverage companies, vesting as follows:

Stock Spirits TSR relative to the TSR Comparator Group	Percentage of the awards that will vest
Below Median	Nil
Median	25%
Between Median and Upper Quartile	Pro-rata between 25% and 100%
Upper Quartile or above	100%

The remaining 50% of any awards made will be subject to an earnings per share target. The targets, for the awards to be issued in 2015, will be published on RNS at the time the awards are made, at the end of April 2015.

There will also be an underlying requirement for any vesting to occur which will be that, at the time of vesting, the Remuneration Committee must be satisfied with the overall financial performance of the Group.

Fees for the Chairman and Non-Executive Directors

The annual fee policy for the Chairman and Non-Executive Directors was set on IPO and is as follows:

- Chairman – £200,000 (€246,914)
- Basic Board fee for Non-Executive Directors – £46,000 (€56,790)
- Additional fees for membership of a Committee and the role of Senior Independent Director – £5,000 (€6,173)
- Additional fees for Chairmanship of a Committee – £5,000 (€6,173) paid in additional to membership fees.

Shareholding vote at the AGM

The voting outcome at the 2014 AGM was as follows:

	Votes For	Votes Against	Votes Withheld
Remuneration Policy	126,856,412 (97.13%)	3,611,042 (2.87%)	9,691,139
Annual Report on Remuneration 2013	120,343,728 (97.23%)	3,552,061 (2.77%)	3,119,474

The 2014 Annual Report on Remuneration will be put to an advisory shareholder vote at the 2015 AGM. The remuneration policy remains unchanged for 2015 and will therefore not be subject to a vote.

Approved and signed on behalf of the Board:

John Nicolson
Chairman of the Remuneration Committee
12 March 2015

Directors' report

The Corporate Governance Statement on pages 47 to 51 forms part of the Directors' report.

The Directors' report, prepared in accordance with the requirements of the Companies Act 2006 and the UK Listing Authority's Rules, and the Disclosure and Transparency Rules, comprises pages 71 to 73.

Directors

The Directors in office at the date of this report are shown on pages 42 to 43. All served throughout the year under review. Karim Khairallah was a Director until his resignation on 8 April 2014.

Directors' interests in the Company's Shares

The interests of the Directors of the Company at the 31 December 2014, and their connected persons, in the issued shares of the Company disclosed in accordance with the FCA's Listing Rules are given in the Remuneration Report on pages 58 to 70. The Remuneration Report also sets out details of any changes in those interests between the year end and 12 March 2015.

Powers of Directors

Our Directors' powers are determined by UK legislation and the Company's Articles of Association ("the Articles"), which are available on our website www.stockspirits.com. The Articles may be amended by a special resolution of the members. The Directors may exercise all of the Company's powers provided that the Articles, or applicable legislation, do not stipulate that any such powers must be exercised by the members.

Further details of Directors' contracts, remuneration and their interests in the shares of the Company at 31 December 2014 are given in the Directors' Remuneration Report on pages 58 to 70.

Indemnification of Directors and Insurance

The indemnification for Directors provided by the Company has been arranged in accordance with the Company's Articles of Association ("the Articles") and the Companies Act 2006. As far as is permitted by legislation, all officers of the Company are indemnified out of the Company's own funds against any liability incurred while conducting their role in the Company, unless such liability is to the Company or an associated company. The Company has appropriate Directors' and Officers' liability insurance cover in place in respect of any legal action against, amongst others, its executive and Non-Executive Directors.

Appointment and replacement of Directors

The rules about the appointment and replacement of Directors are contained in the Company's Articles. They provide that Directors may be appointed by ordinary resolution of the members, or by a resolution of the Directors. In addition to powers to remove a Director conferred by legislation, the Company may also remove a Director by special resolution.

Compensation for loss of office

We do not have arrangements with any Director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover. Further information is provided on page 64.

Political donations

There were no political donations during the period (2013: nil).

Share capital and control

Details of our issued share capital as at 31 December 2014 can be found in note 29 to the financial statements, on page 113. The Company's share capital comprises 200,000,000 ordinary shares and are listed on the London Stock Exchange. There were no changes to the share capital during the year.

Holders of ordinary shares are entitled to receive dividends (when declared), copies of the Company's Annual Report, attend and speak at general meetings of the Company, appoint proxies and exercise voting rights.

Other than the compliance with the Company Dealing Rules for PDMRs and Permanent Insiders, there are no restrictions on the transfer, or limitations on the holding, of ordinary shares and no requirements to obtain approval prior to any transfers. No ordinary shares carry any special rights with regard to control of the Company and there are no restrictions on voting rights. Major shareholders have the same voting rights per share as all other shareholders.

There are no known arrangements under which financial rights are held by a person other than the holder of the shares and no known agreements on restrictions on share transfers or on voting rights.

Shares acquired through our share schemes and plans rank equally with the other shares in issue and have no special rights.

Particulars of acquisitions of own shares

At the Company's 2014 AGM, shareholders granted the Company authority to make market purchases of up to 20,000,000 ordinary shares of £0.10 each, representing 10% of the issued share capital. The Company has not acquired any of its own shares since the authority was granted. At the

Directors' report

Company's forthcoming AGM, Directors will be seeking approval from shareholders, to authorise the Company to purchase up to 10% of its existing ordinary share capital. This authority, if approved, will expire on 31 May 2016 or at the Company's 2016 AGM, whichever is earlier; however, it is intended that this authority be renewed each year. For more information on this resolution refer to the Notice of AGM and explanatory notes, which are being sent separately to shareholders entitled to vote at the AGM.

Substantial share interests

In accordance with FCA Disclosure and Transparency Rule 5.1.2, the Directors are aware of the following substantial interests in the shares of Stock Spirits Group PLC as at 31 December 2014:

	As at 31 December 2014		As at 10 March 2015	
Significant direct/ indirect interests	Ordinary shares	% of Voting rights	Ordinary shares	% of Voting rights
Schroders Plc	19,501,124	9.75	16,154,960	8.08
Capital Group Companies Inc.	17,053,100	8.53	17,053,100	8.53
M&G Investment Management Limited	15,983,672	7.99	16,082,547	8.04
Aviva plc & its subsidiaries	14,469,117	7.23	14,502,139	7.25
Threadneedle Asset Management Ltd	13,412,764	6.71	14,735,472	7.37
Deutsche Asset & Wealth Management	9,135,847	4.57	8,995,987	4.50
Robeco Investment Management, Inc	8,548,450	4.27	6,964,868	3.48
GIC Private Limited	6,243,698	3.12	5,792,832	2.90

Subsequent to the year end, the Company was advised that the interest of GIC Private Limited had fallen below 3% of the voting rights. There have been no other changes notified between 31 December 2014 and the date of this report.

Financial risk management

The Group's financial risk management objectives and policies, including its use of financial instruments, are set out in note 31 to the Group's consolidated financial statements on pages 115 to 120.

Post-balance sheet events

There were no events after the balance sheet date which require adjustment to or disclosure in these financial statements.

Future business developments

Further details on these are set out in the Strategic Report on pages 2 to 41.

Research and development

The Company does not undertake any material research and development activities.

The existence of branches outside the UK

The Group's activities in overseas jurisdictions are carried out through subsidiary companies. The Company does not have any branches outside the UK.

Employee involvement and policy regarding disabled persons

A description of the action taken by the Company in relation to employee involvement, including how the Company provides employees with information on matters concerning them and the Group, can be found on page 31.

The Company has an equal opportunities policy and procedures are in place that are designed to provide for full and fair consideration and selection of disabled applicants, to ensure they are properly trained to perform safely and effectively and to provide career opportunities that allow them to fulfil their potential. Where an employee becomes disabled in the course of their employment, the Company will actively seek to retain them wherever possible by making adjustments to their work content and environment or by retraining them to undertake new roles.

Greenhouse gas emissions

In 2014, SSG's total Scope 1 (direct) and Scope 2 (indirect) Greenhouse Gas (GHG) emissions were 39,940 tonnes and 10,074 tonnes of CO_2 equivalent respectively (CO_2e) (Total: 50,014 tonnes). This is a 3.4% overall reduction compared to 51,801 tonnes in 2013 (41,652 tonnes of Scope 1 and 10,149 tonnes of Scope 2 CO_2e). The emissions intensity factor rose from 337 grams CO_2e per litre of packaged product to 402 grams due to the increased proportion of rectified alcohol produced in-house (Scope 1 emissions) as opposed to purchased externally (Scope 3 emissions, outside scope of data). SSG's Baltic Distillery in Germany, accounting for 72% of Group emissions, is by far the largest single emitter within the Group as its core activity is energy intensive rectification. During 2014, the site managed to reduce emissions by 1.7% versus 2013 despite production volumes marginally increasing.

During 2014, SSG formed an Emissions Working Committee and implemented procedures for emissions reporting which are to be documented in a Group Emissions Policy. SSG has applied Defra UK conversion factors to calculate the emissions. All data capture procedures, conversion and reporting have undergone independent limited assurance by ERM Certification and Verification Services. The 2014 independent assurance statement is available on Stock Spirits Group website.

The Group complies with all current regulations on emissions including greenhouse gas emissions, where such regulation exists in our markets.

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our consolidated financial statements.

Significant agreements

The Group is a party to the following significant agreements that would take effect, alter or terminate on a change of control of the Company following a takeover bid:

- Amended and Restated Senior Facilities agreement in July 2014, which amended some clauses and covenants of the former Senior Facilities Agreement entered into on 30 September 2011 by the subsidiaries of the Company with, amongst others, ING Bank N.V., London Branch. The Facilities comprise of eight Term Loans (totalling €240 million, which includes the New Term Loans totalling €70 million) and an RCF (totalling €70 million)

Dividend

A dividend of €0.0125 per share was paid at the half year stage, and the Directors recommend a final dividend of €0.025, be paid on 29 May 2015, to shareholders on the share register at the close of business on 1 May 2015. The shares will be quoted ex-dividend on 30 April 2015.

Total ordinary dividends paid and proposed for the year amount to €0.0375.

Going concern

The Directors have considered the Group's debt maturity and cash flow projections and an analysis of projected debt covenant compliance. The Board is satisfied that the Group's forecasts and projections, taking into account reasonable changes in trading performance, shows that the Group will continue in operation for the foreseeable future and has neither the intention nor the need to liquidate or materially curtail the scale of its operations. For this reason the Group continues to adopt the Going Concern basis in preparing its financial statements. More information can be seen in note 2 to the financial statements.

Statement on disclosure to auditors

So far as each Director is aware, there is no relevant audit information, which would be needed by the Company's auditors in connection with preparing their audit report (which appears on pages 75 to 78), of which the auditors are not aware; and each Director, in accordance with Section 418(2) of the Companies Act 2006, has taken all reasonable steps that he ought to have taken as a Director to make himself aware of any such information and to ensure that the auditors are aware of such information.

Auditors

As disclosed on pages 52 to 55, the external audit for the financial year ending 31 December 2015 was tendered during the year. Having not been invited to tender, Ernst & Young LLP intends to resign as the Company's auditor following completion of the audit of this Annual Report and Accounts. Following the tender, and on the recommendation of the Audit Committee, the Board intends to appoint KPMG LLP to fill the casual vacancy created on Ernst & Young's resignation. The Audit Committee have recommended resolutions to appoint KPMG LLP as the Company's auditor and to authorise the Directors to agree the auditor's remuneration at the 2015 Annual General Meeting.

Approval of Directors' report

This Directors' report was approved for and on behalf of the Board.

Chris Heath
Chief Executive Officer
12 March 2015

Lesley Jackson
Chief Financial Officer

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts including the consolidated financial statements and the Company financial statements, Directors' report, including the Remuneration report and the Strategic Report in accordance with applicable law and regulations. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Company law requires the Directors to prepare such financial statements for each financial year. 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 on a consolidated and individual basis and of the profit or loss of the Company on a consolidated basis 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; and
- Prepare the financial statements on a going concern basis unless it is not appropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the Company's financial position and enable them to ensure compliance with the Companies Act 2006; they are also responsible for safeguarding the Company's assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors, whose names and functions are listed on pages 42 and 43, confirms that:

- To the best of their knowledge, the consolidated financial statements and the Company financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company on a consolidated and individual basis;
- To the best of their knowledge, the Strategic Report and the Directors' report includes a fair review of the development and performance of the business and the position of the Company on a consolidated and individual basis, together with a description of the principal risks and uncertainties that it faces; and
- They consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Chris Heath
Chief Executive Officer
12 March 2015

Lesley Jackson
Chief Financial Officer

Independent auditor's report to the members of Stock Spirits Group PLC

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

What we have audited

We have audited the financial statements of Stock Spirits Group PLC for the year ended 31 December 2014 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and the related notes 1 to 38 to the consolidated financial statements and related notes 1 to 13 to the Parent Company financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' responsibilities as set out on page 74, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts ('ARA') to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditor's report to the members of Stock Spirits Group PLC, continued

Our assessment of risks of material misstatement and responses to those risks

The table below shows the risks we identified that have had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team together with our audit response to those risks:

Area of focus	Response
Revenue recognition as a result of inappropriate cut off We focussed on this area as, due to seasonality of the business, the highest peak of annual revenue is generated in the last quarter of the year, as customers tend to buy more alcohol for Christmas and New Year holidays. As a result of the expected reduction in full year trading profit announced by the group on 5 November 2014, we assessed the risk of cut off to be higher due to increased pressure on management to meet the revised profit guidance and opportunity for management override of controls over the timing of revenue recognition.	For each full and specific scope location, we have tested the design of the key controls including related IT application controls related to the revenue processes. For a number of components, we tested controls including IT application controls to ensure revenue recognition was appropriate and applied in line with management's accounting policies and procedures. We performed detailed testing on a sample of sales transactions from origination through to the general ledger. Our sample included additional items to introduce unpredictability in our sample selection approach. We tested a sample of invoices issued close to the year end to ensure revenue was recorded in the correct period. We also inspected journal entries relating to revenue and, for transactions close to the period end, we tested that cut off procedures were appropriately applied. Analytical procedures were performed to validate the revenue incurred throughout the year. Refer to work performed below in respect of the valuation and classification of revenue related reserves for further details. *Refer to page 54 (Audit Committee Report); page 88 (Accounting policies) and page 96 (Note 5 and 6)*
(New in 2014) Valuation and classification of revenue related reserves including rebates, discounts, incentives and marketing costs We focused on this area as the impact of such arrangements on gross to net sales is significant. Such agreements vary in structure by customer and require judgement in determining the appropriate amount and timing of recognition of rebates, discounts, incentives and marketing costs. The accounting for these arrangements is susceptible to the risk of fraud and management override in determining the value, timing and classification of such revenue related reserves.	We have performed detailed testing over a sample of each class of revenue related reserves to validate the classification of adjustments made to revenue throughout the year and specifically around cut off at the year end. For a sample of customer accounts, we recalculated the amounts due based on contractual terms and obtained direct confirmation of the amounts owed to them for rebates at the year end to assess the completeness of accruals for revenue related incentives. We investigated variances between the company and customer records and performed substantive procedures to validate these variances where deemed appropriate. We selected a sample of contracts and have understood the key terms and challenged management in respect of the reasonableness of judgements to validate the valuation of revenue related reserves was appropriate and adjustments were applied in line with management's policies and procedures. We evaluated the appropriateness of the application of accounting policies in respect of revenue related reserves and marketing costs to validate the correct classification of these amounts as deductions from gross revenue or recording within selling expenses. We inspected the findings of the investigation into alleged fraudulent transactions (see below) and the related journal entries to validate the completeness of accruals. *Refer to page 54 (Audit Committee Report); page 88 (Accounting policies) and page 96 (Note 5 and 6)*
(New in 2014) Investigation into potential fraudulent transactions in Stock Polska As discussed in the Audit Committee Report, during the second half of the year management identified potential fraudulent transactions within the Polish business, Stock Polska, and commissioned an investigation by legal and forensic advisors and Internal Audit. We focussed on this area as the findings of the investigation required us to consider: – the impact on the internal control environment and financial statements arising from suspected breaches of integrity in respect of certain employees; – the potential risk of non-compliance with laws and regulations; – the appropriateness and completeness of accounting for the alleged fraudulent transactions and related provisions in the financial statements; and – the remedial action taken and in progress to address the significant control deficiencies identified.	In addition to the responses described above related to revenue recognition and revenue related reserves, we increased the level of scepticism exercised by our primary and Polish component teams through increased direction and challenge from senior audit team members. We extended our audit procedures to address the risks identified in the investigation findings. We engaged our forensic specialists in Poland and the UK to perform a shadow investigation of the external advisors' work to assess the quality of the investigation, the robustness of the methodologies adopted, and the appropriateness of the advice provided to management. The senior statutory auditor and a senior manager visited Poland three times to hold meetings in person or via telephone with the component audit team, our Polish forensic specialists and twice with local management. We read the reports provided by the external advisors to management, inspected a sample of source documentation and a sample of investigation work papers recording the nature of work performed and findings. To assess the pervasiveness of breaches in integrity of employees implicated by the investigation we inspected, and in certain instances directed, data interrogations performed by the external advisors. We interviewed certain employees to assess the possibility of material misstatement in the financial statements and we performed additional detailed testing of journal entries to identify potential irregular transactions. We reconsidered the adequacy of our procedures performed in Poland in respect of areas of significant judgement and estimation including provisions for rebates, inventory and receivables and impairment testing of goodwill and intangible assets. We met with the Head of Internal Audit, Risk and Compliance to discuss the additional investigative procedures to be performed in territories outside Poland and examined the results of those procedures. We evaluated the nature of the alleged fraudulent activities in the context of compliance with Polish and UK laws and discussed the risk of potential breaches of such laws with the Board, members of the Audit Committee and management's external legal advisors. In this regard, we inspected, and in certain instances directed, data interrogations performed by the external advisors and inspected legal advice provided to management from Polish and UK advisors to assess the risk of non-compliance. We inspected the year end internal self-certification compliance certificates provided by senior management of subsidiaries for evidence of reported non-compliance matters. We discussed the results of management's independent internal review of accruals in respect of major customer accounts and corroborated findings with our own detailed testing of rebate accruals. We tested the completeness of provisions recorded in respect of probable costs including related tax, in connection with the investigation. We challenged the appropriateness of the remedial actions being implemented by management to address the significant control deficiencies identified by the investigation. *Refer to page 53 (Audit Committee Report) and page 88 (Accounting policies)*

Area of focus	Response
Transfer pricing and related uncertain tax provisions We focused on this area due to the existence of cross border transactions and recharges between Group entities which are subject to complex tax legislation and their ongoing application by management. In addition, judgement is required in assessing the level of provisions to cover the risk of challenge of certain of the Group's tax positions, primarily in Italy.	We challenged the risk analysis including the deductibility of management and stewardship costs arising from transfer pricing arrangements and assumptions used to determine related tax provisions estimated by management. We inspected claims and assessments made by international tax authorities in the territories in which the Group operates to further assess the completeness of provisions. We engaged specialists in the areas of corporation tax, indirect tax and transfer pricing to assist us and inspected advice provided by local tax advisors. We re-calculated the overall consolidated deferred and current tax calculations prepared by management and investigated any unexplained balances. *Refer to page 54 (Audit Committee Report) and pages 94 (Critical accounting estimates and page 100 (Note 13)*
Carrying value of goodwill and intangible assets with indefinite lives for impairment We focused on this area due to the size of the goodwill balance €60.4m (2013: €60.4m) and brands with indefinite lives of €283.7m (2013: €286.3 million) and due to the level of judgement required by management in estimating the future results of the business and discount rates to be applied to future cash flows supporting them. A prior year adjustment was recorded in respect of incorrectly amortised agency contracts.	We examined the management's methodology and models for assessing the valuation of significant goodwill and intangible asset balances including the Group's forecast cash flows which underpin the impairment review. We challenged the reasonableness of those forecasts taking into account the accuracy of the previous forecasts and the historic evidence supporting the underlying assumptions. The reasonableness of the key assumptions of discount rate and long-term growth rate underlying the impairment review were tested through a combination of challenging the Group's detailed calculations and benchmarking against comparator companies. In respect of the discount rate, an independent assessment was made by our experts based on general market indicators. We also performed sensitivity analyses, particularly in relation to the Czech and Italy Cash Generating Units (CGUs) which have limited headroom, by stressing key assumptions in the models to assess the level of headroom in place based on reasonably expected movements in such assumptions and considered whether any reasonably possible change in these assumptions required disclosure under IAS 36 –'Impairment of Assets'. We inspected the terms of contracts relating to intangible assets. We challenged management's judgements over the recoverability and useful economic life of capitalised agency contracts. Following identification of the prior year adjustments, we performed procedures to assess the completeness and existence of capitalised agency contracts and challenged the useful economic lives. *Refer to page 54 (Audit Committee Report); page 94 (Critical accounting estimates) and page 103 (Note 15-17)*

The above risks are the same as in the prior year, unless stated otherwise. In 2013, we also included the exceptional items and impact of the Initial Public Offering ('IPO') and Group reorganisation following the listing on the London Stock Exchange. These are no longer applicable following the Group reorganisation which took place in 2013 following the IPO.

Our application of materiality

Materiality is a key part of planning and executing our audit strategy. For the purposes of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. As we develop our audit strategy, we determine materiality at the overall financial statement level and at the individual account level. Performance materiality is the application of materiality at the individual account level.

Planning the audit solely to detect individually material misstatements overlooks the fact that the aggregate of individually immaterial misstatements may cause the financial statements to be materially misstated, and leaves no margin for possible undetected misstatements.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

We determined materiality for the Group at our planning stage to be €2.9 million which is approximately 5% of profit before tax. We reassessed our planning materiality following the Group's updated trading announcement on 5 November 2015 and reduced the value to be €2.4 million representing approximately 5% of forecast profit before tax. In the prior year we set planning materiality at €2.0 million which was approximately 5% of profit before tax before exceptional items and interest on the Preferred Equity Certificates (PECs) and Convertible Equity Certificates (CECs). In 2013, we adjusted the planning materiality benchmark for the non-recurring IPO costs and interest on PECs and CECs to derive a normalised profit level. Following the redemption of the PECs and CECs and completion of the group reorganisation, we consider profit before tax to be an appropriate performance benchmark for calculating planning materiality. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 50% (2013: 50%) of materiality, namely €1.2 million (2013: €1.0 million). Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in all accounts did not exceed our materiality level.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €0.1 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

An overview of the scope of our audit

Following our assessment of the risk of material misstatement to the Group financial statements, subject to a full scope audit (2013: three), which account for 78% of the Group's revenue (2013: 79%) and 88% of the Group's profit before tax (2013: 84% of profit before tax before exceptional items and interest on

Independent auditor's report to the members of Stock Spirits Group PLC, continued

PECs and CECs), and three (2013: four) components subject to a specific scope audit which account for 18% of the Group's revenue (2013: 15%) and 8% of profit before tax (2013: 6% of profit before tax before exceptional items and interest on the PECs and CECs). The reduction in components follows the change in Group structure as described on page 122 in the Annual Report and Accounts which eliminated one of the entities in scope last year.

The extent of audit work performed was based on our assessment of the risks of material misstatement identified above and of the materiality of the Group's business operations in that component. For the remaining components which account for 4% (2013: 6%) of the Group's revenue, we performed other procedures including analytic review to confirm that there were no significant risks of material misstatement in the Group financial statements.

Audit work at individual components is undertaken based on a percentage of our total performance materiality. The performance materiality set for each component is based on the relative size of the component and our view of the risk of misstatement at that component. In the current year the range of performance materiality allocated to components was €0.2 million to €1.0 million (2013: €0.3 million to €1.1 million).

The Group audit team interacted regularly with the component teams where appropriate during various stages of the audit, visited key accounting locations in Poland and the Czech Republic, met with the component audit teams and with local management and undertook a review of key working papers including in respect of significant risk areas as described above.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

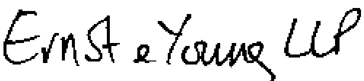
In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited 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.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 73, in relation to going concern; and
- the part of the Corporate Governance Report relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.



Christopher Voogd (Senior statutory auditor) for and on behalf of Ernst & Young LLP, Statutory Auditor
London
12 March 2015

Notes:

1. The maintenance and integrity of the Stock Spirits Group PLC web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement for the year ended 31 December 2014

	Notes	2014 €000	Restated 2013 €000
Revenue	5	**292,680**	340,538
Cost of goods sold		**(138,752)**	(166,962)
Gross profit		**153,928**	173,576
Selling expenses		**(65,393)**	(68,094)
Other operating expenses		**(33,776)**	(42,715)
Operating profit before exceptional items		**54,759**	62,767
Exceptional items	8	**(1,111)**	(15,088)
Operating profit		**53,648**	47,679
Finance revenue	9	**7,714**	1,847
Finance costs	9	**(12,324)**	(58,206)
Profit/(loss) before tax		**49,038**	(8,680)
Income tax (expense)/credit	13	**(13,201)**	17,573
Profit for the year		**35,837**	8,893
Attributable to:			
Equity holders of the Parent		**35,837**	8,893
Earnings per share, (Euros), attributable to equity holders of the Parent			
Basic and diluted	14	**0.18**	0.05

Consolidated statement of comprehensive income for the year ended 31 December 2014

	2014 €000	2013 €000
Profit for the year	**35,837**	8,893
Other comprehensive income/(expense):		
Other comprehensive expense to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	**(8,826)**	(1,690)
Income tax effect	–	–
	27,011	7,203
Other comprehensive (expense)/income not to be reclassified to profit or loss in subsequent periods:		
Re-measurement (losses)/gains on employee severance indemnity	**(4)**	57
Income tax effect	–	–
Total comprehensive income for the year, net of tax	**27,007**	7,260

Consolidated statement of financial position as at 31 December 2014

	Notes	31 December 2014 €000	Restated 31 December 2013 €000	Restated 1 January 2013 €000
Non-current assets				
Intangible assets – goodwill	15	**60,366**	60,366	60,303
Intangible assets – other	16	**288,214**	291,686	310,819
Property, plant and equipment	18	**62,152**	66,439	57,515
Deferred tax assets	13	**21,543**	21,974	9,240
Other assets	21	**4,404**	4,467	9,826
		436,679	444,932	447,703
Current assets				
Inventories	19	**27,400**	26,944	30,826
Trade and other receivables	20	**176,298**	166,776	129,722
Other assets	21	–	1	250
Current tax assets	13	**5,461**	1,795	1,629
Assets classified as held for sale	22	**120**	–	4,200
Cash and cash equivalents	33	**82,914**	129,610	138,718
		292,193	325,126	305,345
Total assets		**728,872**	770,058	753,048
Non-current liabilities				
Financial liabilities	23	**152,579**	163,275	155,922
Other financial liabilities	25	**357**	229	1,448
Deferred tax liabilities	13	**44,136**	44,377	62,287
Provisions	26	**1,167**	1,086	5,295
Trade and other payables	28	**201**	–	–
		198,440	208,967	224,952
Current liabilities				
Trade and other payables	28	**53,727**	74,017	58,744
Financial liabilities	23	**7,027**	5,841	8,119
Loans from former shareholder	24	–	215	264,640
Other financial liabilities	25	**227**	712	242
Income tax payable	13	**12,247**	8,513	8,870
Indirect tax payable	27	**111,936**	149,910	74,986
Provisions	26	**1,764**	3,577	109
		186,928	242,785	415,710
Total liabilities		**385,368**	451,752	640,662
Net assets		**343,504**	318,306	112,386

Consolidated statement of financial position for the year ended 31 December 2014

	Notes	31 December 2014 €000	Restated 31 December 2013 €000	Restated 1 January 2013 €000
Capital and reserves				
Issued capital	29	**23,625**	23,625	15,246
Share premium	29	**183,541**	183,541	–
Merger reserve	29	**99,033**	99,033	–
Consolidation reserve	29	**5,130**	5,130	5,130
Other reserve	35	**8,160**	7,507	–
Foreign currency translation reserve	29	**6,413**	15,239	16,929
Retained earnings		**17,602**	(15,769)	19,303
Equity attributable to equity holders of the Parent		**343,504**	318,306	56,608
Non-controlling interests		–	–	55,778
Total equity		**343,504**	318,306	112,386
Total equity and liabilities		**728,872**	770,058	753,048

Notes 1 to 38 are an integral part of the consolidated financial statements.

The consolidated financial statements of Stock Spirits Group PLC, registered number 08687223, on pages 79 to 126, were approved by the Board of Directors and authorised for issue on 12 March 2015 and were signed on its behalf by:

Chris Heath
Chief Executive Officer

Lesley Jackson
Chief Financial Officer

Consolidated statement of changes in equity for the year ended 31 December 2014

	Issued capital €000	Share premium €000	Merger reserve	Consolidation reserve €000	Other reserve €000	Foreign currency translation reserve €000	Retained earnings €000	Total €000	Non-controlling interests €000	Total equity €000
Balance at 1 January 2013, as reported	**15,246**	**–**	**–**	**5,130**	**–**	**16,929**	**21,069**	**58,374**	**55,778**	**114,152**
Prior year adjustment (note 3)	–	–	–	–	–	–	(1,766)	(1,766)	–	(1,766)
Balance at 1 January 2013, as adjusted	**15,246**	**–**	**–**	**5,130**	**–**	**16,929**	**19,303**	**56,608**	**55,778**	**112,386**
Profit for the year	–	–	–	–	–	–	8,893	8,893	–	8,893
Other comprehensive income/(expense)	–	–	–	–	–	(1,690)	57	(1,633)	–	(1,633)
Total comprehensive income/(expense)	–	–	–	–	–	(1,690)	8,950	7,260	–	7,260
Issue of new shares in the course of the Group's reorganisation	59	–	–	–	–	–	–	59	–	59
Issue of new ordinary shares in Stock Spirits Group PLC	2,614	58,812	–	–	–	–	–	61,426	–	61,426
Share issue costs	–	(3,663)	–	–	–	–	–	(3,663)	–	(3,663)
Issue of new shares in exchange for convertible and preferred equity certificates	5,706	128,392	–	–	–	–	55,011	189,109	(55,011)	134,098
Reserve resulting from shares issued in exchange for shares in OCM Luxembourg Spirits Holdings S.à.r.l	–	–	99,033	–	–	–	(99,033)	–	–	–
Transfer of share-based payments obligation	–	–	–	–	767	–	–	767	(767)	–
Share-based compensation charge (note 35)	–	–	–	–	6,740	–	–	6,740	–	6,740
Balance at 31 December 2013	**23,625**	**183,541**	**99,033**	**5,130**	**7,507**	**15,239**	**(15,769)**	**318,306**	**–**	**318,306**
Profit for the year	–	–	–	–	–	–	35,837	35,837	–	35,837
Other comprehensive expense	–	–	–	–	–	(8,826)	(4)	(8,830)	–	(8,830)
Total comprehensive income/(expense)	–	–	–	–	–	(8,826)	35,833	27,007	–	27,007
Share-based compensation charge (note 35)	–	–	–	–	653	–	–	653	–	653
Dividends (note 30)	–	–	–	–	–	–	(2,462)	(2,462)	–	(2,462)
Balance at 31 December 2014	**23,625**	**183,541**	**99,033**	**5,130**	**8,160**	**6,413**	**17,602**	**343,504**	**–**	**343,504**

Consolidated statement of cash flows
for the year ended 31 December 2014

	Notes	2014 €000	2013 €000
Operating activities			
Profit for the year		**35,837**	8,893
Adjustments to reconcile profit for the year to net cash flows:			
Income tax expense/(credit) recognised in income statement	13	**13,201**	(17,573)
Interest expense and bank commissions		**12,324**	45,604
Loss on assets classified as held for sale		**547**	–
Loss on disposal of tangible assets		**393**	548
Other financial income		**(1,181)**	(1,847)
Depreciation and impairment of property, plant and equipment	18	**9,055**	7,557
Amortisation of intangible assets	16	**1,931**	1,697
Net foreign exchange (gain)/loss		**(6,533)**	12,602
Share-based compensation	35	**653**	6,740
Movement in provisions		**(1,732)**	(741)
		64,495	63,480
Working capital adjustments			
Increase in trade receivables and other assets		**(9,458)**	(31,446)
(Increase)/decrease in inventories		**(456)**	3,882
(Decrease)/increase in trade payables and other liabilities		**(58,063)**	90,197
		(67,977)	62,633
Cash generated by operations		**(3,482)**	126,113
Income tax paid	13	**(13,405)**	(10,660)
Net cash flows from operating activities		**(16,887)**	115,453
Investing activities			
Interest received		**685**	1,171
Payments to acquire intangible assets		**(1,146)**	(1,463)
Purchase of property, plant and equipment		**(7,140)**	(19,411)
Proceeds from asset previously classified as held for sale		**–**	4,200
Net cash flow from investing activities		**(7,601)**	(15,503)
Financing activities			
Repayment of borrowings	23	**(7,240)**	(57,057)
Repayment of PECs and CECs	24	**(215)**	(162,185)
New borrowings raised		**–**	70,000
Interest paid		**(11,145)**	(14,635)
Other financial costs		**–**	(55)
Proceeds from shares issued		**–**	61,426
Share issue costs		**–**	(3,663)
Dividends paid to equity holders of the parent	30	**(2,512)**	–
Net cash flow from financing activities		**(21,112)**	(106,169)
Net decrease in cash and cash equivalents		**(45,600)**	(6,219)
Cash and cash equivalents at the start of the year		**129,610**	138,718
Effect of exchange rates on cash and cash equivalents		**(1,096)**	(2,889)
Cash and cash equivalents at the end of the year	33	**82,914**	129,610

Exceptional costs included in cash flow above

Exceptional costs relating to the IPO included in cash flow from operating activities		**142**	7,100
Exceptional costs relating to the IPO included in financing activities		**–**	3,663
Other exceptional costs		**969**	7,988
Total exceptional costs		**1,111**	18,751

Notes to the consolidated financial statements at 31 December 2014

1. Corporate information

These consolidated financial statements were approved and authorised for issue by the Board of Directors of Stock Spirits Group PLC (the Company) on 12 March 2015.

The Company was incorporated on 12 September 2013 under the laws of England and Wales with the registered number 08687223 as Stock Spirits (UK) Limited. The Company was re-named Stock Spirits Group Limited on 2 October 2013 and was re-registered as a public limited company on 7 October 2013 with the name Stock Spirits Group PLC. The Company's registered office is at Solar House, Mercury Park, Wooburn Green, Buckinghamshire, HP10 0HH, United Kingdom.

As a result of the reorganisation implemented by way of the share exchange offer made by the Company for the shares of OCM Luxembourg Spirits Holdings S.à.r.l. on 21 October 2013, the Company became a new parent entity of OCM Luxembourg Spirits Holdings S.à.r.l., a private limited company registered in Luxembourg in 2006. OCM Luxembourg Spirits Holdings S.à.r.l. was liquidated on 5 December 2014. Prior to liquidation OCM Luxembourg Spirits Holdings S.à.r.l. was a holding company which owned companies involved in the production and distribution of spirits. See note 29 for further details.

The Company, together with its subsidiaries (the Group), is involved in the production and distribution of branded spirits in Central and Eastern Europe.

2. Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt a going concern basis of accounting in preparing the financial statements.

The financial position of the Group, its cash flows, liquidity position and borrowings facilities are described in the paragraphs below. In addition note 31 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity.

Details of the terms of each external loan facility are set out in note 23. The Group met its covenant requirements throughout the year ended 31 December 2014.

The Group has positive adjusted free cash flow and has access to short-term funding through its revolving credit facility. See note 23 for further details.

The Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group will be able to operate within the level of its current available facilities and maintain comfortable covenant headroom. The revolving credit facility is available as part of wider borrowing arrangements with the syndicate of banks and is not subject to annual renewal. Stock Polska Sp. z.o.o. also has a debt factoring facility of €49,417,000 which can be utilised to meet short term working capital requirements if necessary. Pursuant to the ING Credit Facility, the total amount of receivables subject to a factoring facility may not in aggregate exceed €40,000,000. See note 20 for further details.

After making enquiries, the Directors have reasonable expectation that the Company and the Group will have adequate resources to continue their operational existence for the foreseeable future and remain compliant with the covenant requirements for a period of at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis for preparing the financial statements.

Notes to the consolidated financial statements at 31 December 2014, continued

3. Accounting policies

Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. International Financial Reporting Standards are issued by the International Accounting Standard Board (IASB).

These consolidated financial statements have been prepared on a going concern basis as the Directors believe there are no material uncertainties that lead to significant doubt that the entity can continue as a going concern in the foreseeable future.

The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below. Exceptions include but are not limited to post-employment benefits and assets classified as held for sale measured at fair value.

Prior year adjustment

A prior year adjustment has been made to write off the value of certain agency contracts. These were previously capitalised and included within intangible assets when the Group was formed in 2007 and were deemed to have a useful life of four years. Therefore these assets should have been fully amortised by 31 December 2012. However, in 2014 it was discovered that no amortisation had been charged. An adjustment to correct this error has been made as at 1 January 2013 to reduce intangible assets as at 1 January 2013 by €2,183,000, and release the related deferred tax liability totalling €417,000. The net impact of this adjustment of €1,766,000 has been recognised within retained earnings at 1 January 2013.

On the reorganisation being completed in October 2013 the net book value of OCM Luxembourg Spirits Holdings S.à.r.l. was used to determine the amount which was credited to the merger reserve. This adjustment reduced the net book value of OCM Luxembourg Spirits Holdings S.à.r.l. by €1,766,000, and therefore the amount credited to the merger reserve has been reduced to €99,033,000.

A classification error has also been identified impacting the 2013 financial statements, relating to the inclusion of software amortisation expense within selling expenses. It is considered that this is more appropriately classified as other operating expenses. This reclassification does not impact EBITDA, the balance sheet or cash flow. For further details refer to note 16.

Changes in accounting policies

In the preparation of these consolidated financial statements, the Group followed the same accounting policies and methods of computation as compared with those applied in the previous year, except for the adoption of new standards and interpretations and revision of the existing standards as of 1 January 2014.

New/Revised standards and interpretations adopted in 2014

The following amendments to existing standards and interpretations were effective for the year, but either they were not applicable to or did not have a material impact on the Group:

Standard
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement
IAS 27 Separate Financial Statements
IAS 28 Investments in Associates and Joint Ventures
IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (Amendments)
IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting (Amendments)
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27
IFRIC 21 Levies

The following amendments to existing standards and interpretations, effective from 1 January 2014, which have had an impact on the Group's financial statements, are outlined below:

IAS 36: Impairment of Assets – Recoverable Amount Disclosures for Non- Financial Assets (Amendments)

Under the amendments implemented during the year, disclosure of additional information on the fair value measurement of impaired assets, when the recoverable amount is based on fair value less costs of disposal, is required. Refer to note 17 for further discussion.

New/Revised standards and interpretations not applied

The following standards and interpretations in issue are not yet effective for the Group and have not been adopted by the Group:

	Effective dates*
IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)	1 July 2014
Annual Improvements to IFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011–2013 Cycle	1 July 2014
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 27: Equity Method in Separate Financial Statements	1 January 2016
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016+

	Effective dates*
IFRS 15 Revenue from Contracts with Customers	1 January 2017+
IFRS 9 Financial Instruments	no earlier than 1 January 2018+

With the exception of IFRS 15 and IFRS 9 the Directors do not expect the adoption of these standards and interpretations to have a material impact on the consolidated or company financial statements in the period of initial application. The company has yet to evaluate the impact of IFRS 15 and IFRS 9.

* The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the Company prepares its financial statements in accordance with IFRS as adopted by the European Union (EU), the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Group's discretion to early adopt standards. IFRS 10, IFRS 11, IFRS 12 and IAS 27 and IAS 28 have been adopted by the EU with an effective date of 1 January 2014.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries controlled by the Company for the years to 31 December 2014 and 31 December 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Subsidiaries

Subsidiaries are part of the Group from the date of their acquisition, being the date on which the Group obtains control, and continue to be part of the Group until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights currently exercisable or convertible potential voting rights or by way of contractual agreement. The subsidiary financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All intra-group balances and transactions including unrealised profit arising from them are eliminated in full.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control of a subsidiary it: (i) de-recognises the assets (including goodwill) and liabilities of the subsidiary; (ii) de-recognises the carrying amount of any non-controlling interest; (iii) de-recognises the cumulative translation differences recorded in equity; (iv) recognises the fair value of the consideration received; (v) recognises the fair value of any investment retained; (vi) recognises any surplus or deficit in profit or loss; (vii) recognises the parent's share of any components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of any acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition costs incurred are expensed and included within exceptional items.

When the Group acquires a business it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable

Notes to the consolidated financial statements at 31 December 2014, continued

assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit and loss. After initial recognition goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing goodwill acquired in a business combination is from the acquisition date allocated to each of the Group's cash generating units that are expected to benefit from the combination irrespective of whether assets or liabilities of the acquisition are assigned to those units.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Purchases of controlling interests in subsidiaries from entities under common control

Purchases of controlling interests in subsidiaries from entities under common control are accounted for using the pooling of interests method.

The assets and liabilities of the subsidiary transferred under common control are recorded in these financial statements at the historical cost of the controlling entity (the Predecessor). Related goodwill inherent in the Predecessor's original acquisition is also recorded in the financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in the consolidated financial statements as an adjustment to the shareholders' equity.

These financial statements, including corresponding figures, are presented as if a subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Acquisition of subsidiaries

The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the combination. If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts for the combination using those provisional values. The Group recognises any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date.

Revenue recognition

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods; in general this is deemed to occur when customers take delivery of the goods
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- The amount of revenue can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the entity
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is generated from a sale of goods and is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue is reduced for estimated customer returns, discounts, rebates and other similar allowances and stated net of sales tax and excise. Sales incentives comprise:

- Discounts and rebates – which are sales incentives to customers to encourage them to purchase increased volumes and are related to total volumes purchases and sales growth
- Marketing services – which include merchandising, slotting and listing fees
- Free stock – which is stock given to customers for nil payment

The Group has concluded that it is the principal in its revenue arrangements as it is the primary obligor in these revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

Finance revenue

Finance revenue is recognised as interest accrues using the effective interest method. The effective rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Finance revenue also includes foreign currency exchange gains on the re-translation of loans and gains arising from changes in the fair value of interest rate swap instruments.

Segmental analysis

The accounting policy for identifying segments is based on internal management reporting information that is regularly reviewed by the chief operating decision maker.

For management purposes, the Group is organised into business units based on geographical area, and has five reportable segments:

- Poland
- Czech Republic
- Italy
- Other operational, including the Slovakian, International and Baltic Distillery entities
- Corporate, including the expenses and central costs incurred by non-trading Group entities

Management monitors the results of all operating segments separately as each of the geographic areas require different marketing approaches. Segment performance is evaluated based on EBITDA, adjusted for exceptional items and non-recurring expenses including long-term incentive plan, share based compensation and OCM management fee.

Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Group financial statements, the results and financial position of each entity are reported in Euros (€), which is the presentational currency for the Group financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of the reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All resulting differences are taken to the income statement.

For the purpose of presenting Group financial statements, the assets and liabilities of the Group's foreign operations are expressed in Euros using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as other comprehensive income and transferred to the Group's translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The closing foreign exchange rates used in the consolidation are as follows:

	2014	2013
Polish Złoty	**4.29**	4.15
Czech Koruna	**27.74**	27.40
Sterling	**0.78**	0.83

Employee benefits – severance indemnity

The provision for employee severance indemnity, mandatory for Italian companies pursuant to Law No. 297/1982, represents an unfunded defined benefit plan, according to IAS 19 (Revised), and is based on the working life of employees and on the remuneration earned by an employee over the course of a pre-determined term of service.

For details of the actuarial assumptions used, see note 26. For the severance indemnity, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting period. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The severance indemnity obligation recognised in the statement of financial position represents the present value of the obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Contributions for severance indemnity are recognised as an expense in the income statement when employees have rendered service entitling them to the contributions.

Income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements with the following exceptions:

- Where the temporary differences arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

Notes to the consolidated financial statements at 31 December 2014, continued

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised only to the extent that the directors consider that it is probable that there will be taxable profits from which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rate that is expected to apply when the related asset is realised or liability is settled, based on tax rates enacted or substantively enacted by the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Group to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Property, plant and equipment

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their cost less depreciation. Land is not depreciated.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Fixtures and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

The following useful lives are used in the calculation of depreciation:

Land	No depreciation
Buildings	20 – 50 years
Technical equipment	7 – 20 years
Other equipment	3 – 10 years

Intangible assets

Intangible assets acquired separately

Intangible assets including brands, agency contracts, customer lists and patents acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with a definite life are amortised on a straight-line basis over their estimated useful lives of between two and 15 years. A useful life of 15 years has been applied to Trademarks, with consideration to the age, history and profile of such Trademarks. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Amortisation expense related to software is included within other operating expenses in the consolidated income statement. Amortisation expense related to customer relationships and trademark is included in selling expenses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Fair value of identifiable brands acquired and recognised as part of a business combination are determined using the royalty or multi-period excess methods. All of the Group's brands have indefinite useful lives, are not amortised but are subject to an annual impairment test or whenever there is an indication that the asset may be impaired.

In arriving at the conclusion that a brand has an indefinite life, management considers their future usage, commercial position, stability of industry and all other aspects that might have an impact on this accounting policy. Management considers the business to be a brand business and expects to acquire, hold and support brands for an indefinite period. Subsidiary company history goes back to 1884 in Italy, 1920 in the Czech Republic and for over 100 years in Poland. Brands have a long tradition and companies have built customer loyalty over their history.

A core element of the Group's strategy is to invest in building its brands through an ongoing programme of spending on consumer marketing and through significant investment in promotional support. This policy is appropriate due to the stable long-term nature of the business and the enduring nature of the brands.

Subsequent to initial recognition, other intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Impairment of tangible and intangible assets excluding goodwill

At each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Goodwill

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units. Goodwill is reviewed for impairment annually or more frequently if there is an indication of impairment. Impairment of goodwill is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying value of the cash-generating unit to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Trade and other receivables

Trade and other receivables are recognised when it is probable that a future economic benefit will flow to the Group. Trade and other receivables are carried at original invoice or contract amount less any provisions for discounts and doubtful debts. Provisions are made where there is evidence of a risk of non-payment taking into account ageing, previous experience and general economic conditions.

Sale of receivables under non-recourse factoring

The Group via Stock Polska Sp. z.o.o. has entered into two non-recourse receivables financing with BRE Faktoring (formerly: Polfactor), a part of Commerzbank, and Coface, supported by Natixis Bank. It may sell up to €16,783,000 (PLN 72,000,000) and €32,634,000 (PLN 140,000,000) with each party respectively (at any one time) at face value less certain reserves and fees. Trade receivables are included net of the value of invoices which have been factored. Pursuant to the ING Credit Facility, the total amount of receivables subject to a factoring facility may not in aggregate exceed €40,000,000.

Assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale only if available for immediate sale in their present condition; a sale is highly probable and expected to be completed within one year from the date of classification. Such assets are measured at the lower of carrying amount and fair value less costs to sell and are not depreciated or amortised.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

Financial assets

Financial assets in the statement of financial position are loans

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and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

When loans and receivables are recognised initially, they are measured at fair value plus directly attributable transaction costs.

Loans and receivables are subsequently carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the loans and receivables are de-recognised or impaired, as well as through the amortisation process.

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the 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 statement of financial position, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The timing of cash outflows are by their nature uncertain and are therefore best estimates. Provisions are not discounted as the time value of money is not deemed to be material.

Exceptional items

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide a better understanding of the financial performance of the Group. They are material items of expense or income that have been shown separately due to the significance of their nature or amount. Exceptional items include significant costs of restructuring and reorganisation of the business, refinancing costs and other income and costs that are considered to be non-recurring.

Financial liabilities

Borrowings and other financial liabilities

Borrowings and other financial liabilities, including loans, are initially measured at fair value, net of transaction costs.

Borrowings and other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Hybrid instruments

With the exception of €215,000 Preferred Equity Certificates (PECs) all hybrid instruments were redeemed in the prior year. The balance outstanding on PECs at 31 December 2013 was subsequently settled in full in March 2014. As such these hybrid instruments are not applicable going forward.

PECs are regarded as debt instruments.

Convertible Preferred Equity Certificates (CPECs) are regarded as equity. At the discretion of the Company and not the holder redemption of the CPECs and yield can be made by the issue of shares rather than the payment of cash.

Convertible Equity Certificates (CECs) are classified as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate. The difference between the proceeds of the issue of the CECs and the fair value assigned to the liability component, representing the option to convert the liability into the equity of the Company, is included in equity.

The interest expense on the liability component is calculated applying the effective interest rate for the liability component of the instrument. This is added to the carrying amount of the CECs.

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 31 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the reporting period date. The resulting gain or loss is recognised in profit or loss immediately.

The fair value of derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the relationship is less than 12 months.

Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Leases and hire purchase commitments

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

Finance leases are capitalised on commencement of the lease at the lower of the fair value of the asset and the present value of the minimum lease payments. Each payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the finance balance outstanding. The rental obligations, net of finance charges, are included in interest bearing loans and borrowings.

The finance charges are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

Share-based payments

Equity-settled transactions

The cost of equity-settled transactions is recognised together with a corresponding increase in other reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for the period represents the movement in cumulative expense recognised as at the beginning and end of the period and is recognised in general and administrative expenses.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of

Notes to the consolidated financial statements at 31 December 2014, continued

the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cost based on the original award terms continues to be recognised over the original vesting period and an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification.

The financial effect of awards by the parent company of options over its equity shares to employees of subsidiary undertakings is recognised by the parent company in its individual financial statements as an increase in its investment in subsidiaries with a credit to equity equivalent to the IFRS 2 cost in subsidiary undertakings. The subsidiary, in turn, will recognise the IFRS 2 cost in its income statement with a credit to equity to reflect the deemed capital contribution from the parent company.

Cash-settled transactions

The cost of cash-settled transactions relating to share options issued at the IPO was measured initially at fair value at the grant date using a binomial model. The cost of cash-settled transactions relating to the Performance Share Plan was measured initially at fair value at the grant date using a Monte Carlo model. See further details given in note 35.

This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognised in employee benefits expense.

Cash dividends to equity holders of the parent

The Company recognises a liability to make cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in the United Kingdom, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

Financial risk management	note 31
Sensitivity analysis disclosures	note 17, 31

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

Assets held for sale

In 2014 the manufacturing facility in Slovakia, which was previously acquired as part of the acquisition of Imperator s.r.o. during 2012, was closed. This is expected to be sold in 2015 and therefore has been reclassified as held for sale in line with IFRS 5.

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Where Group entities are loss making, and are expected to continue to be loss making into the future it is judged that deferred tax assets should not be recognised in respect of these losses as it is not known when the losses will be able to be utilised in these entities.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. PECs and CECs are fully redeemed and therefore do not present an area of significant uncertainty going forward. See note 31 for further disclosures.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are

described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Measurement and impairment of indefinite life intangible assets

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year is the measurement and impairment of indefinite life intangible assets. The measurement of intangible assets other than goodwill on a business combination involves estimation of future cash flows and the selection of a suitable discount rate. The Group determines whether indefinite life intangible assets are impaired on an annual basis and this requires an estimation of their value in use. This involves estimation of future cash flows and choosing a suitable discount rate (note 17). Brands are considered to have an indefinite life. Management considers the business to be a brand business and expects to acquire, hold and support brands for an indefinite period.

Impairment of goodwill

The Group's impairment test for goodwill is based on a value in use calculation using a discounted cash flow model. The cash flows are derived from the Group's three-year plans. In prior years the Group prepared five-year plans, however the decision was made to reduce the forecast period to three years due to the difficulty in accurately forecasting up to five years into the future. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, as further explained in note 17. The Group tests annually whether goodwill has suffered any impairment.

Taxation

The Group provides for anticipated risks, based on reasonable estimates, for tax risks in the respective countries in which it operates. The amount of such provisions are based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible authority.

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Italian tax authorities have an open enquiry in the Italian subsidiary, Stock S.r.l., covering the years 2006, 2007, 2008 and 2009. Adequate provisions are included within the Group accounts to cover any future settlement.

Transfer pricing

The Group is an international drinks business and, as such, transfer pricing arrangements are in place to cover the recharging of management and stewardship costs, as well as the sale of finished goods between Group companies.

Employee severance indemnity provision

The determination of the obligation relating to the employee severance indemnity provision in Italy is based on assumptions determined with independent actuarial advice. The assumptions include discount rate, inflation, expected return on scheme assets, mortality and other demographic assumptions. The key assumptions are included in note 26.

Share-based payments

The Group initially measured the cost of cash-settled transactions on share options issued at the IPO using a binomial model to determine the fair value of the liability incurred. The cost of cash-settled transactions on share options issued under the Performance Share Plan has been initially measured using the Monte Carlo model. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in the profit or loss. This requires a reassessment of the estimates used at the end of each reporting period. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 35.

Sales related discounts

For sales related discounts that must be earned, management make estimates related to customer performance, sales volume and agreed terms, to determine total amounts earned and to be recorded in deductions from revenue.

Provisions for bad debts and inventory obsolescence

Provisions are made with reference to the ageing of receivable and inventory balances and the view of management as to whether amounts are recoverable. Bad debt provisions will be determined with consideration to recent customer trading and management experience, and provision for inventory obsolescence to latest sales forecasts.

Notes to the consolidated financial statements at 31 December 2014, continued

5. Revenue

An analysis of the Group's revenue is set out below:

	2014 €000	2013 €000
Revenue from the sale of spirits	**869,222**	980,589
Other sales	**4,777**	5,649
Excise taxes	**(581,319)**	(645,700)
Net revenue	**292,680**	340,538

6. Segmental analysis

In identifying its operating segments, management follows the Group's geographic split, representing the main products traded by the Group. The Group is considered to have five reportable operating segments: Poland, Czech Republic, Italy, Other Operational and Corporate. The Other Operational segment consists of the results of operations of the Slovakian, International and Baltic Distillery entities. The Corporate segment consists of expenses and central costs incurred by non-trading Group entities.

Each of these operating segments is managed separately as each of these geographic areas require different marketing approaches. All inter-segment transfers are carried out at arm's length prices. The measure of revenue reported to the chief operating decision-maker to assess performance is based on external revenue for each operating segment and excludes intra-Group revenues. The measure of adjusted EBITDA reported to the chief operating decision-maker to assess performance is based on operating profit and excludes intra-Group profits, depreciation, amortisation, exceptional items and non-recurring expenses.

The Group has presented a reconciliation from profit/(loss) before tax per the consolidated income statement to adjusted EBITDA below:

	2014 €000	2013 €000
Profit/(loss) before tax	**49,038**	(8,680)
Net finance charges	**4,610**	56,359
Operating profit	**53,648**	47,679
Depreciation and amortisation (note 11)	**10,986**	9,254
Exceptional items (note 8)	**1,111**	15,088
EBITDA before exceptionals	**65,745**	72,021
Non-recurring expenses (note 7)	**613**	11,648
Adjusted EBITDA	**66,358**	83,669

Total assets and liabilities are not disclosed as this information is not provided by segment to the chief operating decision-maker on a regular basis.

2014	Poland €000	Czech Republic €000	Italy €000	Other Operational €000	Corporate €000	Total €000
External revenue	168,000	59,470	35,252	29,958	–	292,680
EBITDA before exceptionals	53,069	16,270	8,916	2,872	(15,382)	65,745
Non-recurring expenses	55	–	(630)	1,188	–	613
Adjusted EBITDA	**53,124**	**16,270**	**8,286**	**4,060**	**(15,382)**	**66,358**

2013	Poland €000	Czech Republic €000	Italy €000	Other Operational €000	Corporate €000	Total €000
External revenue	206,244	63,203	36,688	34,403	–	340,538
EBITDA before exceptionals	65,531	17,835	8,058	2,480	(21,883)	72,021
Non-recurring expenses	2,788	410	663	119	7,668	11,648
Adjusted EBITDA	**68,319**	**18,245**	**8,721**	**2,599**	**(14,215)**	**83,669**

7. Adjusted EBITDA, adjusted EBIT and free cash flow bridges

The Group defines adjusted EBIT as operating profit before exceptional items and non-recurring expenses, and adjusted EBITDA as operating profit before depreciation and amortisation, exceptional items and non-recurring expenses. Adjusted EBIT and adjusted EBITDA are supplemental measures of the Group's performance and liquidity that are not required to be presented in accordance with IFRS.

	2014 €000	2013 €000
Operating profit	53,648	47,679
Exceptional items (note 8)	1,111	15,088
Non-recurring expenses*	613	11,648
Adjusted EBIT	55,372	74,415
Depreciation and amortisation (note 11)	10,986	9,254
Adjusted EBITDA	66,358	83,669
Adjusted EBITDA margin	22.7%	24.6%

* Non-recurring expenses in 2014 relate to profits or losses on disposal and impairment of fixed assets. In 2013 non-recurring expenses constituted OCM management fee, share-based payments, charges relating to the long-term incentive plan and profits or losses relating to disposals of fixed assets. Following admission to the London Stock Exchange in 2013 the Group no longer pays management fees to Oaktree. In addition shares of OCM Luxembourg Spirits Holdings S.à.r.l. issued under the share-based payments and commitments to grant options over share of OCM Luxembourg Spirits Holdings S.à.r.l. were exchanged in 2013 for ordinary shares and options to acquire ordinary shares respectively, upon the corporate reorganisation. The long-term incentive plan which existed prior to admission was amended so that 50% – 70% of accrued awards crystallised upon admission, being paid out in cash. All remaining awards became exercisable in October 2014. At the company's discretion these options can be satisfied in cash and consequently these have been accounted for as cash-settled share-based compensation under IFRS 2.

The Group defines free cash flow as net cash generated from operating activities (excluding income tax paid, certain exceptional items and their related impact on working capital adjustments), plus net cash used in or generated from investing activities (excluding interest received, net cash paid for acquisitions and net proceeds from the sale of subsidiaries).

	2014 €000	2013 €000
Net cash generated from operating activities	(16,887)	115,453
Income tax paid	13,405	10,660
IPO costs included within cash flow from operating activities	142	7,100
Net cash pre investing and financing activities	(3,340)	133,213
Net cash generated from investing activities	(7,601)	(15,503)
Interest received	(685)	(1,171)
Cash flow pre financing activities	(11,626)	116,539
Proceeds from asset previously classified as held for sale	–	(4,200)
Cash impact of IPO costs included within financing activities	–	3,663
Cash impact of non-IPO exceptional items	658	7,628
Free cash flow	(10,968)	123,630
Free cash flow as a percentage of adjusted EBITDA	(16.5%)	147.8%
Polish VAT (due to timing of payment)	40,306	(40,306)
Adjusted free cash flow	29,338	83,324
Adjusted free cash flow as a percentage of adjusted EBITDA	44.2%	99.6%

Notes to the consolidated financial statements at 31 December 2014, continued

8. Exceptional items

	2014 €000	2013 €000
Restructuring of Italian business[1]	–	(112)
Costs associated with the IPO[2]	142	7,100
Costs associated with potential disposal of the Group by majority shareholder[3]	–	460
Refinancing costs[4]	529	4,091
Czech alcohol ban[5]	–	73
Restructuring and merger of Slovakian businesses[6]	59	810
Corporate restructuring[7]	381	1,391
Other[8]	–	1,168
Disposal of US operations and brands[9]	–	107
Total exceptional items	1,111	15,088

1. Restructuring costs in respect of the Group's Italian production, sales, distribution and administrative operations, including a relocation of some functions from Trieste to Milan. The credit for 2013 includes release of accruals previously made for redundancy costs and site restoration which were no longer required, offset by costs associated with the disposal of the property at Trieste.
2. Advisory and legal costs including unrecoverable VAT in connection with the IPO. These costs represent the portion of costs incurred which were not capitalised. €3,663,000 of costs which were incurred in 2013 represented those costs capitalised in relation to the issue of new ordinary shares in Stock Spirits Group PLC, and were therefore directly attributable to the IPO.
3. Costs in 2013 represented advisory and legal costs including unrecoverable VAT in connection with the potential disposal of the Group by the majority shareholder.
4. Legal and advisory costs including unrecoverable VAT in connection with the refinancing of the Group completed in 2013 and revision to the facility agreement in 2014 which do not meet the criteria for capitalisation. See note 23.
5. Costs associated with the re-launch of products following the lifting of the Czech alcohol ban in September and October 2012.
6. Reorganisation of the Slovakian businesses, including termination payments and legal costs incurred in relation to the merger of Stock Slovakia s.r.o. and Imperator s.r.o.
7. Restructuring costs in connection with the IPO. This includes restructuring of IP arrangements in Poland, representing the internal transfer of Trademarks from Stock Wódka Polska S.A. to Stock Polska Sp. z.o.o.
8. Costs in 2013 included reorganisation of the Group's operations function, including termination payments, outsourcing of sales in Slovenia to a third party distributor and costs associated with the corresponding liquidation of Slovenian entity Stock Trade d.o.o., Ljubljana, costs relating to the acquisition and integration of Baltic Distillery GmbH and a provision for historic unrecoverable VAT in certain of the Group's subsidiaries.
9. The charge in 2013 relates to the write off of Gran Gala labels and legal costs associated with the disposal of the US operations and brands.

9. Finance revenue and costs

	2014 €000	2013 €000
Finance revenue:		
Foreign currency exchange gain	6,533	–
Interest rate swap instruments	496	676
Interest income	685	1,171
Total finance revenue	7,714	1,847
Finance costs:		
Interest payable on bank overdrafts and loans	7,917	10,506
Coupon interest on PECs	–	12,055
Interest payable on CECs	–	1,007
Interest payable on PECs	–	18,823
Foreign currency exchange loss	–	12,602
Bank commissions, guarantees and other payables	2,571	2,950
Other interest expense	1,836	263
Total finance costs	12,324	58,206
Net finance costs	4,610	56,359

10. Staff costs

	2014 €000	2013 €000
Wages and salaries	**27,197**	29,628
Social security costs	**4,625**	4,887
Other pension costs	**1,220**	1,945
Termination benefits	**113**	669
Long-term incentive plan (note 26)	**(330)**	1,505
Share-based compensation (note 35)	**171**	8,891
	32,996	47,525

Other pension costs relate primarily to the Group's contributions to defined contribution pension plans. Also included is €20,000 (2013: €250,000) relating to the employee severance indemnity in Italy, which represents an unfunded defined benefit plan. Refer to note 26 for further details.

Average monthly number of employees in the year

	2014 No.	2013 No.
Production and logistics	**485**	455
Sales	**252**	291
Other	**186**	216
	923	962

11. Operating profit

Operating profit for the year has been arrived at after charging:

	2014 €000	2013 €000
Cost of inventories recognised as an expense	**138,752**	166,962
Advertising, promotion and marketing costs	**28,558**	31,138
Indirect costs of production	**8,693**	9,198
Logistics costs	**5,863**	5,671
Operating lease expense	**2,947**	2,735
Legal and professional fees	**3,962**	3,527
Loss on disposal of tangible assets	**393**	548
Loss on assets classified as held for sale	**547**	–
Net foreign exchange translation loss/(gain)	**1,036**	(419)
Depreciation and amortisation – production cost	**4,650**	4,800
Depreciation and amortisation – selling cost	**3,573**	1,807
Depreciation and amortisation – administration cost	**2,763**	2,647
Total depreciation and amortisation	**10,986**	9,254

Notes to the consolidated financial statements at 31 December 2014, continued

12. Auditors' remuneration

The Group paid the following amounts to its auditors Ernst & Young LLP and other firms in respect of the audit of the financial statements and for other services provided to the Group:

	2014 €000	2013 €000
Fees payable for audit of the Parent and Group financial statements	**464**	294
Fees payable for local statutory audits for subsidiaries	**458**	487
Fees payable for audit-related assurance services	**67**	70
Fees payable for taxation compliance services	**197**	231
Fees payable for taxation advisory services	**617**	1,449
Fees payable for corporate finance services	**410**	3,596
Total	**2,213**	6,127

Included in the analysis above are fees payable to Ernst & Young LLP totalling €nil (2013: €667,000) which were included as share issue costs.

13. Income taxes

(a) Income tax recognised in profit or loss:

	2014 €000	2013 €000
Tax expense/(credit) comprises:		
Current tax expense	**10,554**	4,565
Tax expense relating to prior year	**2,872**	2,589
Deferred tax credit	**(241)**	(27,041)
Other taxes	**16**	2,314
Total tax expense/(credit)	**13,201**	(17,573)
Consolidated statement of OCI		
Net gain/(loss) on actuarial gains and losses	**–**	–
Income tax charged/(credited) to OCI	**13,201**	(17,573)

Reconciliation of total tax expense	2014 €000	2013 €000
Profit/(loss) before tax	**49,038**	(8,680)
Accounting profit/(loss) multiplied by United Kingdom combined rate of corporation tax of 21.5% (2013: 23.25%)	**10,543**	(2,018)
Expenses not deductible for tax purposes	**2,794**	8,922
Effect of difference in tax rates	**(1,287)**	(3,180)
Impact of post-IPO corporate restructuring	**(1,737)**	(26,200)
Tax charge relating to prior year	**2,872**	2,589
Other taxes	**16**	2,314
Total tax expense/(credit) reported in the income statement	**13,201**	(17,573)
Effective tax rate	**26.9%**	(202.5)%

Current tax liability:

	2014 €000	2013 €000
Tax prepayments as of 1 January	1,795	1,629
Tax liability as of 1 January	(8,513)	(8,870)
Tax charge relating to prior year	(2,872)	(2,589)
Payments in year	13,405	10,660
Current tax expense	(10,554)	(4,565)
Other taxes	(16)	(2,314)
Provision for historic unrecoverable VAT	–	(810)
Foreign exchange adjustment	(31)	141
Net current tax liability	(6,786)	(6,718)
Analysed as:		
Tax prepayment	5,461	1,795
Current tax liability	(12,247)	(8,513)
	(6,786)	(6,718)

Transfer pricing

The Group is an international drinks business and, as such, transfer pricing arrangements are in place to cover the recharging at fair value of management and stewardship costs, as well as the sale of finished goods between Group companies.

Tax inspection

The Italian tax authorities have an open enquiry in the Italian subsidiary, Stock S.r.l., covering the years 2006 – 2009. Adequate provisions are included within the Group accounts to cover any future liability.

(b) Unrecognised tax losses:

The Group has tax losses which arose in the UK of €21,444,000 as at 31 December 2014 (2013: €40,000,000) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. A deferred tax asset has not been recognised in respect of these losses as it is not known when the losses will be utilised in the relevant entities.

(c) Temporary differences associated with Group investments:

At 31 December 2014, there were €15,185,000(2013: €15,697,000) of unprovided deferred tax liabilities in respect of taxable temporary differences in certain Group subsidiaries. The amounts are unprovided as the Group has determined that the payments which would crystallise the tax liability will not be made.

Notes to the consolidated financial statements at 31 December 2014, continued

(d) Deferred tax balances:
Deferred tax assets and liabilities arise from the following:

2014	1 January 2014 €000	(Charged)/ credited to income €000	Translation difference €000	31 December 2014 €000
Temporary differences:				
Brands	(25,414)	(3,635)	(314)	(29,363)
Other assets and liabilities	3,011	3,876	(117)	6,770
	(22,403)	**241**	**(431)**	**(22,593)**
Deferred tax asset	21,974	274	(705)	21,543
Deferred tax liability	(44,377)	(33)	274	(44,136)
	(22,403)	**241**	**(431)**	**(22,593)**

2013	1 January 2013, as reported €000	Prior year adjustment €000	1 January 2013, as adjusted €000	Credited to income €000	Translation difference €000	Transfer €000	€000
Temporary differences:							
Brands	(52,639)	–	(52,639)	23,800	3,425	–	(25,414)
Other assets and liabilities	(825)	417	(408)	3,241	178	–	3,011
	(53,464)	**417**	**(53,047)**	**27,041**	**3,603**	**–**	**(22,403)**
Deferred tax asset	9,240	–	9,240	19,101	1,152	(7,519)	21,974
Deferred tax liability	(62,704)	417	(62,287)	7,940	2,451	7,519	(44,377)
	(53,464)	**417**	**(53,047)**	**27,041**	**3,603**	**–**	**(22,403)**

Corporate restructuring

Post-IPO the Group completed corporate restructuring transactions which have given rise to a significant deferred tax asset which will be amortised over a five-year period.

14. Earnings per share

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the potentially dilutive ordinary shares into ordinary shares. In this regard the dilutive effect of the Convertible Equity Certificates (CECs) over shares in OCM Luxembourg Spirits Holdings S.à.r.l. was considered in 2013. However, the impact of the CECs is anti-dilutive and was therefore excluded from the calculation of diluted EPS.

Details of the earnings per share are set out below:

Basic earnings per share	2014	2013
Profit attributable to the equity shareholders of the Company (€'000)	**35,837**	8,893
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	**200,000**	181,944
	€	€
Basic earnings per share	**0.18**	0.05

Diluted earnings per share		
Profit attributable to the equity shareholders of the Company (€'000)	**35,778**	8,893
Weighted average number of diluted ordinary shares adjusted for the effect of dilution ('000)	**203,631**	183,488
	€	€
Diluted earnings per share	**0.18**	0.05

Excluding foreign exchange gains in finance revenue of €6.5m in 2014, and foreign exchange losses in finance costs of €12.6m in 2013, adjusted basic earnings per share would have been €0.15 per share in 2014 and €0.12 per share in 2013, and adjusted diluted earnings per share would have been €0.14 per share in 2014 and €0.12 per share in 2013.

There have been no other transactions involving ordinary shares between the reporting date and the date of authorisation of these financial statements.

15. Intangible assets – goodwill

	2014 €000	2013 €000
Cost:		
As at 1 January	**76,866**	76,803
Net foreign currency exchange differences	**–**	63
As at 31 December	**76,866**	76,866
Accumulated impairment:		
As at 1 January	**16,500**	16,500
As at 31 December	**16,500**	16,500
Carrying amount at 31 December	**60,366**	60,366

Notes to the consolidated financial statements at 31 December 2014, continued

16. Intangible assets – other

2014	Brands €000	Customer Relationships and Trademark €000	Software €000	Total €000
Cost:				
As at 1 January 2014	286,254	1,514	16,697	304,465
Additions	–	–	1,146	1,146
Asset reclassified as held for sale	–	–	(53)	(53)
Net foreign currency exchange differences	(2,558)	–	(81)	(2,639)
As at 31 December 2014	**283,696**	**1,514**	**17,709**	**302,919**
Amortisation:				
As at 1 January 2014	–	118	12,661	12,779
Amortisation expense	–	118	1,813	1,931
Asset reclassified as held for sale	–	–	(33)	(33)
Net foreign currency exchange differences	–	–	28	28
As at 31 December 2014	**–**	**236**	**14,469**	**14,705**
Carrying amount				
As at 31 December 2014	**283,696**	**1,278**	**3,240**	**288,214**

2013	Brands €000	Customer Relationships and Trademark €000	Software €000	Total €000
Cost:				
As at 1 January 2013 as reported	305,353	1,010	17,658	324,021
Prior year adjustment (note 3)	–	–	(2,183)	(2,183)
As at 1 January 2013 as adjusted	305,353	1,010	15,475	321,838
Additions	–	–	1,463	1,463
Disposals	–	–	(57)	(57)
Transfers	(504)	504	–	–
Net foreign currency exchange differences	(18,595)	–	(184)	(18,779)
As at 31 December 2013	**286,254**	**1,514**	**16,697**	**304,465**
Amortisation:				
As at 1 January 2013	–	–	11,019	11,019
Amortisation expense	–	118	1,579	1,697
Net foreign currency exchange differences	–	–	63	63
As at 31 December 2013	**–**	**118**	**12,661**	**12,779**
Carrying amount				
As at 31 December 2013	**286,254**	**1,396**	**4,036**	**291,686**

Brands are not amortised, as it is considered that their useful economic lives are not limited. An annual impairment assessment is performed to ensure carrying values are recoverable. Customer Relationships are amortised over 12 years, with 10 years remaining. Trademarks are amortised over 15 years, with 13 years remaining.

The gross carrying value of fully amortised intangible assets that are still in use is €2,796,000 (2013: €1,916,000).

Amortisation relating to software is included within other operating expenses in the consolidated income statement. Amortisation relating to customer relationships and trademark is included in selling expenses.

17. Impairment of goodwill and intangibles with indefinite lives

Goodwill acquired through business combinations and brands have been allocated for impairment testing purposes to three cash-generating units (CGU) based on the geographical location of production plants and the ownership of intellectual property. This represents the lowest level within the Group at which goodwill and brands are monitored for internal management purposes.

Cash generating units

The Group has identified the cash generating units, used in the impairment review of intangible assets with indefinite lives, to be the Czech region (including Imperator), Italy region and Poland region.

	Czech Republic €000	Italy €000	Poland €000	Total €000
31 December 2014				
Carrying amount of brands	188,781	50,996	43,919	283,696
Carrying amount of goodwill	35,522	22,632	2,212	60,366
Value in use headroom	23,877	21,209	569,889	614,975

Restated	Czech Republic €000	Italy €000	Poland €000	Total €000
31 December 2013				
Carrying amount of brands	191,094	49,745	45,415	286,254
Carrying amount of goodwill	35,522	22,632	2,212	60,366
Value in use headroom	29,015	15,813	674,490	719,318

Refer to note 3 for details of restatement

Impairment review

Under IAS 36 the Group is required to complete a full impairment review of intangible assets using a value-in-use (VIU) calculation based upon DCF models. During the year ended 31 December 2014 the goodwill and brands in the Czech Region, Italy Region and Poland Region were subject to impairment review. In prior years the Group prepared five-year plans, however the decision was made to reduce the forecast period to three years due to the difficulty in accurately forecasting up to five years in to the future.

(i) Czech Region

The recoverable amount of the Czech Region unit has been determined based on a value-in-use calculation using cash flow projections from the three-year planning process approved by senior management. The pre-tax discount rate applied to cash flow projections is 10.4% (2013: 11.4%) and cash flows beyond the three-year period are extrapolated using a 2.5% (2013: 2.5%) growth rate.

The following sensitivity analysis shows the impact on VIU headroom of different pre-tax weighted average cost of capital rates (WACC) and EBITDA delivery in the cash flow projections used in the impairment review models.

WACC **EBITDA delivery**	9.5% €000	10.0% €000	10.4% €000	11.0% €000	11.5% €000
–10%	26.7	10.8	0.1	(15.3)	(26.1)
–5%	40.0	23.3	12.0	(4.2)	(15.7)
0%	53.4	35.8	23.9	6.8	(5.3)
5%	66.7	48.2	35.7	17.8	5.1
10%	80.1	60.7	47.6	28.8	15.5

Notes to the consolidated financial statements at 31 December 2014, continued

(ii) Italy Region

The recoverable amount of the Italy Region unit was determined based on a value-in-use calculation using cash flow projections from the three-year planning process approved by senior management. The pre-tax discount rate applied to cash flow projections is 12.4% (2013: 12.9%) and cash flows beyond the three-year period are extrapolated using a 2.0% (2013: 2.5%) growth rate.

The following sensitivity analysis shows the impact on VIU headroom of different pre-tax weighted average cost of capital rates and EBITDA delivery in the cash flow projections used in the impairment review models.

WACC EBITDA delivery	11.5% €000	12.0% €000	12.4% €000	13.0% €000	13.5% €000
–10%	19.2	14.6	11.5	6.6	3.2
–5%	24.5	19.6	16.3	11.3	7.6
0%	29.8	24.7	21.2	15.9	12.0
5%	35.1	29.7	26.1	20.5	16.4
10%	40.4	34.8	30.9	25.1	20.8

(iii) Poland Region

The recoverable amount of the Poland Region unit has been determined based on a value-in-use calculation using cash flow projections from the three-year planning process approved by senior management. The pre-tax discount rate applied to cash flow projections is 10.5% (2013: 11.5%) and cash flows beyond the three-year period are extrapolated using a 2.5% (2013: 2.5%) growth rate.

The following sensitivity analysis shows the impact on VIU headroom of different pre-tax weighted average cost of capital rates and EBITDA delivery in the cash flow projections used in the impairment review models.

WACC EBITDA delivery	9.5% €000	10.0% €000	10.5% €000	11.0% €000	11.5% €000
–10%	589.2	540.8	497.6	461.0	427.8
–5%	630.4	579.3	533.8	495.1	460.0
0%	671.7	617.9	569.9	529.2	492.3
5%	712.9	656.4	606.0	563.3	524.6
10%	754.1	694.9	642.2	597.4	556.8

Key assumptions used in the value-in-use calculations

The calculation of value-in-use for all regions is most sensitive to the following assumptions:

- Spirits price inflation – small annual percentage increases assumed in all markets based on historic data
- Growth in spirits market – assumed to be static or slightly declining in all markets based on recent historic trends
- Market share – through company specific actions outlined in detailed internal plans, market share to be grown overall
- Discount rates – rates reflect the current market assessment of the risks specific to each operation. The discount rate was estimated based on an average of guideline companies adjusted for the operational size of the Group and specific regional factors
- Raw material cost –assumed to be at average industry cost
- Excise duty – no future duty changes have been used in projections
- Growth rate used to extrapolate cash flows beyond the forecast period. The assumed growth rate reflects management expectation and takes into consideration growth achieved to date, current strategy and expected spirits market growth.

The value-in-use headroom for each cash-generating unit where these sensitivities would be applicable has been detailed above.

18. Property, plant and equipment

2014	Land and buildings €000	Technical equipment €000	Other equipment €000	Assets under construction €000	Total €000
Cost:					
As at 1 January 2014	31,782	39,751	16,026	6,538	94,097
Additions	106	3,511	1,826	1,697	7,140
Assets reclassified as held for sale	(1,033)	(746)	–	–	(1,779)
Disposals	(114)	(1,085)	(525)	(306)	(2,030)
Foreign currency adjustment	(323)	(418)	(299)	(171)	(1,211)
As at 31 December 2014	**30,418**	**41,013**	**17,028**	**7,758**	**96,217**
Depreciation:					
As at 1 January 2014	8,162	16,234	3,262	–	27,658
Depreciation expense	944	4,648	3,463	–	9,055
Assets reclassified	(429)	(703)	–	–	(1,132)
Disposals	(44)	(1,090)	(503)	–	(1,637)
Foreign currency adjustment	49	70	2	–	121
As at 31 December 2014	**8,682**	**19,159**	**6,224**	–	**34,065**
Carrying amount:					
As at 31 December 2014	**21,736**	**21,854**	**10,804**	**7,758**	**62,152**

2013	Land and buildings €000	Technical equipment €000	Other equipment €000	Assets under construction €000	Total €000
Cost:					
As at 1 January 2013	32,563	35,986	4,085	6,432	79,066
Additions	521	5,378	13,216	296	19,411
Disposals	(60)	(1,211)	(1,221)	(3)	(2,495)
Foreign currency adjustment	(1,242)	(402)	(54)	(187)	(1,885)
As at 31 December 2013	**31,782**	**39,751**	**16,026**	**6,538**	**94,097**
Depreciation:					
As at 1 January 2013	6,954	12,307	2,290	–	21,551
Depreciation expense	932	4,854	1,771	–	7,557
Disposals	(57)	(988)	(959)	–	(2,004)
Foreign currency adjustment	333	61	160	–	554
As at 31 December 2013	**8,162**	**16,234**	**3,262**	–	**27,658**
Carrying amount:					
As at 31 December 2013	**23,620**	**23,517**	**12,764**	**6,538**	**66,439**

The net book value of assets held under finance leases amounts to €574,000 (2013: €430,000).

The gross carrying value of fully depreciated property, plant and equipment that is still in use is €14,483,000 (2013: €14,862,000).

Notes to the consolidated financial statements at 31 December 2014, continued

19. Inventories

	2014 €000	2013 €000
Raw materials	**7,874**	7,073
Work in progress	**2,851**	2,568
Finished goods and merchandise	**18,474**	19,468
Provision for obsolescence	**(1,799)**	(2,165)
	27,400	26,944

During the year ended 31 December 2014, inventories with a total value of €1,046,000 (2013: €2,877,000) were written off. All write-offs were incurred as part of normal activities.

20. Trade and other receivables

	2014 €000	2013 €000
Trade receivables	**174,343**	135,051
Allowance for doubtful debts	**(4,760)**	(2,677)
	169,583	132,374
Other debtors and prepayments	**6,715**	34,402
	176,298	166,776

The movement on the allowance for doubtful debts is set out below.

	2014 €000	2013 €000
As at start of year	**(2,677)**	(7,173)
Charge for the year	**(3,139)**	(403)
Amounts utilised	**994**	4,831
Foreign currency adjustment	**62**	68
As at end of year	**(4,760)**	(2,677)

Sale of receivables under non-recourse factoring

The Group via Stock Polska Sp. z.o.o. has entered into two non-recourse receivables financing with BRE Faktoring (formerly: Polfactor), a part of Commerzbank, and Coface, supported by Natixis Bank. It may sell up to €16,783,000 (PLN 72,000,000) and €32,634,000 (PLN 140,000,000) with each party respectively (at any one time) at face value less certain reserves and fees. As at 31 December 2014 BRE Faktoring charge interest on the drawn amounts of WIBOR 1M + 1.1% and a fee per invoice of 0.11%. Coface charge interest on the drawn amounts of WIBOR 1M + 1.05% and a fee per invoice of 0.19%. The proceeds from the sale can be applied for the general corporate and working capital purposes of the Group. Pursuant to the ING Credit Facility, the total amount of receivables subject to a factoring facility may not in aggregate exceed €40,000,000.

At 31 December 2014, there was no utilisation of the factoring facility.

Trade receivables are denominated in the following currencies:

	2014 €000	2013 €000
Polish Złoty	**136,195**	96,817
Euro	**22,125**	19,516
US Dollar	**25**	119
Czech Koruna	**7,966**	12,295
Other currencies	**3,272**	3,627
	169,583	132,374

As at 31 December, the analysis of trade receivables that were past due but not impaired is as follows:

	2014 €000	2013 €000
Overdue 0–30 days	**13,420**	12,338
Overdue more than 30 days	**3,525**	1,640
	16,945	13,978

The credit quality of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available, otherwise historical information relating to counter-party default rates is used. The Group continually assesses the recoverability of trade receivables and the level of provisioning required.

Information about major customers

Annual revenue from one customer in the Poland segment totalled more than 10% of total Group revenue. In 2014 revenue from this customer amounted to €47,849,000 (2013: €51,681,000).

21. Other assets

	Current 2014 €000	Non-current 2014 €000	Current 2013 €000	Non-current 2013 €000
Customs guarantees	**–**	**4,404**	1	4,467

Customs guarantees are lodged with local Customs and Excise authorities and represent assets belonging to the Group. The guarantees are to provide comfort to local Customs and Excise authorities that liabilities will be settled.

22. Assets classified as held for sale

During the year, the small manufacturing facility in Slovakia, acquired as part of the acquisition of Imperator s.r.o. in 2012, was closed. Production of Imperator brands was fully transferred to the Group's manufacturing facilities in the Czech Republic.

Following the closure, the site was made available for sale, and has been written down to the expected realisable value of €120,000, resulting in an impairment of €547,000, which has been included within other operating expenses. This impairment of fixed assets is considered to be a non-recurring expense within note 7.

Notes to the consolidated financial statements at 31 December 2014, continued

23. Financial liabilities

	Current 2014 €000	Non-current 2014 €000	Current 2013 €000	Non-current 2013 €000
Secured – at amortised cost				
ING loan[1]	**8,179**	**156,581**	6,893	168,556
Cost of arranging bank loan[2]	**(1,152)**	**(4,002)**	(1,052)	(5,281)
Interest payable	–	–	–	–
Total	**7,027**	**152,579**	5,841	163,275

1. At 31 December 2014 and 31 December 2013 the Group had three Term loans; Term Loan A (TLA), Term Loan B (TLB) and Term Loan C (TLC), split into eight variable rate loans, and a Revolving Credit Facility (RCF) with a banking club consisting of eight (2013: nine) banks including ING who also acted as the agent. On 17 July 2014 the Group signed an Amended and Restated Agreement (ARA) with the banking club. The ARA reduced the margins across all loans by 1.50% per annum, and removed security over Intellectual Property and receivables from the clauses. Each of the term loans have been drawn down in multiple tranches in the local currencies of the drawers. The loans bear variable rates of interest which are linked to the inter-bank offer rates of the drawers, WIBOR, PRIBOR or EURIBOR as appropriate. Please refer to the table below for the balances drawn down for the various tranches. Each of the loans has a variable margin element to the interest charge. The margin is linked to a ratchet mechanism where the margin decreases as the Group's leverage covenant decreases. The principal value of TLA is €68,000,000 and is an amortising loan with payments being made over the period to the maturity date of 2019. The principal value of TLB is €102,000,000 and is a non-amortising loan, with full payment being made at the maturity date of 2020 . TLC is an amortising loan with a maturity date of 2020. The Group also has an RCF facility which allows the drawdown of up to €70,000,000 (2013: €70,000,000) of funds to assist with working capital requirements and to provide funding for acquisitions. As at 31 December 2014 €6,463,000 (2013: €8,624,000) of the RCF was utilised for customs guarantees in Italy and Germany. These custom guarantees reduce the available RCF but do not constitute a balance sheet liability.
2. Costs of arranging the Group banking facilities are deducted from the original measurement of the loan facilities and amortised into finance costs throughout the period using the effective interest method.

The following table shows the distribution of loan principal balances as at 31 December 2014 and 31 December 2013 in Euros.

	Term loan A 2014 €000	Term loan B 2014 €000	Term loan C 2014 €000	Total 2014 €000	Term loan A 2013 €000	Term loan B 2013 €000	Term loan C 2013 €000	Total 2013 €000
Poland	27,594	25,553	40,299	93,446	32,823	26,415	42,428	101,666
Czech Republic	10,036	41,822	–	51,858	11,692	42,341	–	54,033
Italy	–	7,753	–	7,753	–	7,753	–	7,753
Imperator	–	–	6,395	6,395	–	–	6,590	6,590
Baltic Distillery	–	–	5,308	5,308	–	–	5,407	5,407
	37,630	75,128	52,002	164,760	44,515	76,509	54,425	175,449
– Current	7,217	–	962	8,179	5,829	–	1,064	6,893
– Non-current	30,413	75,128	51,040	156,581	38,686	76,509	53,361	168,556

In 2011 the Group contracted to hedge 67% of interest payments, relating to the Czech Republic and Italian TLA and TLB balances with two interest rate swaps exchanging variable interest for fixed. At this time the Group also put in place an interest rate cap relating to the Polish TLA and TLB balances. These hedging arrangements expired on 30 September 2014. Refer to note 31 for more details. The interest payments relating to TLC are unhedged.

The security given in favour of the banking club as at 31 December 2014 consists primarily of security over the shares and assets in each of Stock S.r.l., Stock Plzeň Božkov s.r.o., Stock Polska Sp. z.o.o., Baltic Distillery GmbH and Imperator s.r.o.

The Transaction Security given in favour of the banking club as at 31 December 2013 consisted primarily of pledges, assignments and charges over the shares, bank accounts, intellectual property rights, trademarks, assets (movable and immovable) and mortgage over properties, in all of or each of Stock Spirits Group Luxembourg Holdings S.à.r.l., Stock Spirits (UK) Limited, Stock S.r.l., Stock Plzeň Božkov s.r.o., Stock Polska Sp. z.o.o., Wódka Polska Sp. z.o.o., F.lli Galli, Camis & Stock A.G., Baltic Distillery GmbH and Imperator s.r.o. The amended ARA signed on 17 July 2014 removed the security over Intellectual Property and receivables.

24. Loans from former shareholder

	Current 2014 €000	Non-Current 2014 €000	Current 2013 €000	Non-Current 2013 €000
Unsecured – at amortised cost				
PECs[i]	–	–	215	–
	–	–	215	–

i. PECs: Preferred Equity Certificate. In November 2006, July 2007, March 2008 and June 2010, OCM Luxembourg Spirits Holdings S.à.r.l. issued Preferred Equity Certificates totalling €172,037,029. These were redeemable after 49 years from the date of issue, if not previously redeemed by the holder. The PECs were not secured and carried interest at rates between 6% and 8.375%. In April 2013 OCM Luxembourg Spirits Holdings S.à.r.l. redeemed a portion of PECs totalling €80,000,000. In August 2013 OCM Luxembourg Spirits Holdings S.à.r.l. redeemed additional PECs totalling €82,185,000. The payment on redemption was made to PEC Holders. These repayments were permitted distributions under the Group's ING loan facility and no events of default in relation to borrowing covenants have or will occur as a result of this transaction. Immediately prior to admission to the London Stock Exchange in October 2013 the residual PEC payable balance, including accrued interest, were redeemed to 40,457,392 ordinary shares in Stock Spirits Group PLC. As at 31 December 2013 the PEC payable balance was fully paid with the exception of €215,000, which was subsequently settled in full in March 2014.

25. Other financial liabilities

	Current 2014 €000	Non-current 2014 €000	Current 2013 €000	Non-current 2013 €000
Finance leases	227	357	214	229
Derivative financial instruments	–	–	498	–
	227	357	712	229

26. Provisions

2014	(i) Employee benefits €000	(ii) Severance indemnity €000	(iii) Other provisions €000	(iv) Legal and contract related provisions €000	Total €000
As at 1 January 2014	3,102	218	1,053	290	4,663
Arising during the year	(330)	20	256	607	553
Utilised	(2,061)	(5)	(206)	–	(2,272)
Net foreign currency exchange differences	15	–	(28)	–	(13)
As at 31 December 2014	726	233	1,075	897	2,931
– Current	726	–	141	897	1,764
– Non-current	–	233	934	–	1,167

Notes to the consolidated financial statements at 31 December 2014, continued

2013					
As at 1 January 2013	3,317	330	1,407	350	5,404
Arising during the year	1,505	250	976	302	3,033
Utilised	(1,814)	(362)	(1,504)	(162)	(3,842)
Transfer	–	–	200	(200)	–
Net foreign currency exchange differences	94	–	(26)	–	68
As at 31 December 2013	**3,102**	**218**	**1,053**	**290**	**4,663**
– Current	**3,102**	**–**	**185**	**290**	**3,577**
– Non-current	**–**	**218**	**868**	**–**	**1,086**

i. The provision for employee benefits represents expenses recognised in relation to a long-term incentive plan (LTIP) operated by the Group. The long-term incentive plan which existed prior to admission was amended so that 50%–70% of accrued awards crystallised upon admission, being paid out in cash. All remaining awards became exercisable in October 2014. At the company's discretion these options can be satisfied in cash and consequently these have been accounted for as long-term employee benefits under IFRS 2 Share Based Payments.

ii. Employee severance indemnity: The Group operates an employee severance indemnity, mandatory for Italian companies, for qualifying employees of its Italian subsidiary. Under IAS 19 (Revised), this represents an unfunded defined benefit plan and is based on the working life of employees and on the remuneration earned by an employee over the course of a pre-determined term of service. The most recent actuarial valuations of the present value of the severance indemnity obligation were carried out at 31 December 2014 by an actuary. The present value of the severance indemnity obligation, and the related current service cost and past service cost, were measured using the projected unit credit method. The principal assumptions used for the purposes of the actuarial valuations were as follows: discount rate 2.69% p.a. (2013: 3.85% p.a.), inflation rate 2.0% p.a. (2013: 2.0% p.a.), revaluation rate 75% of inflation rate + 1.5 points = 1.31% p.a. (2013: 1.67% p.a.)

The amounts recognised in the consolidated statement of financial position are as follows:

	2014 €000	2013 €000
Defined benefit obligation 1 January	**218**	330
Interest cost	**4**	5
Benefits paid	**–**	(129)
Other	**4**	(57)
Defined benefit obligation	**226**	149
Other	**7**	69
Non-current provision	**233**	218

iii. Other provisions relate primarily to retirement benefits, sales agent indemnity fees and other various miscellaneous provisions. Provisions are recognised where a legal or constructive obligation exists at the year end date and where a reliable estimate can be made of the likely outcome. While these provisions are reviewed on a regular basis and adjusted for management's best current estimates, the judgmental nature of these items means that future amounts settled may differ from those provided.

iv. Legal and contract related provisions relate to exposures for potential contractual penalties arising in the normal course of business. Provisions are recognised where a legal or constructive obligation exists at the year end date and where a reliable estimate can be made of the likely outcome. While these provisions are reviewed on a regular basis and adjusted for management's best current estimates, the judgmental nature of these items means that future amounts settled may differ from those provided.

27. Indirect tax payable

	2014 €000	2013 €000
Excise taxes	**85,558**	95,622
VAT	**26,378**	54,288
	111,936	149,910

28. Trade and other payables

	2014 €000	2013 €000
Trade payables	**21,132**	37,126
Accruals	**27,230**	31,166
Social security and staff welfare costs	**1,527**	2,461
Other payables	**4,039**	3,264
	53,928	74,017
– Current	53,727	74,017
– Non-current	201	–

29. Authorised and issued share capital and reserves

Prior to the reorganisation implemented by way of the share exchange offer made by the Company for the shares of OCM Luxembourg Spirits Holdings S.à.r.l. on 21 October 2013, the share capital of the Group comprised the share capital of OCM Luxembourg Spirits Holdings S.à.r.l.

Share capital of OCM Luxembourg Spirits Holdings S.à.r.l.

	A Ordinary	B Ordinary	C Ordinary	E Ordinary	F Ordinary	G Ordinary	A1 Ordinary	Total Number of shares
Nominal value	€25	€25	€25	€25	€25	€25	€25	–
Allotted, called up and fully paid:								
At 1 January 2013	5,800	205	128	157	831	80	3,945	11,146
Redeemed in year	–	–	–	–	(16)	–	–	(16)
At 25 October 2013	5,800	205	128	157	815	80	3,945	11,130

The total nominal value of shares in OCM Luxembourg Spirits Holdings S.à.r.l. as at 21 October 2013 was €278,250.

Share capital of Stock Spirits Group PLC

Number of shares	2014	2013
Ordinary shares of £0.10 each, issued and fully paid	**200,000,000**	200,000,000

In 2013, following the decision by the Board of Directors, the Group was listed on the Premium Listing segment of the Official List of the UK Listing Authority and trading on the main market of the London Stock Exchange. Following a reorganisation implemented by way of the share exchange offer made by the Company for the shares of OCM Luxembourg Spirits Holdings S.à.r.l. on 21 October 2013, the Company became a new parent entity of OCM Luxembourg Spirits Holdings S.à.r.l.

On 21 October 2013 129,064,871 shares were issued for shares in OCM Luxembourg Spirits Holdings S.à.r.l. These shares have a nominal value of £0.10 each. Following the date OCM Luxembourg Spirits Holdings S.à.r.l. became a wholly-owned subsidiary of Stock Spirits Group PLC.

As the Group was formed through a reorganisation in which Stock Spirits Group PLC became a new parent entity of the Group these consolidated financial statements have been prepared as a continuation of the existing Group using the pooling of interests method (or merger accounting).

Notes to the consolidated financial statements at 31 December 2014, continued

The movements in called up share capital and share premium accounts are set out below:

	Number of ordinary shares	Ordinary shares €'000	Share premium €'000
At 31 December 2012	**129,064,871**	**15,246**	–
At 21 October 2013			
Issue of shares by Stock Spirits Group PLC on incorporation	500,010	59	–
Issue of shares to OCM and management in exchange for convertible and preferred equity certificates	48,307,459	5,706	128,392
At 25 October 2013			
Primary issue of shares on admission to the London Stock Exchange	22,127,660	2,614	58,812
Share issue costs	–	–	(3,663)
At 31 December 2013 and 31 December 2014	**200,000,000**	**23,625**	**183,541**

Stock Spirits Group PLC was incorporated on 12 September 2013, issuing one ordinary share of £1 to OCM Luxembourg POF IV S.a.r.l. On 2 October 2013 the Company issued 50,000 non-voting redeemable preference shares of £1 to OCM Luxembourg POF IV S.a.r.l. On 21 October these shares were sub-divided into 500,010 £0.10 shares. Also on 21 October 2013 the Company issued 48,307,459 shares in exchange for PECs and CECs held by Oaktree Capital Management and current and former members of management.

On 25 October2013 the Company was admitted to the London Stock Exchange under conditional trading and placed 22,127,660 ordinary £0.10 shares at a premium of £2.25 per share.

All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at shareholders' meetings.

Merger reserve

On 21 October 2013 129,064,871 shares were issued in exchange for shares in OCM Luxembourg Spirits Holdings S.à.r.l. The net book value of OCM Luxembourg Spirits Holdings S.à.r.l. at the time of exchange was €114,279,000, which resulted in €99,033,000 being credited to the merger reserve in line with merger relief provided by Section 612 of the Company Act 2006. The shares issued have a nominal value of £0.10 each. Following the date OCM Luxembourg Spirits Holdings S.à.r.l. became a wholly-owned subsidiary of Stock Spirits Group PLC.

Consolidation reserve

As the Group has been formed through a reorganisation in which Stock Spirits Group PLC became a new parent entity of the Group, the 2013 consolidated financial statements were prepared as a continuation of the existing Group using the pooling of interests method (or merger accounting). Merger accounting principles for this combination gave rise to a consolidation reserve of €5,130,000.

Other reserves

Other reserves includes the credit to equity for equity-settled share-based payments. Please see note 35 for full details. The charge for the period ending 31 December 2014 was €653,000 (2013: €6,740,000).

Jointly owned equity scheme

The business previously entered into a number of Jointly Owned Equity (JOE) Share Subscription Agreements with key members of Group staff. Refer to note 35.

Non-controlling interests

Non-controlling interests in 2012 represented the equity component of PECs and CECs. This related to payables which were due to Oaktree Capital Management by OCM Luxembourg Spirits Holdings S.a.r.l., and were not instruments which were issued by Stock Spirits Group PLC. As such they were deemed to be non-controlling interests in the opening reserves of Stock Spirits Group PLC.

Immediately prior to the Group listing on the London Stock Exchange PECs and CECs were acquired from Oaktree, with shares being issued in exchange. The amount included in non-controlling interests in 2012 represented the element of PECs and CECs which under IFRS was disclosed as equity. Following the share exchange this amount was reclassified to retained earnings.

Also included in non-controlling interests in 2012 was the share-based compensation reserve. This represented an arrangement between key management personnel and OCM Luxembourg Spirits Holdings S.a.r.l. They were considered to be non-controlling interests as this was an equity interest in a subsidiary of the Group rather than with Stock Spirits Group PLC.

In 2013 this amount was reclassified to Other reserves as these options were converted into options over Stock Spirits Group PLC shares. Please see note 35 for full details of share-based compensation.

Foreign currency translation reserve

	2014 €000	2013 €000
Foreign currency translation reserve	**6,413**	15,239

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into Euros are accounted for by entries made directly to the foreign currency translation reserve.

30. Distributions made and proposed

	2014 €000	2013 €000
Cash dividends on ordinary shares declared and paid:		
Interim dividend for 2014: 1.25 cents per share (2013: nil)	**2,462**	–
Proposed dividends on ordinary shares:		
Final cash dividend for 2014: 2.50 cents per share (2013: nil)	**4,925**	–

The right to receive dividends has been waived by the Employee Benefit Trust with respect to JOE scheme shares held.

Dividend payment included in the consolidated cash flow statement of €2,512,000 reflects the movement in exchange rates from the date of declaration to the date of payment.

Proposed dividend on ordinary shares are subject to approval at the Annual General Meeting and are not recognised as a liability as at 31 December 2014.

31. Risk management

The Group is exposed to a variety of risks such as market risk, credit risk and liquidity risk. The Group's principal financial liabilities are loans and borrowings. The Group also has trade and other receivables, trade and other payables, indirect tax payables and cash and cash equivalents that arise directly from operations. This note provides further detail on financial risk management and includes quantitative information on the specific risks.

The Group's senior management oversees the management of these risks, and agrees the policies for managing each of these risks. These are summarised below.

Derivative financial instruments

In 2011 the Group entered into derivative financial instruments to manage its exposure to interest rate risk, with these instruments expiring on 30 September 2014. There were no new derivative financial instruments entered into the years ended 31 December 2014 and 31 December 2013.

Notes to the consolidated financial statements at 31 December 2014, continued

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's exposure is primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Financial instruments affected by market risk include loans and borrowings and derivative financial instruments.

In 2011 the Group entered into derivative financial instruments for a three-year period to manage its exposure to interest rate risk. Under the ING loan facility agreement (see note 23) the Group was required to hedge 67% of the variable interest charge which is based upon WIBOR, PRIBOR and EURIBOR in Poland, Czech Republic and Italy respectively for a 3 year period.

All interest rate hedges expired on 30 September 2014, and therefore as at 31 December 2014 the Group had no derivatives to hedge interest rate risk. Group borrowings are now subject to the variable rates based on WIBOR, PRIBOR and EURIBOR, as stated per the ING loan facility agreement.

The Group has entered into no derivatives to hedge foreign currency risk in relation to the ING facility. Each facility and the resulting cash outflows are denominated in local currency. The cash flows are therefore economically hedged within each market. Management have considered the foreign currency risk exposure and consider the risk to be adequately mitigated.

Sensitivity analysis

The Company recognises that movements in certain risk variables (such as interest rates or foreign exchange rates) might affect the value of its derivatives and also the amounts recorded in its equity and its profit and loss for the period. Therefore the Company has assessed:

- What would be reasonably possible changes in the risk variables at the end of the reporting period
- The effects on profit or loss and equity if such changes in the risk variables were to occur.

Interest rate risk

The following table demonstrates the sensitivity to a reasonable change in interest rates on the Group's floating rate loans and borrowings at which at the end of 31 December 2014 are not hedged. With all other variables being constant the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

	Increase in basis points	Effect on profit/ (loss) before tax €'000
31 December 2014		
Euro	–50/+50	97/(97)
Polish Złoty	–50/+50	467/(467)
Czech Koruna	–50/+50	259/(259)
31 December 2013		
Euro	–50/+50	99/(99)
Polish Złoty	–50/+50	508/(508)
Czech Koruna	–50/+50	270/(270)

The assigned movement in basis points for interest rate sensitivity analysis is based upon the currently observable market environment.

The Group cash balances are held in current bank financial statements and earn immaterial levels of interest. Management have concluded that any changes in the EURIBOR rates will have an immaterial impact on interest income earned on the Group cash balances. No interest rate sensitivity has been included in relation to the Group's cash balances.

Foreign currency risk

The following tables consider the impact of several changes to the spot €/CZK, €/PLN and €/GBP exchange rates of +/– 5%. If these changes were to occur the tables below reflect the impact on profit before tax. Only the impact of changes in the Czech Koruna, Polish Złoty and Sterling denominated balances have been considered as these are the most significant non-Euro denominations used by the Group.

	Change in EUR vs PLN/CZK/GBP rate	2014	2013
EUR – PLN	+ 5%	**21**	256
	– 5%	**(23)**	(283)
EUR – CZK	+ 5%	**87**	124
	– 5%	**(97)**	(137)
EUR – GBP	+ 5%	(93)	(261)
	– 5%	103	289

Credit risk

Credit risk is the risk that a counter-party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored and credit insurance is used where applicable. The credit quality of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available, otherwise historical information relating to counter-party default rates is used. The Group continually assesses the recoverability of trade receivables and the level of provisioning required. Refer to note 20 for details of the age of accounts receivable which are past due.

The carrying amount of accounts receivable is reduced by an allowance account and the amount of loss is recognised within the consolidated income statement. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement. Refer to note 20 for details the movement in allowance for doubtful debts. Management does not believe that the Group is subject to any significant credit risk in view of the Group's large and diversified client base which is located in several jurisdictions.

Other receivables and financial assets

Other receivables and financial assets consist largely of VAT and excise duty receivables and customs guarantees. As the counter-parties are revenue and customs authorities in the various jurisdictions in which the Group operates, credit risk is considered to be minimal and therefore no further analysis has been performed.

Notes to the consolidated financial statements at 31 December 2014, continued

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy. The Group deposits cash with reputable financial institutions, from which management believes loss to be remote. The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2014 and 31 December 2013 is the carrying amounts as illustrated in notes 23 and 33. The Group's maximum exposure for financial guarantees and financial derivative instruments are noted in either note 25 or in the liquidity table below, respectively.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate cash reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Group's undiscounted financial liabilities at 31 December 2014 and 2013.

As at 31 December 2014

Financial liabilities	Less than one year €000	Between two and five years €000	More than five years €000	Total €000
Interest bearing loans and borrowings (note 23)	8,179	34,903	121,678	164,760
Interest payable on interest bearing loans	5,792	19,829	2,848	28,469
Other financial liabilities (note 25)	227	357	–	584
Trade and other payables (note 28)	50,658	–	–	50,658
	64,856	55,089	124,526	244,471

As at 31 December 2013

Financial liabilities	Less than one year €000	Between two and five years €000	More than five years €000	Total €000
Interest bearing loans and borrowings	7,108	38,304	130,252	175,664
Interest payable on interest bearing loans	11,267	35,173	9,715	56,155
Derivative financial instruments (note 25)	498	–	–	498
Other financial liabilities (note 25)	214	229	–	443
Trade and other payables (note 28)	69,405	–	–	69,405
	88,492	73,706	139,967	302,165

The Group has a further €63,537,000 of undrawn facilities available to it under the terms of RCF. Refer to note 23.

Capital risk management

The primary objective of the Group's capital management is to ensure that it has the capital required to operate and grow the business at a reasonable cost of capital without incurring undue financial risks. The Board periodically reviews its capital structure to ensure it meets changing business needs. The Group defines its capital as its share capital, share premium account, other reserves and retained earnings. In addition, the directors consider the management of debt to be an important element in controlling the capital structure of the Group. The Group may carry significant levels of long term structural and subordinated debt to fund investments and acquisitions and has arranged debt facilities to allow for fluctuations in working capital requirements. There have been no changes to the capital requirements in the current period.

Management manage capital on an ongoing basis to ensure that covenants requirements on the third party debt are met.

The table below details the Group's total net debt at the relevant balance sheet dates.

	2014 €000	2013 €000
Cash and cash equivalents (note 33)	**82,914**	129,610
Floating rate loans and borrowings (note 23)	**(164,760)**	(175,449)
Finance leases (note 25)	**(584)**	(443)
Total net debt	**(82,430)**	**(46,282)**

Fair value

Management assessed that cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

As per the table below the carrying amounts of the Group's financial instruments are considered to be a reasonable approximation of their fair values.

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements.

As at 31 December 2014

	Cash and receivables €000	Payables €000	Total book value €000	Fair value €000
Financial assets:				
Cash	**82,914**	**–**	**82,914**	**82,914**
Trade and other receivables	**179,762**	**–**	**179,762**	**179,762**
Financial liabilities:				
Interest-bearing loans and borrowings:				
(i) Finance lease obligations	**–**	**(584)**	**(584)**	**(584)**
(ii) Floating rate borrowings – banks	**–**	**(159,606)**	**(159,606)**	**(159,606)**
Trade and other payables	**–**	**(50,658)**	**(50,658)**	**(50,658)**

As at 31 December 2013

	Cash and receivables €000	Derivatives €000	Payables €000	Total book value €000	Fair value €000
Financial assets:					
Cash	129,610	–	–	129,610	129,610
Trade and other receivables	170,138	–	–	170,138	170,138
Financial liabilities:					
Interest-bearing loans and borrowings:					
(iii) Finance lease obligations	–	–	(443)	(443)	(443)
(iv) Floating rate borrowings – banks	–	–	(169,116)	(169,116)	(169,116)
Derivative financial instruments					
– Interest rate swaps and cap (*)	–	(498)	–	(498)	(498)
Trade and other payables	–	–	(69,405)	(69,405)	(69,405)

* The fair value of the interest rate swaps was determined with reference to the fixed rate to the date of maturity for all outstanding interest rate swaps at period end.

Notes to the consolidated financial statements at 31 December 2014, continued

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	Level 1 €000	Level 2 €000	Level 3 €000	Carrying value 31 December 2014 €000	Fair value 31 December 2014 €000
Liabilities measured at fair value					
Interest rate swaps and cap	–	–	–	–	–

				Carrying value 31 December 2013 €000	Fair value 31 December 2013 €000
Liabilities measured at fair value					
Interest rate swaps and cap	–	498	–	498	498

There have been no transfers between Level 1 and Level 2 during the period.

32. Related party transactions

Note 34 below provides details of the Group's structure including information about the subsidiaries of Stock Spirits Group PLC. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Former majority shareholder, Oaktree Capital Management, L.P., disposed of their entire shareholding in the Company in April 2014. As such they are no longer considered to be a related party at 31 December 2014. There were no transactions with related parties in the period to 31 December 2014. The transactions with Oaktree Capital Management, L.P. for the year ended 31 December 2013 are shown below.

2013 **Parties**	Sales of goods/ services €000	Purchases of goods/ services €000	Amounts owed by related parties €000	Amounts owed to related parties €000
OCM Luxembourg EPOF S.à.r.l.	–	–	–	23
OCM Luxembourg EPOF A S.à.r.l.	–	–	–	35
OCM Luxembourg POF IV S.à.r.l.	–	–	–	155
Other related parties	–	–	–	2
Total	–	–	–	215

Compensation of key management personnel

The Executive, Non-Executive and local Managing Directors are deemed to be key management personnel. It is the Board and the local Managing Directors which have responsibility for planning, directing and controlling the activities of the Group. Total compensation to key management personnel were included in general and administrative and other operational expenses in the consolidated income statement.

	2014 €000	2013 €000
Short-term employee benefits	**4,050**	7,005
Social security costs	**513**	793
Post-employment benefits	**292**	105
Long-term incentive plan (note 26)	**–**	150
Share-based compensation (note 35)	**22**	8,891
Termination benefits	**31**	–
Total net debt	**4,908**	**16,944**

There were no material transactions or balances between the Company and its key management personnel or members of their close family. At the end of the period, key management personnel did not owe the Company any amounts.

Other disclosures on Directors' remuneration required by the Companies Act 2006 and those specified for audit by the Directors' Remuneration Report Regulations 2002 are included in the Directors' Remuneration Report.

33. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in statement of financial position as follows:

	2014 €000	2013 €000
Cash and bank balances	**82,914**	129,610

Cash and cash equivalents are denominated in the following currencies:

	2014 €000	2013 €000
Sterling	**23,303**	8,667
Euro	**20,859**	21,052
US Dollar	**356**	346
Czech Koruna	**20,458**	11,136
Polish Złoty	**14,944**	84,158
Other currencies	**2,994**	4,251
Total	**82,914**	129,610

Notes to the consolidated financial statements at 31 December 2014, continued

34. Group structure and acquisition details

Details of Group undertakings as of 31 December 2014 and 31 December 2013 are as follows:

Group company	Country of incorporation	Relation	Proportion of voting rights shares held 31 December 2014	31 December 2013
Stock Spirits (UK) Limited *	England	Subsidiary	**100%**	100%
Stock Plzeň-Božkov s.r.o. *	Czech Republic	Subsidiary	**100%**	100%
Stock S.r.l. *	Italy	Subsidiary	**100%**	100%
Stock Trade d.o.o., Ljubljana [1]*	Slovenia	Subsidiary	–	100%
F.lli Galli, Camis & Stock A.G. *	Switzerland	Subsidiary	**100%**	100%
Stock Polska Sp. z.o.o. *	Poland	Subsidiary	**100%**	100%
Stock Wódka Polska S.A. *	Poland	Subsidiary	**100%**	100%
Wódka Polska Sp. z.o.o. *	Poland	Subsidiary	**100%**	100%
Stock Wódka Hartland Sp. z.o.o. [2]*	Poland	Subsidiary	**100%**	–
Stock International s.r.o *	Czech Republic	Subsidiary	**100%**	100%
Stock Spirit Group Luxembourg Holding S.à.r.l. [3]*	Luxembourg	Subsidiary	–	100%
OCM Luxembourg Spirits Holdings S.à.r.l. [3]	Luxembourg	Subsidiary	–	100%
Stock Spirits Group Services AG *	Switzerland	Subsidiary	**100%**	100%
Stock BH d.o.o. *	Bosnia	Subsidiary	**100%**	100%
Stock d.o.o. *	Croatia	Subsidiary	**100%**	100%
Baltic Distillery GmbH *	Germany	Subsidiary	**100%**	100%
Imperator s.r.o. *	Slovakia	Subsidiary	**100%**	100%
Stock Finance (Euro) Limited *	England	Subsidiary	**100%**	100%
Stock Finance (Złoty) Limited *	England	Subsidiary	**100%**	100%
Stock Finance (Koruna) Limited *	England	Subsidiary	**100%**	100%

* Wholly-owned held indirectly through subsidiary undertakings.

1. As a consequence of outsourcing its sales force to a third party distributor in Slovenia, at 31 December 2013 the Group was in the process of liquidating this entity on a solvent basis. The liquidation process was completed on 25 February 2014.
2. Stock Polska Sp. z.o.o. acquired shares in Stock Wódka Hartland Sp. z.o.o, which was incorporated on 30 May 2014 in connection with an internal corporate reorganisation.
3. Stock Spirits Group Luxembourg Holding S.à.r.l. and OCM Luxembourg Spirits Holdings S.à.r.l. were liquidated on 5 December 2014.

35. Share-based compensation

Jointly owned equity scheme

The Company and former shareholder (Oaktree) previously entered into a number of Jointly Owned Equity (JOE) Share Subscription Agreements with key members of Group management employees.

Prior to IPO the management employees were invited to subscribe for an interest in the growth in value of Class F ordinary shares (F shares) in OCM Luxembourg Spirits Holdings S.à.r.l. jointly with Elian Employee Benefit Trustee Limited (formerly Ogier Employee Benefit Trustee Limited) acting in its capacity as trustee of the Stock Spirits Employee Benefit Trust (EBT). The EBT holds the JOE scheme shares and the vested options on behalf of the employees.

The objective of the JOE arrangements was to align the interests of the Company's key employees and the shareholders in order to retain those employees who are considered critical to the success of the business.

The value of F shares was dependent and conditional upon Oaktree crystallising a return on a future sale or flotation of more than 50% of the issued share capital of the Company (Exit Event). Oaktree's return could comprise a combination of the capital gain realised on its equity investments and any interest paid (or deemed to be paid) on the Preferred Equity Certificates (PECs) they held. In outline on a qualifying Exit Event F shares were entitled to a percentage of Oaktree's 'equity' return.

The number of F shares subscribed for under this arrangement to the date of IPO as follows:

	2013 No
At 1 January	216
Issued	–
Cancelled	(16)
Total number of shares	200

During 2013 one employee who had previously been issued shares under the JOE scheme left the Group. Per the terms of the scheme, 16 shares were cancelled.

The shares issued had a fair value at the date of issue of €21,837 per share.

For the purposes of recognising the share-based compensation expense through the Group profit and loss an estimated Exit Event date was used, being October 2013. As such the full fair value of the share-based compensation had been recognised as an expense at the date of IPO.

At IPO the F Shares issued under the JOE scheme were converted into ordinary £0.10 shares of Stock Spirits Group PLC ('PLC') the new ultimate parent company of the Group at the rate of 1 F share to 17,886 PLC ordinary shares. The conversion was accounted for as a replacement under IFRS 2. At the date of conversion the fair value of the F shares and replacement instruments was the same. As such no additional charge was recognised as an expense in profit and loss in 2013 as a result of the replacement.

Other equity-settled share-based compensation

In late 2012 several members of the key management team were issued a total of 129 A-class and A1-class share options over shares of OCM Luxembourg Spirits Holdings S.à.r.l. The share options were granted with an exercise price below fair value at a grant date and gave rise to a share-based compensation of €1,280,751. During 2013 the share-based compensation expense was recognised on a straight-line basis from the date of grant to estimated Exit Event date in October 2013.

Notes to the consolidated financial statements at 31 December 2014, continued

In late 2012 one member of key management purchased a total of 28 E-class shares in OCM Luxembourg Spirits Holdings S.à.r.l.. The value of E shares was dependent and conditional upon Oaktree crystallising a return on Exit Event. In outline on a qualifying Exit Event E shares were entitled to a percentage of Oaktree's 'equity' return. The shares were purchased at a price below fair value giving rise to a share-based compensation expense of €716,660. During 2013 the share-based compensation expense was recognised on a straight-line basis in relation to the deemed Oaktree exit event in October 2013. At IPO the E shares were converted into £0.10 ordinary shares in Stock Spirits Group PLC at the rate of 1 E share to 12,033 ordinary PLC shares. The conversion was accounted for as a replacement under IFRS 2. At the date of conversion the fair value of the E shares and replacement ordinary shares were the same. As such no incremental increase in the fair value of the share-based compensation was recognised.

In January 2013 one member of key management was issued F shares in OCM Luxembourg Spirits Holdings S.à.r.l. 16 F shares were issued at a price below fair value giving rise to a share-based compensation expense of €674,597 which was recognised in the income statement during 2013. At IPO the F shares were converted into 286,176 ordinary £0.10 shares in Stock Spirits Group PLC.

During May 2013 a number of key management were issued a total of 78 A-class and A1-class share options over shares in OCM Luxembourg Spirits Holdings S.à.r.l.. One member of key management received options which vest at the estimated Exit Event date in October 2013. These were granted with an exercise price below fair value at a grant date and gave rise to a share-based compensation of €654,224 which was recognised on a straight-line basis. The remaining options issued will vest over a two-year period. These options were granted with an exercise price below fair value at a grant date and gave rise to a share-based compensation expense of €589,268 which will be recognised on a straight-line basis over the vesting period.

At IPO the A and A1 share options were converted into options over ordinary £0.10 shares in Stock Spirits Group PLC. The exercise price of the replacement award is €nil (2013 pre-IPO: €9,268). The 207 A and A1 options were converted into 1,469,365 ordinary £0.10 PLC share options. The conversion has been accounted for as a replacement under IFRS 2. At the date of replacement the fair value of the original and replacement options was the same. As such no incremental increase in the fair value of the options was recognised. All but 244,792 of the new options vested immediately. The unvested options vest in May 2015 and the fair value will continue to be recognised on a straight-line basis.

The following table lists the inputs to the Black Scholes model used to value the shares and share options issued pre-IPO:

	2013
Volatility	48%
Expected life	1 year
Share price	€21,837
Exercise price	€9,268
Risk free rate	0.2%
Dividend yield	0%

Share options issued at IPO

Post-IPO awards were valued by reference to the share price at admission to the London Stock Exchange.

The Group EBT holds the shares for all vested share options. At IPO several members of key management were issued a total of 1,538,124 £0.10 ordinary share options in Stock Spirits Group PLC. These options were valued using the share price at admission date of Stock Spirits Group PLC at IPO of £2.35. Using the applicable GBP/EURO FX rate at IPO of 1.18125 this award was valued at €4,269,736. The options vested immediately upon grant.

Included within the terms of the grant the Group has discretion over whether the employees receive their options gross or net of a deduction to allow the Group to settle any personnel income tax liabilities on behalf of the recipient. Under IFRS 2 this results in an element of the award being treated as a cash-settled share-based compensation. The cost of cash-settled transactions was originally measured at fair value at the grant date using a binomial model. The cash-settled share-based compensation has then been calculated using the applicable income tax rate for each country of the recipients applied to a potential gain based upon the market value of the shares of £2.20 as at 31 December 2014. The cash-settled share-based compensation is €1,542,000 (2013: €2,151,000). This will be accounted for as a liability on the Group balance sheet.

	2014	2013
Exercisable options		
No outstanding	**2,647,446**	2,762,697
Weighted average exercise price	**€nil**	€nil
Expiration period	**9 years**	10 years
Outstanding share options		
No outstanding	**244,792**	244,792
Weighted average exercise price	**€nil**	€nil
Weighted average contractual life	**5 months**	17 months

The movements in the awards outstanding during the year were as follows:

	2014 No
At 1 January 2014	3,007,489
Granted	–
Exercised	(115,251)
Lapsed	–
Outstanding at 31 December 2014	2,892,238
Exercisable at 31 December 2014	2,647,446

Performance Share Plan:

Prior to the admission of the Group to the London Stock Exchange, a Long-Term Incentive Plan ('LTIP') was operated. In 2014 LTIP has been replaced with a Performance Share Plan ('PSP'), which became effective from 6 May 2014. Participation in the PSP is restricted to key management and other members of the Senior Management Team . Awards made under the PSP normally vest provided the participant remains in the Group's employment during the performance period and financial targets based on total shareholder return ('TSR') versus comparator companies are met at the end of the performance period. The performance period is the period of 3 financial years beginning with the financial year in which the award is granted. The vesting period for grants made under this scheme is 3 years with an exercise period of 7 years. The exercise price of PSP options is €nil.

Further information on the PSP is set out in the Directors' Remuneration Report on pages 58–70.

During the year awards were granted over 1,290,480 shares. The compensation expense recognised in relation to these awards is based on the fair value of the awards at grant date. The fair value of the awards granted during the year and the principal assumptions made in measuring the fair value were as follows:

Principal assumptions	2014
Fair value at grant date	192.5 pence
Share price on grant date	292.3 pence
Expected life of the awards	3 years
Risk free rate interest rate	1.12%
Dividend yield on the Company's shares	1.06%
Volatility of the Company's shares	21.6%
TSR correlation (SSG PLC vs comparators)	25.0%

The fair value of the awards was measured using the Monte-Carlo option pricing model.

Due to the limited historic data available for SSG PLC expected volatility was based on the historic volatilities of the companies in the TSR comparator group.

Notes to the consolidated financial statements at 31 December 2014, continued

The movements in the awards outstanding during the year were as follows:

	2014 No.
At 1 January	–
Granted	1,290,480
Lapsed	(319,671)
Outstanding at 31 December	970,809
Exercisable at 31 December	–

Included within the terms of the grant the Group has discretion over whether the employees receive their options gross or net of a deduction to allow the Group to settle any personnel income tax liabilities on behalf of the recipient. Under IFRS 2 this results in an element of the award being treated as a cash-settled share-based compensation. The cost of cash-settled transactions was originally measured at fair value at the grant date using the Monte Carlo model. The cash-settled share-based compensation has then been calculated using the applicable income tax rate for each country of the recipients applied to a potential gain based upon the market value of the shares of £2.20 as at 31 December 2014. The cash-settled share-based compensation is €127,000. This will be accounted for as a liability on the Group balance sheet

Deferred Annual Bonus Plan:
No deferred shares were granted under the Group Deferred Annual Bonus Plan during the year.

Share-based compensation expense:
The expense recognised in other operating expenses for employee services received during the year is shown in the following table.

	2014 €000	2013 €000
Total share-based compensation expense recognised in Statement of Changes in Equity	**653**	6,740
Total cash-settled share-based compensation awards recognised in liabilities	**(482)**	2,151
	171	8,891

The total value of cash-settled share-based compensation awards recognised in liabilities at 31 December 2014 is €1,669,000 (2013: €2,151,000).

36. Operating lease commitments

The Group has entered into commercial leases on certain items of plant and machinery and buildings. These leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these contracts.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2014 €000	2013 €000
Within one year	**2,828**	2,912
After one year but not more than five years	**10,136**	7,057
More than five years	**5,788**	–
	18,752	9,969

The total charge under operating leases as of 31 December 2014 was €2,947,000 (2013: €2,735,000).

37. Commitments for capital expenditure

Commitments for the acquisition of property, plant and equipment as of 31 December 2014 are €472,000 (2013: €98,000).

38. Events after the balance sheet date

There were no events after the balance sheet date which require adjustment to or disclosure in these financial statements.

Company statement of financial position at 31 December 2014

	Notes	31 December 2014 £000	31 December 2013 £000
Non-current assets			
Investments	3	**254,428**	254,428
		254,428	254,428
Current assets			
Other receivables and prepayments	4	**2,745**	570
Cash and cash equivalents	5	**16,749**	6,226
		19,494	6,796
Total assets		**273,922**	261,224
Non-current liabilities			
Trade and other payables	7	**67**	–
		67	–
Current liabilities			
Trade and other payables	6	**3,577**	6,313
		3,577	6,313
Total liabilities		**3,644**	6,313
Net assets		**270,278**	254,911
Capital and reserves			
Issued share capital	8	**20,000**	20,000
Share premium	8	**155,428**	155,428
Merger reserve	8	**83,837**	83,837
Share-based compensation reserve	8	**6,364**	6,280
Profit and loss account		**4,649**	(10,634)
		270,278	254,911

Notes 1 to 13 are an integral part of the financial statements.

The standalone financial statements of Stock Spirits Group PLC, registered number 08687223, on pages 127 to 139, were approved by the Board of Directors and authorised for issue on 12 March 2015 and were signed on behalf by:

Chris Heath
Chief Executive Officer

Lesley Jackson
Chief Financial Officer

Company statement of cash flows for the period from for the year ended 31 December 2014

	Notes	For the year ended 31 December 2014 £000	For the period 12 September to 31 December 2013 £000
Operating activities			
Profit/(loss) for the year		**17,253**	(10,634)
Adjustments to reconcile loss to net cash flows:			
Other financial income		**–**	(816)
Interest expense		**4**	–
Net foreign exchange loss		**52**	2,283
Share-based compensation	11	**84**	1,790
		17,393	(7,377)
Working capital adjustments			
Increase in trade receivables and other assets		**(2,175)**	(570)
(Decrease)/increase in trade payables and other liabilities		**(2,669)**	4,528
		(4,844)	3,958
Net cash flows from operating activities		**12,549**	(3,419)
Investing activities			
Capital contribution to subsidiary undertaking	3	**–**	(39,304)
Net cash flow from investing activities		**–**	(39,304)
Financing activities			
Proceeds from shares issued		**–**	52,000
Share issue costs		**–**	(3,051)
Interest paid		**(4)**	–
Dividends payable to equity holders		**(1,970)**	–
Net cash flow from financing activities		**(1,974)**	48,949
Net increase in cash and cash equivalents		**10,575**	6,226
Cash and cash equivalents at the start of the period		**6,226**	–
Effect of exchange rates on cash and cash equivalents		**(52)**	–
Cash and cash equivalents at the end of the period	5	**16,749**	6,226

Exceptional costs included in cash flow above

Exceptional costs relating to the IPO included in cash flow from operating activities		**23**	5,964
Exceptional costs relating to the IPO included in financial activities		**–**	3,051
Other exceptional costs		**51**	–
Total IPO costs		**74**	9,015

Company statement of changes in equity for the year ended 31 December 2014

	Issued capital £000	Share premium £000	Merger reserve £000	Share-based compensation reserve £000	Retained earnings £000	Total £000
Balance at 12 September 2013	–	–	–	–	–	–
Loss for the period	–	–	–	–	(10,634)	(10,634)
Total comprehensive expense	–	–	–	–	(10,634)	(10,634)
Issue of new shares on incorporation	50	–	–	–	–	50
Issue of new shares in exchange for convertible and preferred equity certificates	4,831	108,692	–	–	–	113,523
Shares issued in exchange for shares in OCM Luxembourg Spirits Holdings S.à.r.l.	12,906	–	85,332	–	–	98,238
Issue of new shares	2,213	49,787	–	–	–	52,000
Share issue costs	–	(3,051)	–	–	–	(3,051)
Share-based compensation charge (note 11)	–	–	–	6,280	–	6,280
Balance at 31 December 2013, as reported	**20,000**	**155,428**	**85,332**	**6,280**	**(10,634)**	**256,406**
Prior year adjustment (note 2)	**–**	**–**	**(1,495)**	**–**	**–**	**(1,495)**
Balance at 31 December 2013, as adjusted	**20,000**	**155,428**	**83,837**	**6,280**	**(10,634)**	**254,911**
Profit for the year	–	–	–	–	17,253	17,253
Total comprehensive income	–	–	–	–	17,253	17,253
Share-based compensation charge (note 11)	–	–	–	84	–	84
Dividends (note 9)	–	–	–	–	(1,970)	(1,970)
Balance at 31 December 2014	**20,000**	**155,428**	**83,837**	**6,364**	**4,649**	**270,278**

Notes to the Parent Company financial statements at 31 December 2014

1. General information

These separate financial statements were approved and authorised for issue by the Board of Directors of Stock Spirits Group PLC (the "Company") on 12 March 2015.

The Company was incorporated on 12 September 2013 under the laws of the England and Wales with the registered number 08687223 as Stock Spirits (UK) Limited. The Company was re-named Stock Spirits Group Limited on 2 October 2013 and was re-registered as a public limited company on 7 October 2013 with the name Stock Spirits Group PLC. The Company's registered office is at Solar House, Mercury Park, Wooburn Green, Buckinghamshire, HP10 0HH, United Kingdom.

As a result of the reorganisation implemented by way of the share exchange offer made by the Company for the shares of OCM Luxembourg Spirits Holdings S.à.r.l. on 21 October 2013, the Company became a new parent entity of OCM Luxembourg Spirits Holdings S.à.r.l., a private limited company registered in Luxembourg in 2006. OCM Luxembourg Spirits Holdings S.à.r.l. was liquidated on 5 December 2014. Prior to liquidation OCM Luxembourg Spirits Holdings S.à.r.l. was a holding company which owned companies involved in the production and distribution of spirits. See note 8 for further details.

2. Accounting policies

Basis of preparation

These separate financial statements of the Company are presented as required by the Companies Act 2006 ('the Act'). As permitted by the Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the European Union.

International Financial Reporting Standards are issued by the International Accounting Standard Board ("IASB").

The financial statements have been prepared on a going concern basis as the Directors believe there are no material uncertainties that lead to significant doubt that the entity can continue as a going concern in the foreseeable future.

The financial statements are presented in Sterling (£), rounded to the nearest thousand (£000) unless otherwise stated. They have been prepared under the historical cost convention.

These financial statements have been prepared for the year ended 31 December 2014 (comparatives values being for the period from the Company's incorporation 12 September 2013 to 31 December 2013).

Prior year adjustment

A prior year adjustment has been made in the group financial statements of OCM Luxembourg Spirits Holdings S.à.r.l. The company which was acquired on 21 October 2013 by way of share for share exchange. The prior year adjustment has been made to write off the value of certain agency contracts. These were previously capitalised and included within intangibles assets when the Czech business was acquired in 2007 and were deemed to have a useful life of four years. Therefore these assets should have been fully amortised by 31 December 2012. However, in 2014 it was discovered that no amortisation had been charged. An adjustment to correct this error, releasing intangible assets at 1 January 2013 by €2,183,000 and related deferred tax liability totalling €417,000, has been made. The net impact of this adjustment of €1,766,000, translating to £1,495,000, has been recognised within retained earnings at 1 January 2013.

Upon the reorganisation being completed in October 2013 the net book value of OCM Luxembourg Spirits Holdings S.à.r.l. was used to determine the amount which was credited to the merger reserve. This adjustment reduced the net book value of OCM Luxembourg Spirits Holdings S.à.r.l. by £1,495,000, and therefore the amount credited to the merger reserve has been reduced to £83,837,000.

Exemptions

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and not presented an income statement or a statement of comprehensive income for the Company alone. The profit/loss for the year has been disclosed in the statement of changes in equity.

New/Revised standards and interpretations adopted in 2014

The following amendments to existing standards and interpretations were effective for the year, but either they were not applicable to or did not have a material impact on the Company:

Standard
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement
IAS 27 Separate Financial Statements
IAS 28 Investments in Associates and Joint Ventures
IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (Amendments)
IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (Amendments)
IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting (Amendments)
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
IFRIC 21 Levies

The following standards and interpretations in issue are not yet effective for the Company and have not been adopted by the Company:

	Effective dates*
IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)	1 July 2014
Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 27: Equity Method in Separate Financial Statements	1 January 2016
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2017
IFRS 15 Revenue from Contracts with Customers	1 January 2017
IFRS 9 Financial Instruments	no earlier than 1 January 2018

With the exception of IFRS 15 and IFRS 9 the Directors do not expect the adoption of these standards and interpretations to have a material impact on the consolidated or company financial statements in the period of initial application. The Company has yet to evaluate the impact of IFRS 15 and IFRS 9.

* The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the Company prepares its financial statements in accordance with IFRS as adopted by the European Union (EU), the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Company's discretion to early adopt standards. IFRS 10, IFRS 11, IFRS 12 and IAS 27 and IAS 28 have been adopted by the EU with an effective date of 1 January 2014.

Notes to the Parent Company financial statements at 31 December 2014, continued

Investments

Investments in subsidiary undertakings are valued at cost, less accumulated impairment.

Share-based compensation

Equity-settled transactions

The cost of equity-settled transactions is recognised together with a corresponding increase in other reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for the period represents the movement in cumulative expense recognised as at the beginning and end of the period and is recognised in general and administrative expenses.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cost based on the original award terms continues to be recognised over the original vesting period and an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification.

The financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings is recognised by the Company in its individual financial statements as an increase in its investment in subsidiaries with a credit to equity equivalent to the IFRS 2 cost in subsidiary undertakings. The subsidiary, in turn, will recognise the IFRS 2 cost in its income statement with a credit to equity to reflect the deemed capital contribution from the Company.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model, further details of which are given in note 35 to the consolidated financial statements. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognised in employee benefits expense.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise "Other receivables" and "Cash and cash equivalents" in the balance sheet.

Other receivables

Other receivables are non-interest bearing and are recognised initially at fair value, and subsequently at amortised cost, reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently at amortised cost, using the effective interest rate method.

Cash dividends to equity holders

The Company recognises a liability to make cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in the United Kingdom, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

3. Investments

	£000
At 12 September 2013	–
Conversion of opening shareholding	50
Shares issued to Oaktree Capital Management and management in exchange for shares in OCM Luxembourg Spirits Holdings S.à.r.l.	96,743
Capitalisation of PECs and CECs	112,056
Capital contribution to OCM Luxembourg Spirits Holdings S.à.r.l.	39,304
Contribution to subsidiary undertakings relating to share-based compensation scheme	6,275
Carrying value at 31 December 2014 and 31 December 2013	254,428

As described in note 8 the Company was incorporated with share capital of £50,001, with this receivable from OCM Luxembourg POF IV S.à.r.l. Subsequent to incorporation this receivable was capitalised as an investment.

The Company acquired OCM Luxembourg Spirits Holdings S.à.r.l. by means of the share exchange offer made by the Company to the shareholders of OCM Luxembourg Spirits Holdings S.à.r.l. In addition shares in the Company were issued in exchange for Preferred Equity Certificates (PEC) and Convertible Equity Certificates (CEC) held by the shareholders of OCM Luxembourg Spirits Holdings S.à.r.l., with PEC and CEC receivable being capitalised.

Stock Spirits Group Luxembourg Holdings S.à.r.l. and OCM Luxembourg Spirits Holdings S.à.r.l. were liquidated on 5 December 2014. The investment in Stock Wodka Polska Sp z.o.o. was transferred to Stock Spirits (UK) Limited and the remaining net assets were transferred to the Company.

In November 2013 a capital contribution was made to subsidiary undertaking OCM Luxembourg Spirits Holdings S.à.r.l. totalling £39,304,000.

Also included in investments are contributions to subsidiaries Stock Plzeň-Božkov, Stock S.r.l., Stock Spirits (UK) Ltd, Stock Polska Sp. z.o.o. and Stock Spirits Group Services AG relating to share-based compensation scheme. Refer to note 11 for further details.

4. Other receivables and prepayments

	2014 £000	2013 £000
Amounts owed by subsidiary undertakings	2,562	67
Other debtors and prepayments	183	503
	2,745	570

No security has been granted over other receivables.

5. Cash and cash equivalents

	2014 £000	2013 £000
Cash and bank balances	16,749	6,226

6. Trade and other payables

	2014 £000	2013 £000
Trade payables	473	54
Accruals	2,111	3,486
VAT and social security	974	347
Amounts due to subsidiary undertakings	8	2,426
Other payables	11	–
	3,577	6,313

Accruals include £1,298,000 (2013: £1,785,000) which represents personal income tax in relation to cash-settled share-based compensation. Social security and staff welfare costs includes £231,000 (2013: £295,000) which represents social security costs in relation to share-based compensation.

7. Trade and other payables: amounts falling due after more than one year

	2014 £000	2013 £000
Other payables	67	–

Other payables falling due after more than one year represents personal income tax of £52,000 and social security costs of £15,000 in relation to the Performance Share Plan.

Notes to the Parent Company financial statements at 31 December 2014, continued

8. Share capital, share premium and merger reserves

The movements in called up share capital and share premium accounts are set out below:

	Number of ordinary shares	Ordinary shares £	Share premium £
At 21 October 2013			
Issue of ordinary shares following subdivision of preference shares to 500,010 ordinary shares	500,010	50,001	–
Issue of ordinary shares in exchange for convertible and preferred equity certificates	48,307,459	4,830,746	108,691,782
At 25 October 2013			
Issue of ordinary shares in exchange for shares in OCM Luxembourg Spirits Holdings S.à.r.l.	129,064,871	12,906,487	–
Primary issue of ordinary shares on admission to the London Stock Exchange	22,127,660	2,212,766	49,787,234
Share issue costs	–	–	(3,050,936)
At 31 December 2014 and 31 December 2013	**200,000,000**	**20,000,000**	**155,428,080**

The Company was incorporated on 12 September 2013, issuing one ordinary share of £1 to OCM Luxembourg POF IV S.à.r.l. On 2 October 2013 the Company issued 50,000 non-voting redeemable preference shares of £1 to OCM Luxembourg POF IV S.à.r.l. On 21 October these shares were sub-divided into 500,010 £0.10 shares. Also on 21 October 2013 the Company issued 48,307,459 shares in exchange for PECs and CECs held by Oaktree Capital Management and current and former members of management.

Merger reserve

On 25 October 2013 129,064,871 shares were issued in exchange for shares in OCM Luxembourg Spirits Holdings S.à.r.l. The net book value of OCM Luxembourg Spirits Holdings S.à.r.l. at the time of exchange was £96,743,000, which resulted in £83,837,000 being credited to the merger reserve in line with merger relief provided by Section 612 of the Company Act 2006. The shares issued have a nominal value of £0.10 each. Following the date OCM Luxembourg Spirits Holdings S.à.r.l. became a wholly-owned subsidiary of Stock Spirits Group PLC. Also on 25 October 2013 the Company was admitted to the London Stock Exchange and placed 22,127,660 ordinary £0.10 shares at a premium of £2.25 pence per share.

Also included in share premium are capitalised listing costs, which have been incurred directly in connection with the registration and distribution of shares.

Share-based compensation reserve

Share-based compensation reserve includes the credit to equity for equity-settled share based payments. Please see note 11 for full details. The equity charge for the year ending 31 December 2014 was £84,000 (2013: £6,280,000).

9. Distributions made and proposed

	2014 £000	2013 £000
Cash dividends on ordinary shares declared and paid:		
Interim dividend for 2014: 1.25 Euro cents (1 Sterling pence) per share (2013: nil)	**1,970**	–
Proposed dividends on ordinary shares:		
Final cash dividend for 2014: 2.50 Euro cents (2 Sterling pence) per share (2013: nil)	**3,841**	–

The right to receive dividends has been waived by the Employee Benefit Trust with respect to JOE scheme shares held.

10. Financial instruments

The Company's principal financial liabilities are trade and other payables. The Company's principal financial assets include other debtors, prepayments and cash and cash equivalents that derive directly from its operations.

The Company is exposed to a variety of risks including market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks, and agrees the policies for managing each of these risks. These are summarised below.

Credit risk

Credit risk is the risk that a counter-party will not meet its obligations under a financial instrument, leading to a financial loss. The Company is exposed to credit risk from its financing activities, including deposits with banks and financial institutions.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy (refer to note 31 of the consolidated financial statements). The Company deposits cash with reputable financial institutions, from which management believes loss to be remote. The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2014 is the carrying amounts as illustrated in note 5.

Other receivables and prepayments

Other receivables and prepayments consist largely of amounts receivable from subsidiaries. As there are deemed to be no going concern issued with any of the individual group entities loss is considered to be remote, and consequently credit risk is minimal and no further analysis has been performed.

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of carrying values and fair values of all financial instruments that are carried in the financial statements.

As at 31 December 2014	Cash and receivables £000	Payables £000	Total book value £000	Fair value £000
Cash and cash equivalents (note 5)	16,749	–	16,749	16,749
Other receivables (note 4)	2,580	–	2,580	2,580
Trade and other payables (note 6,7)	–	(2,041)	(2,041)	(2,041)

As at 31 December 2013	Cash and receivables £000	Payables £000	Total book value £000	Fair value £000
Cash and cash equivalents (note 5)	6,226	–	6,226	6,226
Other receivables (note 4)	560	–	560	560
Trade and other payables (note 6,7)	–	(4,181)	(4,181)	(4,181)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining adequate cash reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Group's undiscounted financial liabilities.

As at 31 December 2014

Financial liabilities	On demand £000	Less than one year £000	Between two and five years £000	More than five years £000	Total £000
Trade and other payables (note 6, 7)	–	(2,041)	–	–	(2,041)

Notes to the Parent Company financial statements at 31 December 2014, continued

As at 31 December 2013

Financial liabilities	On demand £000	Less than one year £000	Between two and five years £000	More than five years £000	Total £000
Trade and other payables (note 6, 7)	–	(4,181)	–	–	(4,181)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's exposure is primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Financial instruments affected by market risk are limited to cash and cash equivalents.

Currency risk

The Company engages in foreign currency transactions to a very limited extent. No financial assets or liabilities are held in foreign currencies. Due to the Company's lack of exposure to currency risk no sensitivity analysis has been performed.

Interest rate risk

The Company has no interest-bearing financial liabilities, and its interest-bearing financial assets consists of only cash and cash equivalents. As such exposure to interest rate risk is limited and no sensitivity analysis has been performed.

Capital risk management

The Board's objectives and policies for the Company are consistent with those of the Group. Full details are provided in note 31 of the consolidated financial statements.

11. Share-based compensation

Jointly owned equity scheme

The Company and the former shareholder ("Oaktree") previously entered into a number of Jointly Owned Equity (JOE) Share Subscription Agreements with key members of staff. See note 35 to the Group financial statements for further details.

The objective of the JOE arrangements was to align the interests of the Company's key employees and the shareholders in order to retain those employees who are considered critical to the success of the business.

	No. of shares
At incorporation – 12 September 2013	–
At IPO – 25 October 2013	3,577,244
Total JOE scheme shares at 31 December 2013	3,577,244

At IPO, the 200 Class F shares of OCM Luxembourg Spirits Holdings S.à.r.l. issued under the JOE scheme (see note 35 to the Group financial statements) were converted into ordinary £0.10 shares of Stock Spirits Group PLC ('PLC') at the rate of 1 F share to 17,886 PLC ordinary shares. The conversion was accounted for as a replacement under IFRS 2. At the date of conversion the fair value of the F shares and replacement instruments was the same. As such no additional charge was recognised as an expense in profit and loss in 2013 as a result of the replacement.

Based upon the share price at the date of admission to the London Stock Exchange, each share held in the JOE scheme had a fair value of £2.35. The fair value of each share at 31 December 2013 was £2.80.

Other equity-settled share-based compensation

At IPO key managers of the Group, were awarded share options over the Company's shares which vested immediately. Based upon the market value of the Company shares upon admission to the London Stock Exchange the options had a fair value of £2.35.

Included within the terms of the grant the Group has discretion over whether the employees receive their options gross or net of a deduction to allow the Group to settle any personnel income tax liabilities on behalf of the recipient. Under IFRS 2 this results in an element of the award being treated as a cash-settled share-based compensation. The cash-settled share-based

compensation has been calculated using the applicable income tax rate for each country of the recipients applied to a potential gain based upon the market value of the shares of £2.20 as at 31 December 2014. The cash-settled share-based compensation is £1,246,000 (2013: £1,785,000). This will be accounted for as a liability on the Company balance sheet.

Share options issued at IPO

	2014	2013
Exercisable options		
Number outstanding	**2,647,446**	2,762,697
Weighted average exercise price	**£nil**	£nil
Expiration period	**9 years**	10 years

	2014	2013
Outstanding share options		
Number outstanding	**244,792**	2244,792
Weighted average exercise price	**£nil**	£nil
Expiration period	**5 months**	17 months

The movements in the awards outstanding during the year were as follows:

	No. of shares
At 1 January 2014	3,007,489
Granted	–
Lapsed	(115,251)
Outstanding at 31 December 2014	2,892,238
Exercisable at 31 December 2014	2,647,446

Performance Share Plan

Prior to the admission of the Group to the London Stock Exchange, a Long-Term Incentive Plan ('LTIP') was operated. In 2014 LTIP has been replaced with a Performance Share Plan ('PSP'), which became effective from 6 May 2014. Participation in the PSP is restricted to the senior management . Awards made under the PSP normally vest provided the participant remains in the Group's employment during the performance period and financial targets based on total shareholder return ('TSR') versus comparator companies are met at the end of the performance period. The performance period is the period of 3 financial years beginning with the financial year in which the award is granted. The vesting period for grants made under this scheme is 3 years with an exercise period of 7 years. Exercise price of PSP options is €nil.

Further information on the PSP is set out in the Directors' Remuneration Report on pages 57–69.

During the year awards were granted across the Group over 1,290,480 shares. The compensation expense recognised in relation to these awards is based on the fair value of the awards at grant date. The fair value of the awards granted during the year and the principal assumptions made in measuring the fair value were as follows:

Principal assumptions	2014
Fair value at grant date	192.5 pence
Share price on grant date	292.3 pence
Expected life of the awards	3 years
Risk free rate interest rate	1.12%
Dividend yield on the Company's shares	1.06%
Volatility of the Company's shares	21.6%
TSR correlation (SSG PLC vs comparators)	25.0%

The fair value of the awards was measured using the Monte-Carlo option pricing model.

Notes to the Parent Company financial statements at 31 December 2014, continued

Due to the limited historic data available for SSG PLC expected volatility was based on the historic volatilities of the companies in the TSR comparator group.

The movements in the awards granted to employees of Stock Spirits Group PLC during the year were as follows:

	PSP 2014 No.
At 1 January	–
Granted	387,000
Lapsed	–
Outstanding at 31 December	387,000
Exercisable at 31 December	–

Included within the terms of the grant the Group has discretion over whether the employees receive their options gross or net of a deduction to allow the Group to settle any personnel income tax liabilities on behalf of the recipient. Under IFRS 2 this results in an element of the award being treated as a cash-settled share-based compensation. The cash-settled share-based compensation has been calculated using the applicable income tax rate for each country of the recipients applied to a potential gain based upon the market value of the shares of £2.20 as at 31 December 2014. The cash-settled share-based compensation is £52,000 (2013: £nil). This will be accounted for as a liability on the Company balance sheet.

Deferred Annual Bonus Plan:
No deferred shares were granted under the Group Deferred Annual Bonus Plan during the year.

Share-based compensation expense:
Recognised in the Company profit and loss account are expenses related to share-based compensation arrangements with its employees.

	2014 £000	2013 £000
Equity-settled share-based compensation	**84**	6,280
Cash-settled share-based compensation recognised as a liability	**(487)**	1,785
Equity-settled share-based compensation	**(403)**	8,065

The total value of cash-settled share-based compensation awards recognised in liabilities at 31 December 2014 is £1,298,000 (2013: £1,785,000).

The Group has awarded share-based compensation to employees of subsidiary companies. See note 3 for details of deemed capital contributions to other subsidiary companies.

Employee Benefit Trust

Elian Employee Benefit Trustee Limited (formerly Ogier Employee Benefit Trustee Limited) is acting in its capacity as trustee of the Stock Spirits Employee Benefit Trust ("EBT"). The EBT holds the JOE scheme shares and the vested options on behalf of the employees.

12. Subsidiaries

The principal subsidiary undertakings of the Company and their details are set out in note 34 to the consolidated financial statements.

13. Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

2014	Sales of goods/ services £'000	Purchases of goods/ services £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Subsidiaries:				
Stock Plzeň-Božkov s.r.o.	–	–	**12**	–

2014	Sales of goods/ services £'000	Purchases of goods/ services £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Stock Spirits (UK) Limited	–	–	1,069	7
Stock Spirits Group Luxembourg Holding S.à.r.l.	–	–	–	–
OCM Luxembourg Spirits Holdings S.à.r.l.	–	–	1,387	–
Stock Polska Sp. z.o.o.	–	–	63	1
Stock S.r.l.	–	–	4	–
Stock International s.r.o.	–	–	11	–
Stock Spirits Group Services AG	–	–	2	–
Baltic Distillery GmbH	–	–	8	–
Imperator s.r.o.	–	–	6	–
	–	–	2,562	8

2013	Sales of goods/ services £'000	Purchases of goods/ services £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Subsidiaries:				
Stock Plzeň-Božkov s.r.o.	–	–	7	–
Stock Spirits (UK) Limited	–	–	–	974
Stock Spirits Group Luxembourg Holding S.à.r.l.	–	–	–	1,452
OCM Luxembourg Spirits Holdings S.à.r.l.	–	–	60	–
Other related parties:				
Oaktree Capital Management L.P.	–	9	–	9
	–	9	67	2,435

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Compensation of key management personnel

The Executive and Non-Executive Directors are deemed to be key management personnel of Stock Spirits Group PLC. It is the Board which have responsibility for planning, directing and controlling the activities of the Group.

There were no material transactions or balances between the Company and its key management personnel or members of their close family. At the end of the year, key management personnel did not owe the Company any amounts.

Executive and Non-Executive Directors received remuneration for their services to the Company.

	Year ended 31 December 2014 £000	Period from 12 September to 31 December 2013 £000
Short-term employee benefits	1,237	1,527
Social security costs	163	272
Post-employment benefits	121	26
Share-based compensation	84	1,790
Total	1,605	3,615

Prior to 12 September remuneration of Directors was borne by subsidiary company Stock Spirits (UK) Limited.

Please refer to pages 66 to 68 of the Directors Remuneration Report for further details.

Shareholders' information

Financial calendar
Annual General Meeting: 19 May 2015

Results announcement
Interim results – for the period ending 30 June 2015:
20 August 2015

Shareholder information online
Stock Spirits Group's registrars are able to notify shareholders by email of the availability of an electronic version of shareholder information.

Whenever new shareholder information becomes available, such as Stock Spirits Group's interim and full year results, Capita will notify you by email and you will be able to access, read and print documents at your own convenience. To take advantage of this service for future communications, please go to https://www.capitashareportal.com where full details of the shareholder portfolio service are provided. Firstly you will need to search for the Company, but once you have logged in you can check your account details, change your address details, or review FAQs, one of which will explain how to request a new share certificate.

When registering for this service, you will need to have your 11-character Investor Code (IVC) to hand, which is shown on your dividend tax voucher, share certificate or form of proxy. You can then select "Send me all communications by email (most environmentally friendly)". Should you change your mind at a later date, you may amend your request by entering your portfolio online and selecting your preferred method of communication to "Send me paper copies of all communications". If you wish to continue receiving shareholder information in the current format, there is no need to take any action.

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Useful links:

Capita share portal:
https://www.capitashareportal.com

Capita Asset Services website:
http://www.capitaassetservices.com

Information for investors
Information for investors is provided on the internet as part of the Group's website which can be found at: www.stockspirits.com/investors

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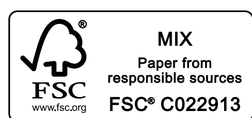

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