EDRINGTON

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ANNUAL REPORT & FINANCIAL STATEMENTS 2015

GREAT PEOPLE
LEADING BRANDS
GIVING MORE

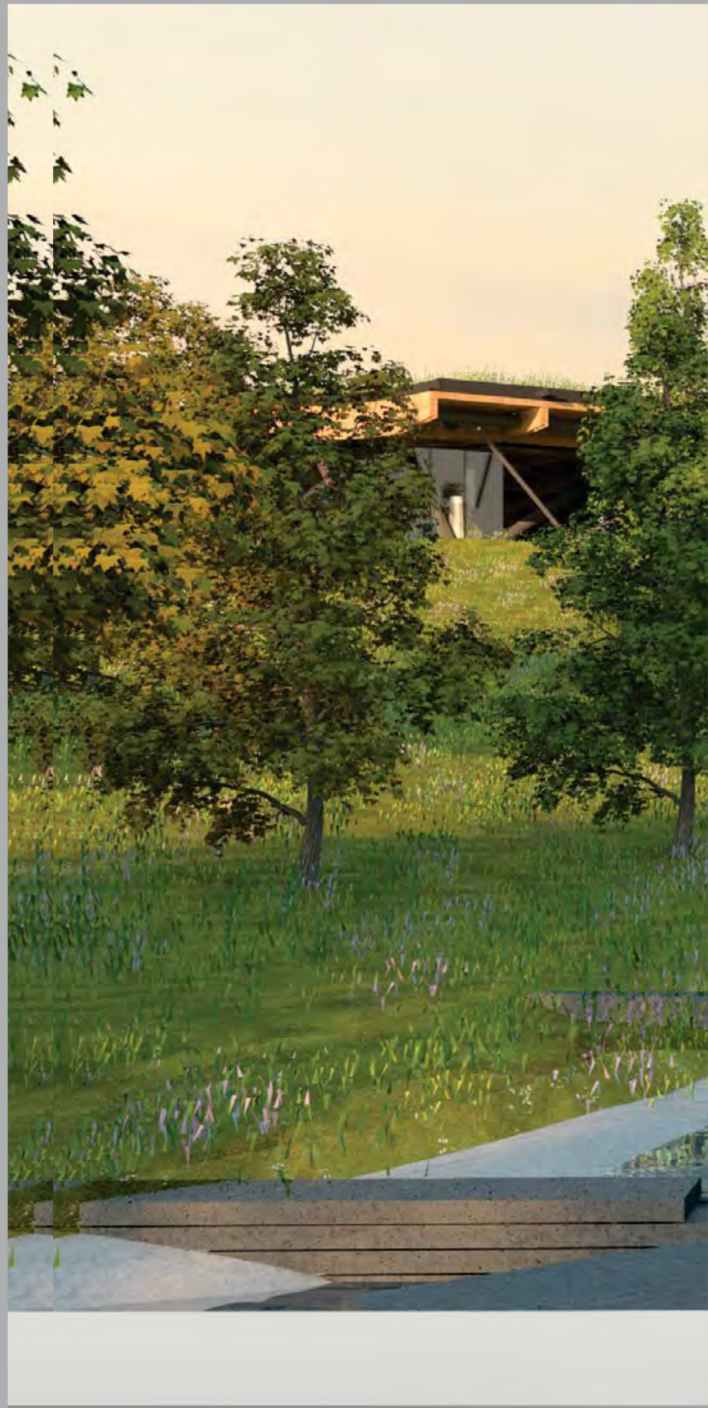
EDRINGTON

2020

"Following a period of international expansion and rapid growth, our 2020 strategy will build on those foundations and align the business to future growth opportunities.

Edrington 2020 brings a sharpness, clarity and focus to the influences that will shape consumer demand in the next five years. The robustness of super premium spirits, the geographies likely to grow, the increasing importance of cities, and the consumer's embrace of digital technology have all informed the company's refreshed strategic priorities.

This report sets out Edrington's ambition to go further. As we advance to 2020 we will Perfect The Macallan, Accelerate Highland Park, Develop Super Premium spirits, Optimise Regional Power Brands, and Focus for Success."




The
MACALLAN
RARE CASK

EDRINGTON

PERFECT
THE MACALLAN

EST. 1824

The
MACALLAN®

HIGHLAND SINGLE MALT
SCOTCH WHISKY

Scott McCroskie
Managing Director, The Macallan

"Our aim is to align everything we do behind Perfecting The Macallan in support of its 'ultimate luxury spirit' proposition.

Edrington sees great potential for further growth of the brand, built on the foundations of an uncompromising commitment to quality, beauty and craftsmanship.

Visitors from around the world will be welcomed to an iconic new distillery and brand home in 2017.

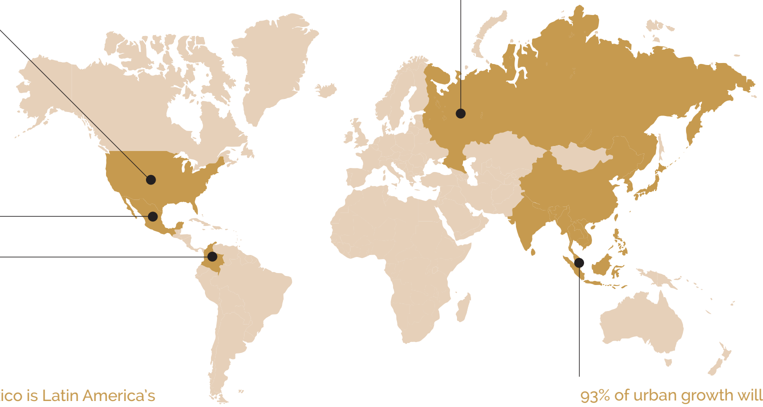
This investment will write the next chapter in the story of The Macallan and will form the supporting infrastructure for sustainable growth, matched by investments in warehousing, operations and an unrivalled wood and cask policy."

The USA and Asia represent the world's leading markets for premium spirits. With the 2014 creation of Edrington Americas and a new Asia Pacific hub in Singapore, Edrington is positioned to capitalise on the consumer and demographic trends that are reshaping modern luxury.

The key to future success is the ability to attract and connect with emerging consumers. In the next five years, millennials will play a defining role in the world's most successful premium brands.

The US will remain the world's trendsetter for premium brands

The Macallan is the number 1 single malt Scotch whisky in Russia



Mexico is Latin America's biggest luxury goods market

Latin America contains three of the world's top seven markets for super premium Scotch whisky

93% of urban growth will occur in Asia and Africa

60% of millennials reside in Asia

In 2020 millennials will be the driving force in Asia Pacific economies and by 2025, millennials will make up 75% of the global workforce

Source: IWSR, UN

"The new distillery and visitor centre is an exciting development, allowing Edrington's craftsmen to continue the whisky-making philosophy that has made The Macallan the ultimate single malt Scotch whisky.

The Macallan's success is based on always selecting the best; starting from the finest malted Minstrel barley, the purest spring water drawn from our own estate, distilling in the smallest copper pot stills in the Highlands and protecting our supply of the world's finest sherry-seasoned oak casks.

Together, these create an intense, flavourful whisky with a unique character that has earned its place as the world's ultimate luxury spirit."

Bob Dalgarno
Whisky Maker

TOAST The MACALLAN®

"Toast The Macallan is the first regional programme to give Asian consumers a unique experience of the brand's rich heritage and an understanding of its superb quality.

The format of interactive exhibitions, innovative presentations and tutored tastings has created sell-out events across Asia's key cities. We are looking forward to making this campaign even stronger in the year ahead."

Kristin Lu
Product Manager, The Macallan
Edrington China

Edrington has created two distinctive campaigns designed to engage and educate consumers in the Americas and Asia Pacific. Raise The Macallan in the United States and its sister programme in Asia, Toast The Macallan, are reaching a new generation of aspirational consumers keen to explore the world of premium spirits. Staged in key cities, these select events offer engaging new ways to learn the story of The Macallan and enjoy tutored tastings in luxurious and sociable settings.

EST. 1824

Toast the Macallan

Raise The Macallan in the US and Toast The Macallan in Asia take consumers on a sensory journey into the world of whisky, revealing the quality and character that have made The Macallan the world's most precious whisky.

EDRINGTON

ACCELERATE
HIGHLAND PARK


HIGHLAND PARK
ODIN
SINGLE MALT SCOTCH WHISKY
55.8% Vol
AGED 16 YEARS
700ml

Bill Farrar
Managing Director, Super Premium

"Edrington's vision is to develop Highland Park into the most respected single malt whisky globally.

Internationally revered as among the best spirits in the world, Highland Park has attributes that map well against the 2020 consumer: provenance, authenticity and capacity for rich storytelling. These have all contributed to its performance as Edrington's fastest growing Scotch whisky.

Edrington's 2020 strategy will focus on accelerating Highland Park and equipping it for a larger role in the company's success."

Key Markets
USA;
United Kingdom;
Nordics;
Canada; and
Japan

Awarded the accolade of the 'world's best spirit', Highland Park is growing strongly in the Americas and Europe, and attracting admirers in Asia.

"Highland Park is gaining respect in the USA for the quality of its whisky and also the innovation that has produced the Norse Gods and Warriors series. Now is the time to build on those foundations and accelerate away from the rest of the market"

Stephanie Ridgway
Edrington Americas

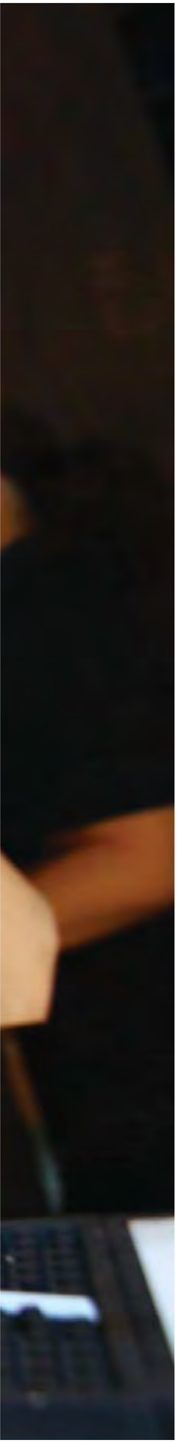
EDRINGTON

DEVELOP
SUPER PREMIUM


SNOW LEOPARD
SNOW
LEOPARD
VODKA
SIX TIMES DISTILLED
MADE WITH SPELT GRAIN
DISTILLED AND BOTTLED IN POLAND
40% VOL. 70CL
IMPORTED

Stephen Sparrow
Founder, Snow Leopard

“Our strategy of building awareness and presence for Snow Leopard in signature accounts is building a following in cities around the world including New York, Los Angeles, Taipei, Singapore and Hong Kong.”



Brugal set a new standard for luxury rum with the unveiling of Papá Andrés, a rare and extraordinary rum produced from the Brugal family's private reserve.

Cities are Key

Edrington has people on the ground in world capitals and emerging cities. Its strong portfolio, reach and experience in creating super premium expressions has made Edrington's brands among the most sought-after by enthusiasts and collectors across the world.

EDRINGTON

OPTIMISE REGIONAL POWER BRANDS

" Edrington has an enviable portfolio of blended whiskies and rums that occupy leading positions in key spirits markets around the world. I'm excited about building the equity of these strong and respected brands."

Paul Hyde
Managing Director
Regional Power Brands


CUTTY SARK
BLENDED
SCOTCH WHISKY
BRUGAL
THE FAMOUS GROUSE

Cutty Sark Spain

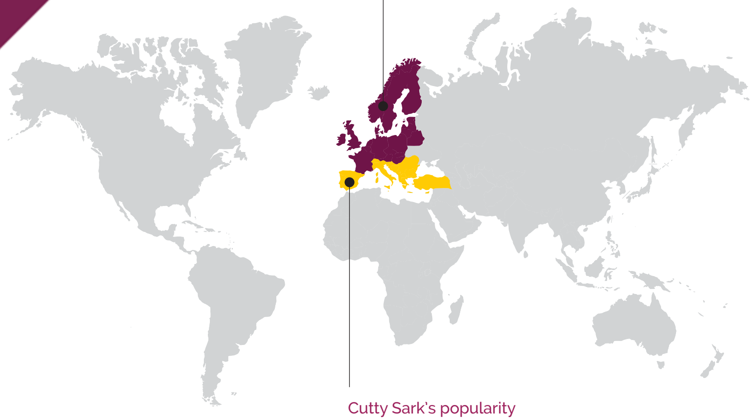
Cutty Sark is a leading brand in southern Europe's Scotch whisky markets. The successful Cutty Bandistas summer campaign employed on-trade events, competitions and an integrated digital campaign to reach more than 9 million target consumers around the Mediterranean.

Cutty Sark Prohibition

Just a year after it was launched, Cutty Sark's premium Prohibition Edition is already a hit with bartenders in the US.

Europe is characterised by mature and influential markets for Scotch whisky and Edrington's brands occupy powerful positions across northern and southern Europe. This region of more than 400 million people will continue to be a cornerstone of Edrington's business, with The Famous Grouse, Brugal and Cutty Sark using innovation and targeted investments to maximise brand equity, revenue and scale.

With the launch of a stunning new bottle and premium packaging, Scotland's favourite whisky is poised to build on its status as a leading spirit brand in northern Europe.



NO ES NORMAL, ES BRUGAL.

"Brugal's leading markets in the Dominican Republic and Spain were significantly affected by the global recession. Edrington has responded with a strategy of driving brand equity in core markets to position Brugal for the recovery, as well as building the brand in selected high-growth markets where the company has a strong distribution capability.

Brugal continues to be the leading rum in the Dominican Republic and Spain, where we now see a return to growth. Brugal is also growing in the US and Asia Pacific, regions that are home to the world's fastest growing premium spirit markets."

Suzy Smith
Brand Director, Brugal

Casa Brugal is home to a portfolio of rums created over five generations of the Brugal family.

Brugal distilled for purity, cask-aged for character and crafted for a distinctive Dominican taste.

To the Brugal family recipe Edrington has added its international brand-building experience and unique access to the world's finest sherry oak casks.

The Brugal Recipe

Pure new make spirit

A secret family recipe, handed down from generation to generation

Distilled not once, not twice, but endlessly, for the cleanest and purest spirit

Dominican sun

Brugal warehouses are positioned to make the most of the Dominican sun from morning to night and intensify the maturation process

Hand-picked casks

Hand-picked by the Brugal family's Maestros Roneros for the right type of character, age and provenance

The very best oak casks, from ex Bourbon American to rare sherry oak European casks

Family touch

125 years of Brugal family passion, dedication and hard work

5 generations of craftsmanship

Embracing tradition and focused on the evolution of Brugal

Public affairs manager Julissa Almonte, vice president for marketing Mery Melo and commercial director Bertha Gonzalez are focused on building Brugal's brand equity in its home market.

Fernando Ortega Brugal and Gustavo Ortega Zeller

EDRINGTON

FOCUS
FOR SUCCESS

Alex Short
Chief Financial Officer

"Focus for Success captures our intention to support all aspects of Edrington's strategy with the right levels of insight and the best possible decision-making.

Edrington 2020 has delivered sharpness, clarity and focus about the road ahead. Our aim is to ensure that those principles flow into our everyday business activities. In the year ahead we will use technology to enable sharper reporting, improve the pace of decision-making, and build on Edrington's track record of operational excellence."

"The new distillery for The Macallan is Edrington's largest ever investment in Scotch whisky, and unlike anything the industry has seen before. Getting every detail right is crucial.

In such a dynamic and growing business, the legal team works on a wide range of projects that protect the brands, manage risk and support growth around the world.

The legal team is focused on delivering the right counsel and securing the best result for Edrington."

Ashleigh Cairns
Legal counsel

"Great people are the drivers of Edrington's success.

As the business develops in its international reach and diversity, we will support Edrington's 2020 ambitions with a talent management programme that builds leadership capability, opportunity and accountability. The new Edrington Academy development programme will provide growth and career opportunities to employees at all levels.

The HR team will engage Edrington's people behind objectives that are aligned to the business strategy, and maintain Edrington's position as an employer of choice worldwide."

Veronika Gunn-Boesch
HR director

Graham Hutcheon
Managing Director, Group Operations

"Focus for Success will bring new processes that build on the high standards of performance already in place at Edrington. As we free up resources to apply to areas of growth it is also important to support our decision makers. Providing our current and future leaders with coaching and development opportunities will be a core element of Focus for Success.

We can already see the impact of this new approach in the sharpness, clarity and focus applied to the construction of the new Macallan distillery scheduled to open in spring 2017."

EDRINGTON

GIVING MORE

"Edrington's unique business model funds The Robertson Trust in supporting charities across Scotland. In the year to 31 March 2015 the Trust made 742 awards valued at £18.2 million.

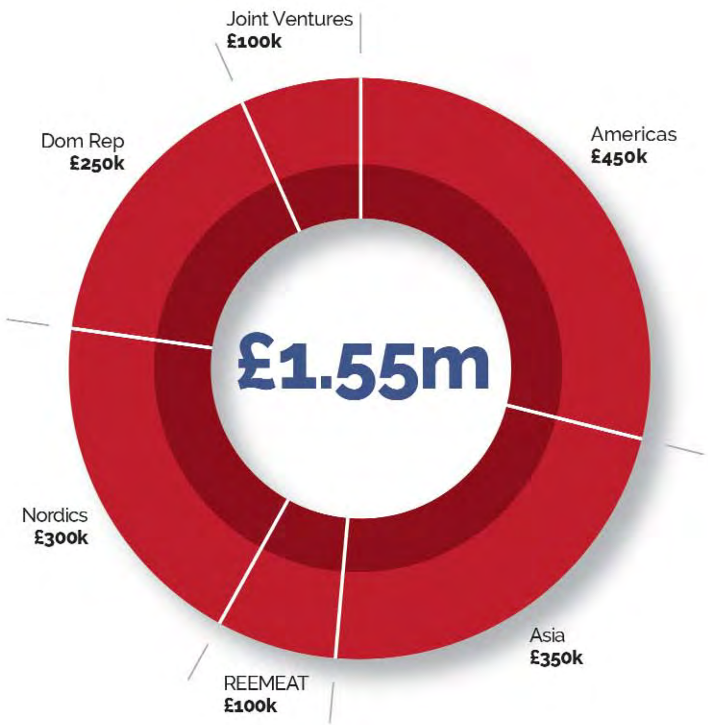
In addition to this, Edrington has chosen to extend its charitable ethos to reflect its international presence and create a fund that donates 1% of pre-tax earnings to good causes internationally. These are chosen and supported by Edrington employees. In 2014-15, charities across the world benefited from Edrington's commitment to sharing profits with the communities in which it works, receiving donations valued at £1.55 million."

Aristotelis Baroutsis
Managing Director, Global Travel Retail

The Robertson Trust Awards

£18.2m

International Giving More



Around the world, many of Edrington's people go further in their support of their communities and charities, and Edrington goes further in contributing to their efforts.

This can take a range of forms, from donating an amount of every hour an employee works on behalf of a charity, to matching funds raised.

Employees at Edrington's cooperage, including Stevie Kerr (right) set aside part of their salary each month, combining them to make an annual donation to a nominated charity. Under Edrington's Giving More scheme, each donation is matched both by Edrington and The Robertson Trust, tripling the effect of the cooperage team's generosity.

A team of employees from Edrington Hong Kong took part in the city's Mother's Choice walkathon in 2014. The event raised funds to support young girls and families who are facing unplanned pregnancies, as well as children's homes and foster care programmes which provide caring environments for babies and children with special needs.

134,000 Krona

(£10,500)

for the Swedish Childhood Cancer Foundation

As HR manager for Edrington's Nordics business, Cecilia Berg knows how to motivate people to give more.

This year, Cecilia took Edrington's Giving More ethos truly to heart and cycled more than 1,000 km through England and Wales for the 'Ride of Hope', raising funds for the Childhood Cancer Foundation.

"I lost my brother to childhood cancer, and the Ride of Hope has been an important way for me to honour his memory and help other children and their families who are going through a similar experience.

It makes a real difference to know that the company's been behind me every kilometre of the way."

* In the context of the Annual Report, the 'Company' or 'Edrington' refers collectively to The Edrington Group Limited, and its subsidiary and joint venture undertakings. Differentiation is made between Company and consolidated group results in the financial statements and the related independent auditor's report from page 56 onwards.

BUSINESS MODEL & PRINCIPAL ACTIVITIES

Edrington owns some of the leading Scotch whisky and rum brands in the world, which the Company produces, markets and distributes to consumers globally. These brands, which occupy market-leading positions, include The Macallan, Highland Park, The Famous Grouse, Cutty Sark and Brugal. As part of the Company's focus on developing super premium brands Edrington acquired the Snow Leopard vodka brand in 2013.

The Company produces its brands at a number of specialist operations including distilling, blending and bottling. Edrington's brands are distributed by its own distribution network, which comprises wholly owned subsidiaries, joint venture companies and third party distributors.

Although the Edrington operating model is quite complex, its business model is simple. The business model revolves around great people, leading brands and an ethos of giving more, underpinned by Edrington's ownership by the charitable Robertson Trust.

The Company has delivered resilient performance in key mature markets, delivered strong growth in emerging markets and has focused on the premiumisation of its brands to drive market share growth and deliver strong operating profitability.

Edrington's underlying objective is to drive shareholder value and the Company will achieve this by continuing to build long term brand equity across the portfolio, building the underlying value of the business. Edrington will continue to build its portfolio of premium brands focusing on the consumer, delivering compelling brand stories with distinctive brand positions, built on quality and authenticity.

DIRECTORS & ADVISERS

01 **Norman Murray**, Chairman

Norman Murray was appointed a non-executive director of Edrington in 2012. He is a former president of the Institute of Chartered Accountants of Scotland and a former non-executive director of Greene King plc.

02 **Ian Curle**, Chief executive

Ian Curle was appointed chief executive of Edrington in 2004, having joined the Company in 1986. He is chairman of the North British Distillery and former chairman of the Scotch Whisky Association.

03 **Alex Short**, Chief financial officer

Alex Short has more than 20 years' experience in senior financial roles within the drinks industry, including Coca Cola Schweppes, William Grant & Sons and AG Barr plc. Alex joined the board of Edrington in September 2014.

04 **Graham Hutcheon**, Managing director, group operations

Graham Hutcheon joined Edrington in 2000 and was appointed group operations director in 2003. He chairs the environment committee of the Scotch Whisky Association and the Scotch Whisky Research Institute. Graham is a director of the North British Distillery and also serves on the council of CBI Scotland.

05 **Bill Farrar**, Managing director, super premium

Bill Farrar joined Edrington in 1989 and was appointed to the Board in 2003. As managing director of Edrington's super premium business, Bill takes responsibility for Highland Park single malt Scotch whisky and Snow Leopard vodka, as well as the development of other super premium opportunities and innovations.

06 **Scott McCroskie**, Managing director, The Macallan

Scott McCroskie has spent more than 20 years' in senior commercial roles in the drinks industry. He joined Edrington in 2009, was appointed commercial director in 2011 and joined Edrington' board in 2013. In 2015 Scott became managing director of The Macallan. Scott also leads Edrington's businesses in the Americas, Asia Pacific and Global Travel Retail.

07 **Paul Hyde**, Managing director, regional power brands (appointed 31 March 2015)

Paul joined Edrington in 1997 and became strategy and development director in 2014. He was appointed managing director of Edrington's regional power brands in 2015, leading The Famous Grouse, Cutty Sark and Brugal rum. Paul also leads Edrington's businesses in Europe, the Dominican Republic and a number of emerging markets.

08 **Ronnie Bell**, Non-executive director

Ronnie Bell was appointed a non-executive director of Edrington in 2005. He is a former group vice president of Kraft Foods Inc and spent his 30-year executive career at Kraft, latterly as president of Kraft Foods Europe.

09 **Callum Barton**, Non-executive director

Callum Barton became a non-executive director of Edrington in 2007. He has more than 30 years' experience of the luxury goods business with Richemont North America, Cartier, Piaget and Baume & Mercier.

10 **David Richardson**, Non-executive director

David Richardson was appointed as a non-executive director of Edrington in 2013. He has spent more than 20 years in the drinks industry with Whitbread plc and has extensive experience as a non-executive director. David is also the former chairman of the LSE's Primary Markets Group.

11 **Martin Cooke**, Group company secretary

Martin Cooke joined Edrington in 1988 and was appointed group company secretary in 1997. He is a trustee of Edrington's pension schemes and chairs the Company's risk management committee.

Directors
N L Murray, Chairman
I B Curle, Chief Executive
R J A Hunter (resigned 30 June 2014)
A B C Short (appointed 1 September 2014)
P A Hyde (appointed 31 March 2015)
R W Farrar
G R Hutcheon
S J McCroskie
R J S Bell
K C O Barton
D H Richardson

Secretary
M A Cooke

Registered Office
2500 Great Western Road
Glasgow G15 6RW

Independent Auditor
Grant Thornton UK LLP
Statutory Auditor

Solicitors
Maclay Murray & Spens LLP

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CHAIRMAN'S STATEMENT

The theme of this year's annual report is 'Great People, Leading Brands, Giving More', a great summary of the DNA of Edrington.

My second year as chairman has brought a deeper understanding of the Company and confirming that Edrington is indeed an organisation of great people. Whether it is meeting our teams in overseas markets or closer to home at our sites in Scotland or at our management development programmes, I am always struck by the quality of our people and by their enthusiasm and commitment.

Meeting our people allows me to tell them that their spirit is matched by my personal interest in their progress and development. But it sometimes has risks attached. On a visit to Taipei, Edrington Taiwan's managing director, Jennifer Wu, invited me to dinner to review our day of meetings. The impressive surroundings of the 86th floor of Taipei 101 were a fitting setting until the interruption of an earth tremor registering 6.3 on the Richter scale.

The sense of calm reassurance evident in Taiwan during the earth tremor has characterised a year in which Edrington's great people came to the fore. The new Singapore hub to support the Asia Pacific region began trading following excellent collaboration between functions and locations. Such was the success of this introduction that the implementation team won this year's Edrington Achievement Award.

Singapore became the home to a new global travel retail team following the relocation of the Asia Pacific unit to Singapore. Edrington's capacity in the growing travel retail channel expanded further with the launch of Edrington Webb covering the Americas and the Caribbean and the set-up of a new Edrington European travel retail business.

This investment in route-to-market also marked the first full year's operation of Edrington Americas, a 130 strong team of employees from 20 different nationalities, located in the biggest premium spirits market in the world. Its strong performance, and that of the Asia Pacific businesses, concluded a strategic phase in which the Company sought to develop its capability on both continents.

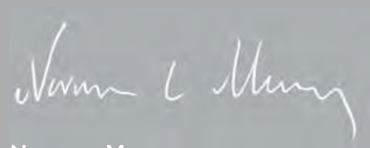
In the last year a new strategy, Edrington 2020, which builds on this progress was approved by the Board. The imperatives in the new strategy, Perfect The Macallan, Accelerate Highland Park, Develop Super Premium, Optimise Regional Power Brands, and Focus for Success, take account of changes in consumer and market behaviour and are featured more fully in this report.

As the Company makes this transition to a new strategic phase it is also faced with a dynamic political environment. The outcomes of referenda and elections at home increasingly have international implications, reflecting the interconnected nature of our world. In such a fast-moving climate we hope that governments support the role of business in creating wealth and growing economies. The 2% reduction in spirits duty in the UK spring budget was welcomed by Edrington and the Scotch whisky industry as a tangible example of support and we hope this supportive climate continues in the future.

I would also like to emphasise the support from The Robertson Trust. The positive relationship with the Trust continues to build as the Company develops.

Our thanks also go to Ronnie Bell, non-executive director, who is retiring from the Board after ten years' service. Ronnie's experienced input has been very valuable during Edrington's rapid internationalisation and we wish him well in his future pursuits.

Finally, I would like to express my thanks to all of Edrington's employees for their dedication and commitment throughout the year, and look forward to meeting more of them personally in the year ahead.



Norman Murray
Chairman

10 June 2015

CHIEF EXECUTIVE'S REVIEW

I am pleased to report that Edrington continues to deliver a strong financial performance after a year in which we increased our brand equity in key markets and further strengthened our routes to market. Eighty percent of sales are now managed by our own distribution businesses in many of the world's fastest growing markets for premium spirits.

PERFORMANCE SUMMARY

Over the course of the past 12 months the business has continued to make significant progress.

The last year has seen increased competition and continued polarisation of value across the spirits sector. Demand for super premium spirits, particularly in the USA and Asia, has remained robust. The Government's well-documented austerity programme in China, together with trade overstocking, has impacted the industry's short to medium term performance in Asia. This contraction, together with the adverse impact of foreign exchange and increased volatility across Eastern Europe, the Middle East and Africa, has increased competitive pressures in an already-subdued European economic landscape, with the competition seeking alternative sales channels.

In what has been a fiercely competitive marketplace and a year of route to market transition, the business has delivered a strong underlying performance. Although overall Company turnover reduced by 2.4%, this reflected a significant year on year reduction in non-branded sales, together with an adverse effect from movements in foreign exchange rates.

Turnover from the Company's branded products increased by 1.8% relative to the prior year, with the business delivering volume and value growth from The Macallan, Highland Park and Cutty Sark brands. The Famous Grouse confirmed its leadership position in its largest market, the UK, and globally brand volume grew by 1.2% relative to the prior year.

Performance of Brugal within its core markets of Spain and the Dominican Republic has been extremely difficult to the extent that the Company has decided to further impair the intangible value associated with the Brugal brand.

Building on the Company's previous investments in route to market capability, Edrington delivered strong performances across the regions, driven particularly through North America, Global Travel Retail, and Emerging Europe. Despite the various headwinds, contribution delivered from Asia and Central Europe was in line with the prior year. This was an excellent result given marketplace conditions.

Earnings Before Interest and Tax, pre-exceptional items, (EBIT) at £181.1m reduced by £16.0m, or by 8%, relative to the prior year. Underlying performance is distorted by the effect of the reduced levels of non-branded sales. Eliminating this effect, underlying EBIT increased by 4.6% which more correctly reflects the underlying performance of the business.

Profit before tax (pre-exceptionals) amounts to £157.6m, down £16.4m on the prior year performance.

Cashflow generation in the period remained strong with free cash flow of £84.2m generated during the year. Closing net debt ended the year at £432.7m, in line with the prior year.

Net exceptional charges (after taxation and minority interest) amounting to £127.0m have been reported during the financial period. These charges relate to a write down of the intangible Brugal asset offset to a small extent by a pension curtailment credit following closure of both of the Company's defined benefit pension schemes. The impact of the exceptional charges has been to reduce pre-exceptional earnings of £71.2m to a net loss of £55.8m.

BUILDING BRAND EQUITY

Progress

Within the context of the international spirits market, Edrington's core brands have performed well.

The Macallan

The Macallan delivered another strong year of performance, particularly in the USA and Asia, growing both in terms of volume and value. Overall turnover growth of 10.5% has been delivered. The appetite amongst consumers for more premium higher end expressions has continued to be a feature throughout the year and the Company expects this trend to continue over the coming year. The Macallan now occupies market leading positions in Russia, China, Japan, South Korea and Hong Kong and has grown quickly to occupy the number two position in the USA, where the brand's pricing strength reflects its pre-eminent premium malt positioning.

The brand is well positioned to exploit international opportunities. The USA offers significant potential to increase Edrington's distribution footprint, South East Asia is a strategic growth opportunity and emerging markets offer viable options to expand the brand further.

The Macallan team is progressing well with the design and construction of the new distillery and brand home for The Macallan. Alongside Roger Stirk Harbour + Partners, the team will collaborate with the renowned consultancy Atelier Brueckner to deliver a globally famous brand experience that will enhance The Macallan's luxury positioning even further. This is fundamental to underpin the brand's peerless positioning, quality and supply.

Highland Park

Highland Park delivered double digit year on year growth. Volume increased in excess of 15% from the prior year, which when combined with the introduction of innovative higher margin ranges delivered a net turnover growth in excess of 20%. This performance has been driven primarily in the USA, where the brand is well positioned to continue on this trajectory. Edrington believes that Island whiskies show significant potential for growth. Building on the brand's rich heritage, the brand team aims to make the brand the most respected single malt globally.

The Famous Grouse

The Famous Grouse performed broadly in line with a challenging blended Scotch category. The brand's key market is the UK where the blended Scotch category is characterised by strong price promotions. The brand maintained its position as Scotland's and the UK's favourite Scotch whisky in 2014 increasing the brand's volume and market share. The Famous Grouse also grew in several emerging markets including Turkey, Russia and sub-Saharan Africa.

The brand's strategy will focus on maintaining share in core markets and continuing to premiumise the brand in the mind of consumers. Leveraging its quality, authenticity and brand story credentials will differentiate it from its competitive set and build engagement with consumers.

Cutty Sark

Cutty Sark delivered year on year growth in both volume and value. This is a very positive result in the context of a declining category in Spain, the brand's leading market. Prohibition Edition, launched in the USA during 2014, continued to create considerable trade and consumer interest. Cutty Sark destined for India is now being bottled in the market and is being sold across a number of Indian states via a joint venture with Kyndal Spirits. India remains one of the high growth Scotch markets in the world and despite a complex trading environment the Company believes the market offers a key investment opportunity for Cutty Sark.

Snow Leopard

Snow Leopard vodka showed positive volume growth during the year with successful launches across the USA, Asia and Global Travel Retail. Edrington's super premium unit will continue to incubate the brand and we are excited about its highly engaging proposition, based on a combination of product superiority and conservation.

Brugal

Brugal experienced a particularly challenging year, with an overall reduction in volumes across its key markets of the Dominican Republic and Spain. Both markets show a declining rum category (-12.9% and -7.1% MAT (Moving Annual Total) respectively). In the Dominican Republic, this was compounded by a marked increase in both legitimate competition and from low-price tax free spirits. The team at Brugal is working closely with trade associations and the local government to seek to tighten processes to tackle tax evasion and secure a more level playing field for its home market.

Given the challenges that the brand faces in the key markets of the Dominican Republic and Spain, the forecasted growth expectation for the Brugal brand has been revised downwards. This has resulted in an impairment of the Brugal intangible brand asset amounting to £239m.

Chief Executive's Review
Continued

ROUTE TO MARKET EXECUTION
Regional Progress

Asia

In October the Company established a regional hub for Asia-Pacific, based in Singapore, which has brought Edrington closer to its consumers in the region and made it more agile in responding to the needs of its markets. It will facilitate more focused management of commercial and brand activities, as well as better oversight of the region as a whole.

Despite the impact of government legislation which has affected consumption in China, performance across Asia Pacific remained in line with the prior year. Growth momentum across the region is expected to remain robust in the 10 ASEAN countries, with forecast economic growth averaging 5.6% over 2015-19. The investment in Edrington's route to market capability, together with the brand portfolio's strength across the region, should position Edrington well for capitalising on this anticipated growth.

USA and the Americas

Edrington Americas began trading on 1 April 2014 following an unprecedented collaboration between employees in the USA, supporting advisers, and specialist central teams in Scotland. The first full year of trading has endorsed the strategy behind the investment, building on the growing demand for premium spirits in the US market. Year on year Edrington Americas delivered growth across the portfolio and drove double digit profit growth of The Macallan.

The US economy continues to recover well from recession and the spirits market remains in good health, although significant movements between categories have occurred, with 'craft' and bourbon being the key beneficiaries. The current growth forecast for the USA spirits market is a 1.34% CAGR (Compound Annual Growth Rate) from 2013 to 2018. A key category of growth to 2018 is malt whisky and in particular the super premium segment. Given Edrington's current scale and positioning, the Company feels well placed to capitalise on this key market.

The Dominican Republic has experienced another challenging year, against a backdrop of economic uncertainty and a declining rum market. Competition from low price, tax free spirits has significantly impacted performance.

REEMEAT (Russia, Emerging Europe, Middle East, Africa and Turkey)

This region of emerging markets has been at the centre of a number of geopolitical issues and crises, ranging from the conflicts in Ukraine and the Middle East to the Ebola crisis in West Africa and the divergence in economic outlook across EU member nations.

Against this fluid and uncertain backdrop, Edrington delivered over 10% growth in value. Sales of The Macallan in Russia performed well.

Europe

Performance in North and Central Europe as a whole remained broadly flat year on year. The economies in the region are generally showing signs of improvement, although a risk of economic volatility and setbacks remain. Edrington strategy is to continue to build on its brands' market leading positions in these mature markets. Performance in Southern Europe was marginally down year on year, as the effect of continued macro-economic challenges continued to have an impact on the region. Despite this, performance in Spain was positive, particularly with the Cutty Sark brand which showed a return to growth in both volume and value relative to the prior year. This has been offset by the challenges faced by Brugal as a result of intense competition in a declining rum category together with a challenging retail environment in France.

Global Travel Retail

2014 marked the centenary of commercial air travel and airports will be the a key area of focus for Edrington's Global Travel Retail business to 2020.

Edrington increased its travel retail capability in 2014, creating a new Global Travel Retail business in the Asia Pacific regional hub in Singapore, where its Asia Travel Retail unit is now based. The Company also launched a new joint venture with WEBB (World Equity Brand Builders) based in Miami. This new venture serves the travel retail market in the Americas and the Caribbean.

Throughout the year, the global travel retail market was affected by the world's geopolitical and macroeconomic issues, including currency fluctuations for the Rouble and the Euro, anti-gifting legislation in China and an increase in pricing pressure. Against this backdrop, Edrington Global Travel Retail business had an excellent first year, with every region growing in profit.

Future growth will predominantly come from Asia, particularly China, which is forecast to overtake the US as the biggest air travel market in 2030. The adoption of longer-range aircraft means that the Middle East is becoming a bridge between Asia and the rest of the world. Dubai is already the world's leading airport for retail value and in 2014 overtook London's Heathrow as the world's largest airport in terms of passenger numbers.

DEVELOPING ORGANISATIONAL CAPABILITY

As Edrington continues to grow and expand geographically, the Company strongly believes in the need to empower people locally. To complement this, the Company requires strong consistent central operating principles, efficient processes and clear communication. During the year Edrington continued to invest in the development of its people, processes and in the supporting infrastructure to drive long-term success.

The development of common approaches to leadership continued during the year through the Edrington Leadership Development Programme, complemented by the launch of the Edrington Emerging Talent Programme. These programmes continued to be underpinned by individual performance and development reviews, measuring performance against key competencies and proactively managing development opportunities across the Company.

Throughout the year Edrington continued to make progress on Project Integra. The centrepiece of this improvement programme is the integration of the Company's business systems from three SAP platforms to a single global platform. When the project is complete in 2017, it will deliver greater efficiency and effectiveness across Edrington's businesses. The initial UK work stream was implemented successfully in April 2015 and the team is working on the next phase, which involves the international implementation across local operating companies.

Edrington has continued to work independently and in partnership with the industry to promote the responsible consumption of alcohol and targets high levels of environmental responsibility. Progress on initiatives and collaborations with other producers and organisations are set out in the separate Corporate Sustainability and Responsibility (CSR) Report.

PROSPECTS

The recent trends seen across the spirits category look set to continue with expected growth of 0.8% on a compound annual basis (CAGR) in the next four years (source IWSR). Higher growth is anticipated in super premium spirits at 5.7%, with premium spirits expected to grow at 3.6% and the standard segment more subdued at 2.0%.

From an economic perspective overall Gross Domestic Product is forecast to grow globally by 3.9% in 2015 and 3.8% in 2016 (source: International Monetary Fund). Regional forecasts continue to support positive outlooks in emerging and developing markets and the USA, whilst Europe is expected to show modest growth of 1.4% in 2015 and 1.7% in 2016. It is expected that the subjects of Greek debt and the upcoming European referendum will continue to dampen the European outlook.

Edrington considers that it has brand assets that are well positioned to benefit from continuing trends towards premium spirits. The Company believes that the medium and longer term macro-economic factors of growing population, increasing numbers

Chief Executive's Review

Continued

of emerging middle class consumers internationally and polarisation in value, with a growth in high net worth individuals (HNWI), will be beneficial to its business. However, it is evident that the market for mainstream blended Scotch and rum will continue to be competitive in the coming years.

As Edrington extends its planning horizon forward five years, the Company's 2020 vision centres on sharpness, clarity and focus. The Company will align its objectives around five key strategic imperatives:

- **Perfect The Macallan.** Edrington will align activity around The Macallan brand behind 'The Ultimate Luxury Spirit' proposition, eliminating contradictions and executing with brilliance. The brand team will create industry-leading brand equity and creative content; place new and existing consumers at the centre of its marketing activities whilst optimising the current range and developing the route to super premium channels and new growth markets. Completion of the new distillery and brand home for The Macallan is a core element of the plan.
- **Accelerate the growth of Highland Park.** Edrington's vision is to develop the Highland Park brand into the most respected single malt globally, ensuring that the brand is meaningfully different. The business will deliver a proposition underpinned by the brand's quality credentials, to rapidly grow the scale and international presence of Highland Park. Through provision of the required focus and resources Edrington will prioritise Highland Park and accelerate profitable growth ahead of its category.
- **Develop super premium capability.** Edrington will exploit opportunities in super premium spirits, realising the potential of Snow Leopard vodka, innovating in rum and Scotch whisky.
- **Optimise regional power brands.** Recognising changed market realities, Edrington's focus will be on leveraging its brands' market-leading positions across key regions. The team will aim to maintain and strengthen overall brand equity and the relevance of the Company's blended Scotch and rum brands, optimising return on invested capital and advertising and promotion investment. The Company will undertake selective new market investment and premiumisation focused on key business units. Rejuvenating Brugal will be a key focus.
- **Focus for success.** Under its Focus for Success strategy, Edrington will drive for operational excellence and add significant pace to critical initiatives, deliver organisational clarity, focus and resource allocation. Through effective use of technology the Company will implement new metrics and reporting that will enable effective decision-making, optimise behaviour and improve accountability. Edrington will drive for operational process excellence across all functions, whilst building leadership capability and growth opportunities for its people. As it sets its course to 2020, Edrington's confidence in the potential of its brands will be reflected in the investment and focus behind the Company's strategic imperatives.

The Company is continuing to invest behind its future growth potential whether that be through increasing investment in building brand equity, investment in route to market execution, recruiting and developing talented people or upgrading infrastructure to drive efficiency and effectiveness. We remain confident in our portfolio of market leading brands, route to market and talented resources and we believe the sharpness, clarity and focus of the refreshed strategic imperatives will continue to deliver strong organic growth and long term shareholder value.

Finally, I would like to thank all our employees, across all our locations, for their dedication and focus in delivering a strong set of results.

Ian Curle
Chief Executive

10 June 2015

KEY PERFORMANCE INDICATORS

Volume (case equivalents)
8.72m
2014: 9.21m

Turnover Growth
-2.4%
2014: 2.7%

Operating Profit Margin
27.2%
2014: 29.6%

Group EBIT
£181.1m
2014: £197.1m

Profit before Tax
£157.6m
2014: £174.0m

Retained Earnings (pre-exceptional items)
£71.2m
2014: £80.4m

Net Assets
£602.8m
2014: £797.0m

Free Cash Flow
£84.2m
2014: £84.7m

Net Debt/EBITDA
2.2
2014: 2.2

Interest Cover
8.2
2014: 7.4

Return on Capital Employed
23.4%
2014: 24.3%

Volume
The total quantity of cases sold, where a case equivalent is measured as 12 70cl bottles.

Turnover Growth
The increase in value of revenue recorded in the period relative to the prior year.

Operating Profit Margin
Operating profit before exceptional items and before the deduction of interest and taxation, divided by revenue.

Group EBIT
EBIT (defined as profit on ordinary activities before tax and exceptional items, adding back interest and other investment income).

Profit before Tax
Profit before exceptional items and the deduction of taxation.

Retained Earnings
Retained earnings defined as earnings after tax and minority interests excluding exceptional items.

Net Assets
Defined as the Company's assets less its liabilities.

Free Cash Flow
Net cash flow excluding the movements in borrowings, shares, dividend payments, expansionary capital expenditure and non-cash exceptional items.

Net Debt/EBITDA
The ratio of consolidated gross borrowings to reported EBITDA.

Interest Cover
The ratio of EBITA (EBITDA less depreciation) relative to interest charges in respect of the relevant period.

Return on Capital Employed
Operating profit before exceptional items as a percentage of invested capital. Invested capital is defined as period end non-current plus current assets less current liabilities excluding all balances relating to any financial instruments, interest-bearing liabilities and cash or cash equivalents.

FINANCIAL REVIEW

P&L REVIEW

During the financial period Edrington's Scotch whisky brands have continued to progress well building share in what has been a fiercely competitive marketplace and a volatile economic environment. Edrington's malt brands are performing particularly well as consumers are continuing to trade up, seeking brands that offer quality and authenticity. Edrington's blended Scotch whiskies continue to maintain their strong market positions. In the year we have increased our investment in advertising and promotions and continued to invest in developing internal capability.

The headline results indicate a year on year reduction in turnover of 2.4% and a reduction in Earnings Before Interest and Tax before exceptional items (EBIT) of 8.1%. The financial results have been impacted in three areas:

1) adverse foreign exchange, the impact of which amounts to over £5m relative to the prior year;
2) performance of Brugal, where volumes have been materially impacted within both the brand's home market of the Dominican Republic and the impact of a declining rum category in the key Spanish market, and
3) reduction in non-branded sales relative to the previous year.

Eliminating the impact of the prior year mature stock sales, our brand turnover has increased by 2% and year on year growth in underlying EBIT was close to 4.6%. This is a very credible performance in the context of the market place and demonstrates our continued commitment to long term investment, building brand equity and developing our internal capability.

Over a five year period, the Company has delivered compound annual growth in turnover and retained earnings of 5.7% and 5.6% respectively.

Trading Performance

Overall Group turnover decreased by 2.4% when compared to last year. Despite a reduction in the sale of surplus mature stock and adverse currency movements our brands have performed well, with overall brand turnover increasing by 2%.

The Macallan and Highland Park brands delivered double digit turnover growth whilst The Famous Grouse and Cutty Sark underpinned their market positions in a highly competitive blended Scotch category.

Scotch whisky brands delivered volume growth of 2% however our overall volume performance was significantly impacted by the performance of Brugal, leading to an overall year on year reduction in volume of 5%.

This shortfall in volume was more than compensated for by increases in average realised turnover per case. Effective management of both channel and product mix together with price increases across the portfolio, delivered year on year growth in turnover per case of 7%.

Continued investment in our route to market infrastructure together with the adverse impact of foreign currency and the reduction in trade income has led to an overall decrease in reported operating profit margin. Operating margin has reduced to 27.2%, a reduction of 240bps.

A Group EBIT (pre-exceptional items) of £181.1m was delivered in the year. From an EBIT perspective, the challenges affecting operating profit have been partially offset by improved performance of the joint venture businesses which have contributed an additional £3.0m when compared to last year. This has led to an overall absolute reduction in EBIT relative to last year of £16.0m or 8.1%.

Retained earnings before exceptional items ended the year at £71.2m, slightly ahead of internal expectations.

Other Profit and Loss Items (pre-exceptional)

Interest costs in the period were £1.6m lower than the prior year, reflecting lower bank margins on a similar level of net debt to last year.

Taxation of £33.5m reflects an effective tax rate of 21% compared with 22% last year. This reduction is a consequence of a different mix of tax jurisdictions and the release of provisions no longer required.

Exceptional Items

In accordance with Financial Reporting Standard 11, annual impairment reviews must be conducted where a company has chosen not to amortise goodwill. As a result of this annual review and reflecting the future expected brand cash-flows, the value of the Brugal intangible asset has been impaired by £238.7m. Included in exceptional items is an associated interest rate swap breakage cost of £1.8m.

Financial Review

Continued

The Company's defined benefit pension schemes closed to future accrual on 31 October 2014, resulting in a reduction in the liability of £29.1m. Lothian Distillers Limited, a joint venture business, also closed its pension scheme to future accrual which has resulted in a £1.1m reduction.

BALANCE SHEET REVIEW

Over the year the Company's net assets have reduced from £797.0m to £602.8m. This was principally due to the movement in intangible assets. Excluding this effect, net assets increased by £81.3m in the year, which is represented by increased tangible assets, stock and a decrease in net retirement liabilities.

Intangible Assets

Intangible assets have decreased in the year by £275.5m. £33.5m of this reduction is attributable to exchange rate movements along with a further impairment of €325.0m (£238.7m) in relation to the Brugal brand. The brand value of Cutty Sark has been amortised by a further £3.3m, in line with our accounting policy.

Tangible Assets

Capital investment in the year amounted to £70.2m being a mix of operational, commercial and information technology related projects. The investment included a blend of normal replacement and business improvement initiatives. Tangible Assets have increased by £48.5m in the year principally reflecting £18.3m expenditure on the new distillery and visitor centre at The Macallan and £25.9m on casks. These investments both underpin product quality but also support increased investment in stocks which will support our future growth objectives. £19.2m of depreciation was provided in the year.

Stocks

We continue to be confident in our long term prospects and related forecasts for our brands; consequently our investment in stocks increased by £23.5m in the year.

Retirement Benefit Liabilities

The net retirement benefit liability attributable to the Group amounts to £48.9m.

The Group operates two defined benefit pension schemes in the UK which have been closed to new employees since 2008. The majority of the scheme assets are held in bonds and during the year asset values have been supplemented by strong equity and property returns, together with significant deficit repair contributions from the Company. The total fair value of assets during the year increased by £52m (to £308m) representing an increase of 20%. Total liabilities over the same period increased by £69m, with a continued reduction in the discount rate used to derive the present value of future liabilities. The assumed discount rate has reduced from 4.4% to 3.3%.

During the year the decision was taken to close the defined benefit pension schemes of the Company and of our joint venture Lothian Distillers Limited to future accrual. This resulted in a reduction in the liability of £30.2m. The net impact of these changes was to reduce the overall deficit in our pension schemes by £9.3m in the year.

Given the financial position of the defined benefit pension scheme, the Trustees continue to review opportunities to reduce risk acknowledging the long term nature of pension schemes and the underlying objective of achieving full buy out of the liabilities.

Creditors falling due after more than one year

Creditors falling due after more than one year relate entirely to longer term borrowings. We finance the Group through a combination of bank debt and US Private Placement notes which are managed to limit the risk of future refinancing. In April 2015, post the balance sheet date, we replaced existing shorter term bank facilities in the 1887 subsidiary with a combination of ten and twelve year US Private Placement notes totalling £120m. In May 2015 further bank facilities were agreed for Edrington.

The Group has sufficient banking facilities at its disposal to meet its future needs.

CASHFLOW AND NET DEBT

Edrington in the year continued to deliver strong free cash-flow of £84.2m which was consistent with last year. Lower cash-flow from operating activities relative to the prior year was attributable to a reduction in non-branded business. This was offset by tight management of working capital together with lower interest costs.

Below free cash flow, expansionary capital expenditure amounted to £28.3m. This included expenditure on the new distillery and visitor centre at The Macallan, a liquid handling project and additional warehousing at our Overton site. Total group wide dividends at £23.5m were £21.4m less than the prior year, reflecting the timing of dividends paid to minority interest holders.

As at the end of March 2015, the Group's closing net debt position stood at £432.7m, being borrowings of £470.1m offset by the closing cash position of £36.5m and current asset investments of £0.9m. The closing net debt position was at a consistent level with that reported last year.

From a ratio perspective, the Company remains well within both its Interest Cover and Net Debt to EBITDA requirements; being 8.2 and 2.2 times respectively.

DIVIDENDS

An interim dividend of 11.8p (2014: 11.0p) per share was paid on 12 November 2014. The directors agreed a further interim dividend of 29.4p per share which will be paid on 3 July 2015.

Dividends for the year amounted to 41.2p compared with 37.4p in respect of last year. The increase of 10% reflects the underlying performance of our core brands, our conservative dividend cover and the strength of our balance sheet.

SUMMARY

Our underlying trading performance in the year has been robust within the context of a challenging market place.

Throughout the year the Group has continued to invest, supporting our strong growth objectives and underpinning our long term prospects. We have increased investment behind our brands, our people and our key business process through continued investment in fixed assets and maturing whisky and rum stocks. This has been achieved whilst maintaining net debt at a consistent level with last year.

Our overall return on capital employed is robust at 23.4% and despite the impairment of the Brugal brand, our balance sheet remains strong.

As we enter the next phase of our development we do so from a sound financial platform.

PRINCIPAL RISK AND UNCERTAINTIES

The responsibility for risk management and internal control systems resides with the Board, with a framework to support the process for identifying, evaluating and managing financial and non-financial risks. The Audit Committee is responsible for the direct oversight of the Group Risk Management Committee and the internal control function.

Edrington's risk management processes minimise its exposure to unforeseen events and identified risks, allowing the business to focus on delivering its strategic objectives.

During the year the board conducted a Strategic Risk Review of the principal risks facing the Company including those that would impact its business model, future performance and solvency. This review has allowed the board to assess the Company's risk appetite and ensure that the nature and extent of the significant risks facing the business are identified and adequately managed. In line with best practice, the assessment includes a review of the impact and likelihood of each risk, together with the controls in place to mitigate the risk.

Risk categories are predominantly macroeconomic or operational in nature. Macroeconomic risks relate to the external environment and the international markets in which Edrington operates, over which the Company has less control. Operational risks include issues such as product quality, supply chain, or failure in business technology. The environment in which Edrington operates is becoming increasingly volatile and constantly evolving, so the Company will remain vigilant to be sure that new risks are identified and assessed timeously, and that appropriate actions are taken to mitigate the impact of these risks on the business.

During the year the Audit Committee reviewed reports received from the internal audit teams. These have allowed the committee to assess the general control environment, identify control weaknesses and quantify associated risks. Moving forward greater emphasis will be placed on reviewing status of actions taken to mitigate these risks.

The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only therefore provide reasonable assurance against material misstatement or loss.

Financial Review
Continued

Principal Risks

The following represent what the Board believes to be the most important risks and uncertainties that may impact the Company's ability to deliver its strategy effectively.

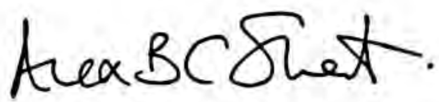
Identified Risk	Impact	Mitigating Actions
Major Operational Failure	Major supply chain failure affecting supply of raw materials or equipment, loss of maturing stocks or the customer orders process.	Assets managed by the business include intangible brand assets, plant and equipment, people and business technology. Disaster recovery, incident management plans and contingency measures are in place and tested regularly. Edrington's wood and cask supply is reviewed and long-term agreements and processes established to provide reasonable assurances of a sufficient and sustainable supply of casks that meet Edrington's high quality requirements. Contingency bottling/blending options are refreshed and tested to ensure that Edrington's operations can be maintained in event of loss or impairment of its own facilities. Energy and water supplies are reviewed to ensure continuity, sufficiency and quality of supply. Long term developments include a contract to supply renewable energy to The Macallan distillery over the long-term, which also contributes to fossil fuel reduction targets.
Adverse political and social attitudes to alcohol	Damage to the reputation of Edrington or its brands; Impact on market access or the ability to promote its brands	Edrington supports a responsible approach to alcohol and considers this a core element of its strategy to grow a sustainable, long-term business. The Company operates a CSR strategy that includes a Code of Conduct and a global Marketing Code reinforced by a global online training programme. Edrington's policies and campaigns are reviewed annually by the Marketing Review Committee. Edrington is a member of national and international organisations that work to encourage the responsible promotion and consumption of alcohol and reduce alcohol-related harms.
Geopolitical and Economic Conditions	Economic or political instability restrict market activity, affecting market access, demand or increased costs.	Geopolitical instability in a number of regions and markets continues to present a risk to trade and profitability. Edrington's broad product portfolio and diverse geographic spread reduces the exposure to specific market risks. Direct ownership of the Company's route to market in its major markets provides local insight combined with a robust central overview. This enables the Company to react quickly and flexibly to such changes.

Identified Risk	Impact	Mitigating Actions
Consumer Preference	A change in consumer preferences for one or more of Edrington's brands in one or more key markets where a decline in brand popularity and/or market contraction would result in a reduced share of market.	The Board closely monitors financial and operational key performance indicators which include a review of brand performance and equity strength across market segments and geographies. Edrington conducts an annual market and brands strategic planning process building on local market and brand strategy reviews. The Board has also recognised the differing contribution and strengths of each of its principal brands globally and regionally and has strategically focused management across its luxury, super premium and regional power brands, which have different needs and focuses.
Brand Protection	Ineffective or inadequate protection of intellectual property rights, resulting in reputational damage, an increase in counterfeit goods and a drop in sales volumes and/or market share.	The Company invests considerable effort in proactively protecting its intellectual property rights. Edrington has a clear brand protection strategy and processes aimed at addressing the principal exposures and risks likely to affect alcoholic beverage brands. Using its BRANDS™ methodology, a specialist team manages the principal components of brand protection: intellectual property management; authentication and security technologies for products and packaging; digital media, channel and communications monitoring; products and packaging compliance; commercial behaviours, alongside brand security education, surveillance and enforcement.
Strategy/Corporate Structure	Weak shareholder support leading to inability to execute strategy effectively.	The Board benefits from a strong and constructive relationship with The Robertson Trust, its controlling shareholder. Edrington's strategy has been developed to meet the mutual objectives of the Trust and the Company.
Regulatory Compliance	Failure to comply with local laws and regulations, resulting in regulatory sanction, reputational damage and/or financial loss.	Edrington has a management process to ensure that employees are aware of their responsibilities and all applicable regulatory requirements. Formal training sessions are undertaken throughout the year. Edrington proactively reviews, with external legal counsel, its principal regulatory compliance obligations and controls, including, but not limited to, competition laws, liquor laws, environmental laws, compliance with EU and UN trade and political sanctions, and local statutory laws (eg health & safety). Edrington has further improved its processes and controls to ensure that any perceived risks are mitigated. These activities are underpinned by a Code of Conduct, a Global Anti-Corruption Policy, and a Speaking-Up Policy which apply to all its employees, agents, distributors, contractors and suppliers. Induction procedures include evidenced completion of a standard on-line training course and assessment which covers the Code and its supporting policies. The course, which is translated into

Financial Review

Continued

Identified Risk	Impact	Mitigating Actions
Regulatory Compliance (continued)		all the main languages spoken across the Company, is also periodically refreshed and retaken at all locations. Local anti-corruption officers ensure good awareness is maintained in their areas of responsibility, and are supported by the Group anti-corruption officer who holds briefing sessions during regular market visits. Contractual arrangements with key third parties must include provisions to establish required performance standards aligned with the Code.
Financial Risks	Exposure to market risk (including medium term movements in exchange rates, interest rates risk and commodity price risk), credit risk and liquidity risk, may adversely impact on profits.	Financial risks are reviewed and managed by the Treasury Committee whose remit and authority levels are set by the Board. The Treasury Committee's remit is to ensure compliance with the terms of borrowing facilities and to minimise financial risk arising from exposure to fluctuations in interest rates, foreign exchange rates and cash flow. Comprehensive policies are applied covering debt management, interest rate hedging, foreign exchange currency hedging and cashflow reporting. Approved financial instruments and authority levels are articulated through the policies with compliance monitored on a regular basis. The Treasury Committee reviews cashflow forecasts throughout the year and assesses headroom against banking covenants regularly. The Finance team utilises external tools to assess credit limits offered to customers, manages trade receivable balances vigilantly and takes prompt action on overdue accounts. Certain markets operate on a cash-on-delivery basis. Commodity price risk is managed through a combination of medium to long term contracts, covering periods from 2-3 years, and regular tender and review processes with suppliers. Edrington's financial control environment is subject to review by both internal and external audit. The focus of internal audit is to proactively work with and challenge the business to ensure an appropriate control environment is maintained.



Alex Short
Chief Financial Officer

10 June 2015

As a private business, Edrington is not required to follow the UK Corporate Governance Code. It is, however, committed to the highest standards of both governance and corporate citizenship, and the Company therefore adopts those elements of governance and disclosure that are appropriate and add value to the organisation and for its stakeholders.

1. Board composition

At 31 March 2015, the Board comprises the non-executive chairman, six executive directors and three independent non-executive directors, and is supported by the group Company secretary. The Board believes that its composition – its size, mix of expertise and balance of executive and non-executive directors - is appropriate.

The Board's process on nominations is undertaken by the Remuneration and Nomination Committee, and includes assessing the composition of the Board and its governance structures as well as considering appointments and succession planning. As principal investor, The Robertson Trust may also participate in the selection of non-executive directors.

2. The role of the Board

The Board, led by the chief executive, is collectively responsible for the long-term success of the Company. The chairman is responsible for ensuring that the Board is effective and is led in the appropriate way. The offices of chairman and chief executive are separate and distinct and the division of responsibilities between them is clearly established.

The Board, which meets at least five times a year, has responsibility for defining and executing the Company's strategy, for reviewing trading performance and funding levels, assessing acquisitions and disposals, changes to the structure of the business and overall corporate governance issues. The Board also approves the Company's budget together with its annual report and financial statements.

The Board retains overall responsibility for the Company's system of internal control, including the financial controls designed to give reasonable assurance against material financial misstatement or loss. The Board believes the financial controls in place allow it to meet its responsibility for the integrity and accuracy of the Company's accounting records, and also to provide timely and accurate financial information to enable it to discharge its duties.

The directors attend all Board and relevant committee meetings. If directors are unable to attend meetings in person or by telephone they are given the opportunity to be consulted and to comment in advance of the meeting. Board papers are circulated at least five working days prior to each Board or committee meeting to ensure that directors have sufficient time to review them before the meeting. Documentation includes detailed reports on current trading and full papers on matters where the Board is required to give its approval.

Day to day management and control of the business is delegated to the executive directors and they routinely meet together and with other senior managers as appropriate. Where possible ad hoc committees of the Board are appointed to deal with matters which it is known will need to be dealt with between scheduled Board meetings.

The non-executive directors have a responsibility to ensure that the strategies proposed by the executive directors are properly considered and challenged, and that the performance of the Company is monitored in the appropriate way.

The Board has delegated certain responsibilities to established committees, details of which are set out later in the statement.

3. Board effectiveness

Each director completes an evaluation on Board structure, the governance process, strategy and leadership before then conducting a one-to-one interview with the chairman. Based on the findings and the responses from each director, the chairman prepares a report on the overall effectiveness of the Board, which is then discussed by the Board and any recommendations arising from it are implemented.

In addition to the overall Board effectiveness review, the individual performance of executive directors is monitored in the Company's performance appraisal programme and by the Remuneration & Nomination Committee.

Each director is responsible for ensuring that they remain up to date in their skills and knowledge of the Company, and the training needs of the Board and its committees are regularly reviewed. Particular emphasis is placed on ensuring that directors are aware of proposed legislative changes in areas such as remuneration, corporate governance, financial reporting and sector specific issues. All directors are also encouraged to visit the Company's operating locations.

Corporate Governance
Continued

The Board is able to approve potential conflicts of interest within the director group. Directors are required to inform the Board of any actual or potential conflicts which may arise with their other professional or personal interests.

4. Shareholders

The Company's controlling shareholder is The Robertson Trust (the 'Trust') and representatives from the Trust and from the Company meet regularly under the auspices of the Investor Relations Committee (the 'IRC'). The IRC is the principal forum through which the Trust manages its investment in the Company, monitors the Company's performance and allows the exchange of ideas. The Board also meets formally with the Trust on an annual basis to report on financial performance, strategic developments and business outlook. The Audit and Remuneration & Nomination committees report to the Trust on their respective activities.

Employees of the Company are encouraged to participate in share ownership as part of approved incentive and savings schemes and may continue to hold their shares in the Company after retirement.

Each shareholder receives a copy of the Company's annual report and audited financial statements, together with an unaudited interim financial report, and the Company provides employees with regular updates on financial performance, business issues and employee matters through business-wide and local team communications.

The Company also maintains a website (www.edrington.com) to provide up-to-date, detailed information on the Company's values of independence, innovation, integrity and involvement as well as its operations and brands, including sections on news and business performance. All significant Company announcements are available on this site, as are annual financial reports. The Company's corporate affairs team manages external communications and can be reached at pr@edrington.com or by telephone at the number given at the back of the report.

5. Board committees

In discharging its governance responsibilities, the Board has established committees to provide oversight and guidance in certain areas on its behalf. Two principal committees report directly to the Board and are supported by a number of advisory committees as detailed below. Each committee is governed by terms of reference, or similar mandate, which define their purpose, duties and interaction with the Board, Company or other committees.

5.1 Remuneration & Nomination Committee

The Remuneration and Nomination Committee is chaired by Ronnie Bell and meets at least three times each year. Together with the committee, the Company determines directors' remuneration policy with reference to an external triennial benchmarking review prepared with the assistance of independent specialist consultants. In addition, the committee reviews a number of reward initiatives for all Edrington wholly-owned businesses. Both senior-executive and non-executive succession and development programmes also feature on an annual basis.

5.2 Audit Committee

The Audit Committee, chaired by Callum Barton, meets at least twice a year with the external auditors and members of the management team to discuss audit planning, review statutory accounts and address issues arising from the audit. It also considers the ongoing independence of the auditor and the effectiveness of the audit process. The conclusions of the committee are reported to the Board before the Board approves the annual results. The committee approves risk management plans, thereafter receiving reports on material matters arising and actions taken. The opportunity is taken at each meeting for the committee to discuss matters with the auditor without management present. Senior members of the finance function and the auditors attended each committee meeting which took place in the year.

> **Financial statements and audit**

The committee has reviewed the plan presented by the external auditor and agreed the scope of the audit work. During the audit process, the committee kept under review the consistency of accounting policies on a year to year basis and across the Company, and the methods used to account for significant or unusual transactions.

The financial statements were reviewed in detail prior to their submission to the Board. Following the audit, the committee discussed the issues arising and any matters the auditor wished to discuss. The committee also assessed the effectiveness of the audit process through discussion with the auditor.

External auditor

During the course of the year the audit committee monitored the relationship with the auditor and assessed their performance, cost-effectiveness, objectivity and independence. The Board is satisfied that the auditor is independent of the Company and that best practice is being observed.

Grant Thornton UK LLP regularly report to the committee to confirm compliance with their own policies, procedures and ethical standards in relation to auditor objectivity and independence. The audit committee has established a policy in relation to the use of statutory auditors for non-audit work and will award work to the firm which provides the best commercial solution with reference to the skills, expertise and suitability of the firm.

The chief financial officer may approve specific engagements up to £100,000 cumulatively, with fees in excess of this limit being subject to approval of the full committee. During the year the Company made limited use of specialist teams within Grant Thornton UK LLP for non-audit work. The total fees paid to Grant Thornton UK LLP amounted to £296,000, of which £94,500 related to non-audit work.

Committee	Members	Remit
Remuneration & Nomination Committee	Ronnie Bell (chair) Norman Murray David Richardson	> reviews structure, size and composition of Board > recommends appointments and considers succession planning > sets remuneration policy > sets executive director remuneration and incentives > approves annual performance objectives > approves granting of long-term incentives
Audit Committee	Callum Barton (chair) Norman Murray David Richardson	> reviews and monitors financial results and reporting > approves audit planning > monitors internal financial controls > oversees external audit relationships > considers auditor appointment > reviews audit effectiveness > oversees risk management

Corporate Governance

Continued

The advisory sub-committees established by the Board, whose remits are outlined below, comprise certain executive directors and senior members of the Edrington management team:

Committee	Chairman	Remit
Group Risk Management Committee	Martin Cooke	> identifies and evaluates principal operational risk > reviews the adequacy of risk management processes > recommends improvements in risk management processes > reports material findings to the Audit Committee
Treasury Committee	Alex Short	> ensures compliance with terms of group borrowing facilities > minimises financial risk arising from exposure to fluctuations in foreign exchange rates, interest rates and cash flow > determines hedging policy on interest rates and currency > approves significant decisions on commercial credit limits > monitors and approves cash signing authority in the Company
Corporate Sustainability and Responsibility Committee	Gerry O'Donnell (Corporate Affairs Director)	> ensures Edrington conducts business in a socially responsible and ethical way, including: > setting and adhering to industry standards on advertising and social awareness on alcohol misuse > identification and monitoring of performance against targets on environmental sustainability > in conjunction with The Robertson Trust, ensures the business supports local communities in which it operates
Marketing Code Committee	Ronnie Bell	> sets marketing policy in compliance with industry standards (The Portman Group) to ensure responsible marketing practice > reviews marketing practice on an annual basis and maintains processes > for complying with marketing code prospectively

Corporate Sustainability and Responsibility

Edrington's unique business model is the result of the Robertson sisters' determination to establish a successful, independent Company that would make a positive contribution to society.

The values of the three sisters continue to be at the heart of the Company and the Company's policies have evolved to reflect its growing international presence and have risen to meet the challenges of new and diverse communities around the world. The Board considers that the values of independence, integrity, innovation and involvement have played a considerable role in the Company's success and will continue to be an asset in securing sustainable growth.

Edrington's corporate sustainability and responsibility programme is structured to reach across its operations from the sourcing of raw materials to local consumer campaigns encouraging responsible consumption. These encompass the environment and supply chain, the role of alcohol in society and the 'Giving More' programme.

Environment

Edrington continues to support the Scotch Whisky Association's Environmental Strategy, with a particular focus on reducing its use of energy, paired with increasing its adoption of renewable energy sources, including non-fossil fuel.

Acting independently, Edrington reduced its overall energy consumption across UK sites through better monitoring and efficiency. A review of systems and heating at its Glasgow headquarters reduced energy consumption by approximately 20% in 2014. These comparatively small changes delivered a big impact: the programme resulted in significant cost savings, as well as eliminating an estimated 375 tonnes of CO_2 emissions.

Edrington continued to focus on water and waste management in 2014/15. Its Glasgow headquarters have maintained 'Zero Waste to Landfill' status since November 2013, meaning that no waste - either domestic or packaging - have been sent to landfill.

From transporting raw materials to reaching consumers with its premium brands, Edrington's supply chain requires an extensive logistics network. Edrington prioritises journeys by sea, preferring Scottish ports and ships that run on low sulphur fuel. Within the UK, the Company seeks to transport goods by rail wherever possible.

Partnership for nature

Overlooking historic Scapa Flow in Orkney, Edrington's moorland at Hobbister is the source of sustainably-cut peat for Highland Park Scotch whisky. For more than 40 years the Royal Society for the Protection of Birds has been gifted a lease to conserve the moor as a nature reserve, working in partnership with Scottish Natural Heritage. In 2015 Edrington intends to renew the lease for a further 20 years.

Alcohol in society

Edrington updated its Marketing Code and launched an online training programme for employees and representatives across the world.

Recognising that the online environment is growing as a meeting point between brands and consumers, the new edition added new provisions on digital marketing.

The Company's increased presence in international markets in 2014 was matched by new and stronger partnerships with organisations that work to encourage the responsible consumption of alcohol and reduce alcohol-related harms at local, national and international levels.

These include The Scotch Whisky Association and Drinkaware in the UK, and trade associations internationally, including the Taiwan Beverage Alcohol Forum and the Spanish spirits beverage association, FEBE.

Giving more

Edrington's unique ownership model funds The Robertson Trust, Scotland's largest independent grant-making charitable trust. In line with the Robertson sisters' bequest, the Trust donates its income to a wide range of charities across Scotland. In the year to 31 March 2015 the Trust made 742 awards valued at £18.2 million.

In addition to this, Edrington donates 1% of pre-tax shareholder earnings each year (£1.55m in 2014) to its 'Giving More' fund which supports good causes. As a result of the Giving More initiative, charities nominated by employees across the world benefited from Edrington's commitment to sharing its profits with the communities in which it operates.

In 2014 the Giving More programme was extended to Africa for the first time. Edrington's Maxxium joint ventures in the UK, Spain, Russia and the Netherlands also became involved, sharing a £100,000 fund to support their employees' chosen charities.

Directors' Report

The directors present the audited financial statements for the year ended 31 March 2015.

Results for the year

The Company's financial results, which are detailed in the profit and loss account on page 57, cover the year to 31 March 2015.

An interim dividend of 11.8p (2014: 11.0p) per share was paid on 12 November 2014. The directors agreed a further interim dividend of 29.4p per share which will be paid on 3 July 2015, making a total of 41.2p per share (2014: 37.4p per share) for the year. The aggregate dividends recognised in the year amounted to £23.6m (2014: £21.8m) excluding proposed dividends that were not approved by the balance sheet date.

Turnover for the year amounted to £617.7m resulting in a profit before tax (pre-exceptionals) of £157.6m and overall retained earnings (pre-exceptionals) of £71.2m. Exceptional items totalling £127.0m (after taxation and minority interest) were incurred, leading to a loss for the year, attributable to Edrington shareholders, of £55.8m which has been deducted from accumulated reserves (2014: a profit of £74.4m).

A detailed review of the Company's business strategy along with associated risks and uncertainties is included within the strategic report.

Directors' responsibilities for the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether 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 inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records which are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the persons who is a director at the date of approval of this report confirms that:

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

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

Employee share schemes

The Company operates two share schemes for eligible employees.

The ShareSave Scheme is an annual scheme enabling eligible employees to save for a three year period to buy Edrington 'B' Ordinary Shares at 80% of the market price. The scheme has been approved by HM Revenue and Customs. The Company charges the fair value of the option at the date of grant to the profit and loss account over the vesting period of the scheme.

The ShareReward Scheme allows Edrington 'B' Ordinary Shares to be awarded annually to eligible employees of the Company. The employee's entitlement to receive shares is dependent on the growth in the Company's profit in the year, attributable to shareholders, exceeding inflation by a pre-determined amount. The scheme has been approved by HM Revenue and Customs. The Company charges the annual fair value of this scheme to the profit and loss account, if the performance criteria have been met.

The ShareReward Scheme was triggered in respect of the years ended 31 March 2015 and 2014.

Executive incentive plans

The Company operates two incentive plans for senior executives.

An Annual Incentive Plan rewards (a) executive directors based on the Company's financial results and the executives' individual performance against business objectives and (b) senior executives based on the Company's performance and the executives' individual performance against business objectives.

The Annual Incentive Plan was triggered in respect of the year to 31 March 2015 and the associated costs of this plan have been charged to the profit and loss account.

The Long Term Incentive Plan rewards senior executives based on the Company's performance over a three year period, by awarding Edrington 'B' Ordinary Shares. The Company charges any associated costs to the profit and loss account over the period of the plan. The performance conditions, which are more demanding than that for the Annual Incentive Plan, were partially met in respect of the three year period ended 31 March 2015.

Going Concern

In April 2015, the Company successfully entered into a new US private debt placement for £100m repayable in April 2025 and £20m repayable in April 2027, providing the business with funding at commercially competitive rates with maturities which correspond with the Company's expected cash flow profile. In May 2015, the Company also refinanced its one year facility increasing it to £80m.

The Company annually forecasts future trading performance and cash flow in order to assess compliance with banking covenants and to confirm that the going concern assumption remains appropriate for the preparation of its financial statements. The forecasts reflect the challenges faced by the Company in certain markets, together with the strong growth experienced in others and indicate, to the Company's satisfaction, that it has resources more than sufficient to continue as a going concern for the foreseeable future.

Auditors

As auditors are now deemed, under section 487(2) of the Companies Act 2006, to be reappointed automatically, Grant Thornton UK LLP, having expressed their willingness, will, continue as statutory auditors.

By order of the Board

Martin Cooke
Group Company Secretary

10 June 2015

Independent Auditor's Report

to the members of The Edrington Group Limited

We have audited the financial statements of The Edrington Group Limited for the year ended 31 March 2015 which comprise the group profit and loss account, the group and parent Company balance sheets, the group cash flow statement, the group statement of total recognised gains and losses, the group reconciliation of movement in shareholders' funds, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Directors' Responsibilities Statement set on page 54, 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

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

Opinion on financial statements

In our opinion the financial statements: give a true and fair view of the state of the group's and of the parent Company's affairs as at 31 March 2015 and of the group's loss for the year then ended; have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

> adequate accounting records have not been kept 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 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.

Andrew Howie
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
Glasgow

12 June 2015

Group Profit and Loss Account

year ended 31 March 2015

	Note	Pre-Exceptional 2015 £m	Exceptional (Note 2) 2015 £m	Total 2015 £m	Pre-Exceptional 2014 £m	Exceptional (Note 2) 2014 £m	Restated (Note 1) Total 2014 £m
Group turnover and share of joint venture turnover	1	**747.0**	**-**	**747.0**	755.3	-	755.3
Share of joint venture turnover		**(129.3)**	**-**	**(129.3)**	(122.2)	-	(122.2)
Group turnover		**617.7**	**-**	**617.7**	633.1	-	633.1
Cost of sales		**(435.0)**	**-**	**(435.0)**	(433.8)	(13.3)	(447.1)
Gross profit		**182.7**	**-**	**182.7**	199.3	(13.3)	186.0
Administrative expenses		**(14.6)**	**(209.6)**	**(224.2)**	(12.2)	(1.3)	(13.5)
Group operating (loss)/profit		**168.1**	**(209.6)**	**(41.5)**	187.1	(14.6)	172.5
Share of operating profit in joint ventures		**13.0**	**1.1**	**14.1**	10.0	-	10.0
Earnings before interest and tax		**181.1**	**(208.5)**	**(27.4)**	197.1	(14.6)	182.5
Income from investments	3	**0.3**	**-**	**0.3**	2.3	-	2.3
Net interest payable and similar charges	4	**(23.8)**	**(1.8)**	**(25.6)**	(25.4)	-	(25.4)
(Loss)/profit on ordinary activities before taxation	5	**157.6**	**(210.3)**	**(52.7)**	174.0	(14.6)	159.4
Taxation	7	**(33.5)**	**(5.7)**	**(39.2)**	(37.7)	4.6	(33.1)
(Loss)/profit on ordinary activities after taxation		**124.1**	**(216.0)**	**(91.9)**	136.3	(10.0)	126.3
Attributable to equity minority interests	21	**(52.9)**	**89.0**	**36.1**	(55.9)	4.0	(51.9)
Retained (loss)/profit attributable to The Edrington Group Limited	20	**71.2**	**(127.0)**	**(55.8)**	80.4	(6.0)	74.4

All the activities of the Group are classed as continuing.

There is no material difference between the loss on ordinary activities before taxation and the retained loss attributable to the Group stated above and their historical cost equivalents.

Balance Sheets

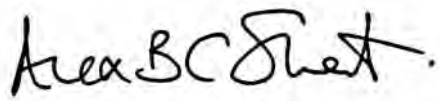
as at 31 March 2015

	Note	Company 2015 £m	Company 2014 £m	Group 2015 £m	Group 2014 £m
Fixed assets					
Intangible assets	9	**-**	-	**386.4**	661.9
Tangible assets	10	**-**	-	**290.4**	241.9
Investments in subsidiaries	11	**304.2**	260.6	**-**	-
Investments in joint ventures	11	**-**	-	**49.6**	55.3
- Gross assets		**-**	-	**217.4**	223.2
- Gross liabilities		**-**	-	**(167.8)**	(167.9)
Other investments	11	**-**	-	**9.1**	8.0
		304.2	260.6	**735.5**	967.1
Current assets					
Stocks	12	**-**	-	**407.7**	384.2
Investments	13	**-**	-	**0.9**	1.1
Debtors – due within one year	14	**1.6**	1.7	**123.2**	126.7
InterCompany debtors – due after one year	14	**-**	196.9	**-**	-
Cash at bank and in hand		**-**	5.1	**56.5**	85.2
		1.6	203.7	**588.3**	597.2
Creditors					
Amounts falling due within one year	15	**(96.2)**	(87.6)	**(373.8)**	(299.7)
Net current assets/(liabilities)		**(94.6)**	116.1	**214.5**	297.5
Total assets less current liabilities		**209.6**	376.7	**950.0**	1,264.6
Creditors					
Amounts falling due after more than one year	16	**(11.7)**	(43.8)	**(285.2)**	(379.3)
Provision for liabilities	18	**-**	-	**(13.1)**	(30.1)
Net assets (excluding retirement benefit liabilities)		**197.9**	332.9	**651.7**	855.2
Retirement benefit liabilities	27	**-**	-	**(48.9)**	(58.2)
Net assets		**197.9**	332.9	**602.8**	797.0

	Note	Company 2015 £m	Company 2014 £m	Group 2015 £m	Group 2014 £m
Capital and reserves					
Called up share capital	19	**6.6**	6.6	**6.6**	6.6
Share premium account	20	**0.5**	0.5	**0.5**	0.5
Merger reserve	20	**-**	-	**29.5**	29.5
Capital reserve	20	**-**	-	**35.8**	35.8
Capital redemption reserve	20	**1.0**	1.0	**1.0**	1.0
Revaluation reserve	20	**-**	-	**7.5**	7.7
Share based payments reserve	20	**2.0**	3.2	**2.0**	3.2
Profit and loss account	20	**187.8**	321.6	**232.5**	349.7
Shareholders' funds		**197.9**	332.9	**315.4**	434.0
Equity minority interests	21	**-**	-	**287.4**	363.0
		197.9	332.9	**602.8**	797.0

The consolidated financial statements of The Edrington Group Limited (registered number SC36374) were approved by the Board of directors and authorised for issue on 10 June 2015. They were signed on behalf of the Board by:

I B Curle
Director



A B C Short
Director

Group Cash Flow Statement

year ended 31 March 2015

	Note	2015 £m	2015 £m	2014 £m	2014 £m
Net cash inflow from operating activities	22		**156.5**		171.0
Dividends received from joint ventures			**6.2**		5.4
Returns on investments and servicing of finance					
Interest paid		**(20.9)**		(23.4)	
Interest received		**0.9**		0.9	
Dividends received		**0.3**		2.3	
Dividends paid to minority interests in subsidiaries		**(23.8)**		(47.2)	
Net cash outflow from returns on investments and servicing of finance			**(43.5)**		(67.4)
Taxation					
Corporation tax			**(32.9)**		(32.5)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(71.6)**		(35.2)	
Purchase of own shares		**(8.8)**		(12.2)	
Sale of own shares		**1.3**		4.4	
Sale of tangible fixed assets		**5.2**		1.6	
Loans from joint ventures		**1.3**		1.2	
Net cash outflow from capital expenditure and financial investment			**(72.6)**		(40.2)
Equity dividends paid			**(23.6)**		(21.8)
Net cash flow before use of liquid resources and financing			**(9.9)**		14.5
Financing	23				
Repayment of bank loans		**(39.8)**		(307.0)	
Drawdown of bank loans		**17.3**		306.9	
			(22.5)		(0.1)
(Decrease)/Increase in cash in the year	23		**(32.4)**		14.4

Other Statements

year ended 31 March 2015

Group statement of total recognised gains and losses

	2015 £m	2014 £m
(Loss)/profit for the year	**(55.8)**	74.4
Actuarial loss recognised in the pension schemes (net of minority interests)	**(21.9)**	(1.6)
Movement on deferred taxation relating to pension liability (net of minority interests)	**4.2**	(1.0)
Actuarial loss recognised in the pension schemes of joint ventures	**(5.3)**	(1.3)
Movement on deferred taxation relating to pension liability of joint ventures	**1.1**	0.3
Exchange adjustments on the net assets of joint ventures	**(4.6)**	(0.3)
Currency translation difference on foreign investments (net of minority interests)	**(14.7)**	(12.1)
Currency translation difference on related borrowings	**10.6**	2.8
Other reserve movement in foreign investment	**0.5**	-
Total recognised gains and losses relating to the year	**(85.9)**	61.2

Group reconciliation of movement in shareholders' funds

	2015 £m	2014 £m
Total recognised gains and losses relating to the year	**(85.9)**	61.2
Equity dividends payable in the year	**(23.6)**	(21.8)
Movement in own shares	**(7.5)**	(7.8)
Net movement in share based payment reserve	**(1.6)**	(1.3)
Net movement in shareholders' funds	**(118.5)**	30.3
Opening shareholders' funds	**434.0**	403.7
Closing shareholders' funds	**315.4**	434.0

Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise stated.

Basis of preparation

These financial statements have been prepared on the going concern basis and under the historical cost convention (with the exception of certain investments in the Company's balance sheet which are recorded at valuation in 1974 and certain land and buildings in the balance sheet which are recorded at valuation in 1990) and in accordance with the Companies Act 2006 and applicable accounting standards with the exception of a true and fair override as detailed below.

The Group financial statements consolidate the financial statements of the ultimate parent Company (The Edrington Group Limited), all entities controlled by the Company (its subsidiaries) and the Company's share of its interests in joint ventures and associates.

Subsidiaries are entities in which the Company has an interest in the voting share capital of greater than 50%.

Joint ventures are entities in which the Company holds an interest on a long term basis and which are jointly controlled by the Company, with one or more partners under a contractual arrangement. Associates are entities in which the Company has an investment of at least 20% of the shares and over which it exerts significant influence. To the extent that joint ventures and associates are material, the financial statements include the appropriate share of their post-acquisition results and reserves. Investments in joint ventures and associates are carried in the consolidated balance sheet at the Company's share of their net assets at the date of acquisition and of their post-acquisition retained profit or losses together with any goodwill arising on the acquisition, net of amortisation. The investor's share of the results is included within the consolidated profit and loss. The profit and loss account also shows the Company's share of the joint ventures' turnover and the balance sheet shows the gross assets and liabilities of the net investment in joint ventures.

Going Concern

In April 2015, the Company successfully entered into a new US private debt placement for £100m repayable in April 2025 and £20m repayable in April 2027, providing the business with funding at commercially competitive rates with maturities which correspond with the Company's expected cash flow profile. In May 2015, the Company also refinanced its one year facility increasing it to £80m.

Edrington annually forecasts future trading performance and cash flow in order to assess compliance with banking covenants and to confirm that the going concern assumption remains appropriate for the preparation of its financial statements. The forecasts reflect the challenges faced by the Company in certain markets, together with the strong growth experienced in others and indicate, to the Company's satisfaction, that it has resources more than sufficient to continue as a going concern for the foreseeable future.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Other exchange differences are taken to the profit and loss account when they arise.

Foreign operations

Trading results denominated in foreign currency are translated into sterling at average rates of exchange during the year. Assets and liabilities are translated at the rates of exchange ruling at the year-end except where rates of exchange are fixed under contractual arrangements. Differences on exchange arising from the retranslation of the opening net assets of foreign subsidiaries denominated in foreign currency and of any related loans are taken to reserves together with the differences between the profit and loss accounts translated at average rates and rates ruling at the year end.

Turnover

Turnover is defined as the invoiced value of sales, excluding value added tax and duty. Revenue is recognised when the risks and rewards arising from the ownership of the stock is transferred to the purchaser which can vary depending on shipping terms.

Exceptional items

Exceptional items are those that, in managements' judgement, need to be disclosed by virtue of their size or incidence. These items are included within the profit and loss caption to which they relate, and are separately disclosed either in the notes to the accounts and on the face of the profit and loss account.

Taxation

Current taxation, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on tax rates and law enacted or substantively enacted at the balance sheet date. Timing differences arise from the inclusion of items in income and expenditure in taxation computations, in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on un-remitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Brands

Acquired brands with a material value, which are long term in nature, are recorded at cost less appropriate provision for impairment if necessary. Such brands are only recognised where title is clear, brand earnings are separately identifiable and the brand could be sold separately from the rest of the business.

Brands that are regarded as having a limited useful life are amortised on a straight-line basis over those lives and are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. Brands that in the opinion of the directors, on the basis of their assessment on the strength of the brands and industry, are regarded as having an indefinite economic life are not amortised. This is a departure from the requirements of the Companies Act 2006 which requires all fixed assets to be amortised, however, is permitted by FRS 10 Goodwill and Intangible Assets. The directors are unable to estimate the effect of this true and fair override. These assets are reviewed for impairment at least annually or when there is an indication that the asset may be impaired. The impairment reviews compare the carrying value of the brand with its value in use based on discounted future cashflow.

The assumptions used in the annual impairment reviews are included in note 9.

Fixed assets and depreciation

Fixed assets are stated at cost net of depreciation and any provision for impairment. No depreciation has been provided on land. Depreciation of other fixed assets has been calculated on a straight-line basis by reference to the useful life of the assets. The principal annual rates used for this purpose are:

Buildings	2% to 5%
Plant, vehicles, equipment	5% to 33%
Casks	5% to 15%

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is defined as the production cost (including distillery overheads) or purchase price, as appropriate, plus carrying costs (excluding interest). Net realisable value is based on estimated selling price, less the estimated costs of completion and selling. Provision is made for obsolete and slow-moving items where appropriate.

Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash).

Provisions

Provisions are liabilities of uncertain timing or amounts. A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and which will result in an outflow of economic benefit. Provisions are discounted where the effect is materially different to the original undiscounted amount, and represent the directors' best estimate of likely settlement.

Pensions and other post-retirement benefits

Edrington operates two principal pension schemes based on final pensionable salary in addition to a number of schemes based on defined contributions. The assets of the schemes are held separately from those of the Company.

Defined benefit scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the Group.

For defined benefit schemes the amounts charged to operating profit are the current service cost and gains/losses from settlements and curtailments. These are included as part of staff costs. Past service costs are spread over the period until the benefits vest. Interest on the scheme liabilities and the expected return on the scheme assets are included in other finance costs. Actuarial gains and losses are reported in the statement of total recognised gains and losses.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Any differences between contributions payable in the year and the contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Accounting Policies

Continued

In addition, the Company pays other post retirement discretionary benefits which are accounted for in accordance with FRS 17 Retirement Benefits. In the view of the directors, there is no future legal commitment to pay these benefits. However, a constructive obligation exists as it has been custom and practice to pay them in the past; therefore, the most appropriate treatment is to provide for the full potential liability in the accounts.

On 31 October 2014 Edrington ceased future accrual on the defined benefit pension schemes. The resulting gain on curtailment has been treated as an exceptional item in the profit and loss account.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

When the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and contributions relating to equity instruments are debited directly to equity.

Derivatives

Edrington uses derivative financial instruments to reduce its exposure to interest rate and exchange rate movements. The Company does not hold or use derivative instruments for speculative purposes and does not recognise them at fair value within the financial statements.

For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the period of the contracts.

For foreign exchange contracts the transactions to which they relate are translated at the contracted rate of agreement.

Share based payments

Edrington issues equity-settled share based payments to certain employees (ShareReward Scheme). The fair value at grant date of the shares granted is charged to the Company's profit and loss account over the vesting period with a corresponding credit to 'Share based payments reserve' in the balance sheet.

In addition, Edrington also provides employees with the ability to save for a three year period to buy Edrington 'B' Ordinary Shares at 80% of the market price (ShareSave Scheme). The fair value of the share options awarded is determined at the grant date and is expensed on a straight line basis over the three year vesting period, based on an estimate of the shares that will ultimately vest.

The fair value of shares/options granted is calculated at grant date using the Black-Scholes model and in accordance with FRS 20 Share Based Payments.

The parent Company reflects the fair value of the shares issued to subsidiary undertakings to enable them to meet their obligations under the share based payment incentive schemes as an additional investment.

Accounting for The Edrington Group Limited Employee Benefit Trust

The Edrington Group Limited as the sponsoring Company of The Edrington Group Limited Employee Benefit Trust recognises the assets and liabilities of the Employee Benefit Trust in the Company's accounts as it has 'de facto' control of those assets and liabilities. The Company accounts for the Employee Benefit Trust as follows:

- Until such time as the Company's own shares held by the Employee Benefit Trust vest unconditionally in employees, the consideration paid for the shares is deducted from retained earnings.
- Other assets and liabilities (including borrowings) of the Employee Benefit Trust are recognised as assets and liabilities of the Company.
- Consideration paid or received for the purchase or sale of the Company's own shares in the Employee Benefit Trust is shown as a separate amount in the reconciliation of movements in shareholders' funds.
- No gain or loss is recognised in the profit and loss account or statement of total recognised gains and losses on the purchase, sale, issue or cancellation of the Company's own shares.
- Finance costs and any administration expenses are charged as they accrue.
- Any dividend income arising on own shares is deducted from the aggregate of dividends paid.

1 Turnover and segmental disclosure

The analysis of turnover, net assets and profitability by class of business or geographical market has not been disclosed as the directors consider this to be seriously prejudicial to the Company's interests.

The comparative figures for turnover and cost of sales reflect a reclassification of £25.4m to better reflect certain sales costs incurred by the Company. This has no effect on reported gross margin.

2 Exceptional items

	2015 £m	2014 £m
Reported before Group operating loss:		
Impairment of Brugal brand	**(238.7)**	-
Pension gain on curtailment	**29.1**	-
Distribution set up costs	**-**	(13.3)
Asia restructuring costs	**-**	(0.6)
Dominican Republic restructuring costs	**-**	(0.7)
	(209.6)	(14.6)
Share of joint venture pension gain on curtailment	**1.1**	-
Interest rate swap breakage costs	**(1.8)**	-
	(210.3)	(14.6)
Taxation	**(5.7)**	4.6
Minority interest	**89.0**	4.0
Net impact on retained earnings	**(127.0)**	(6.0)

An exceptional, non-cash impairment charge of £238.7m has been recorded in 2015 reflecting the revised future expected performance of the Brugal brand.

Following the redenomination of our Edrington bank debt from euro to sterling, our existing euro interest rate swaps were cancelled at a cost of £1.8m.

Both Edrington's defined benefit pension scheme and that of our joint venture Lothian closed to future accrual during the year, reducing their pension deficits. Exceptional credits have been recognised in the profit and loss account this year to reflect this reduction in the liabilities.

In 2013/14 exceptional set up costs were incurred due to the expansion of Edrington's distribution network in the USA and South East Asia. The Company also incurred non-recurring restructuring costs in the Dominican Republic and in the set-up of the new Asia Pacific regional hub office.

Notes to the Financial Statements
Continued

3 Income from investments

	2015 £m	2014 £m
Income from other fixed asset investments	**0.3**	2.3

4 Net interest payable and similar charges

	2015 £m	2014 £m
Interest payable on bank loans & overdrafts	**(11.9)**	(11.1)
Interest payable on US private placement	**(10.0)**	(10.0)
Interest payable by joint ventures	**(1.4)**	(1.8)
Interest on defined benefit pension schemes	**(1.3)**	(3.3)
Interest on discretionary post-retirement benefits	**(0.1)**	(0.1)
Interest received	**0.9**	0.9
Exceptional interest swap breakage costs	**(1.8)**	-
	(25.6)	(25.4)

5 (Loss)/Profit on ordinary activities before taxation

	2015 £m	2014 £m
(Loss)/Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	**15.0**	12.5
(Gain)/Loss on sale of tangible fixed assets	**(0.2)**	0.5
Brand amortisation	**3.3**	3.3
Brand impairment (note 2)	**238.7**	-
Fees payable to the Group auditors:		
- audit of the group financial statements	**0.1**	0.1
- audit of the Company's subsidiaries	**0.1**	0.1
- valuation and actuarial services	**0.1**	0.1

The depreciation charge noted above is different from that shown in Note 10 to these financial statements, as cask depreciation is added to the cost of stocks of Scotch whisky and is not released to the profit and loss account until the relevant stock is sold. The figure shown above represents the annual depreciation charge on other fixed assets together with cask depreciation released through cost of sales.

6 Employees

	2015 Number	2014 Number
The average number of employees during the year was as follows:		
Engaged in distilling, coopering, blending, bottling and marketing of Scotch whisky & rum	**2,293**	2,316

	2015 £m	2014 £m
Employment costs during the year amounted to:		
Wages and salaries	**65.0**	57.6
Social security costs	**6.8**	6.2
Other pension costs (note 27)	**5.3**	7.1
Employee share schemes	**1.9**	2.8
Other employee incentive schemes	**12.7**	10.6
	91.7	84.3

	2015 £m	2014 £m
Remuneration in respect of the Board of directors was as follows:		
Emoluments (excluding pension contributions)	**1.9**	1.7
Benefits	**0.5**	0.4
Employee share schemes	**0.1**	0.1
Performance related Annual Incentive Plan	**0.7**	0.5
Performance related Long Term Incentive Plan	**0.7**	2.0
	3.9	4.7

	2015 £000	2014 £000
The amounts set out above include remuneration in respect of the highest paid director each year as follows:		
Emoluments (excluding pension contributions)	**494**	414
Benefits	**165**	169
Employee share schemes	**20**	37
Performance related Annual Incentive Plan	**260**	183
Performance related Long Term Incentive Plan	**344**	697
	1,283	1,500

6 Employees (continued)

Employee share schemes reflects the costs for both the annual ShareSave scheme and the ShareReward scheme (when it is awarded), which rewards employees including directors for achievement of performance targets.

Performance related payments include Annual Incentive Plan and Long Term Incentive Plan costs for Edrington and its subsidiaries' employees.

Amounts disclosed under other benefits for both the directors and the highest paid director, includes a non-pensionable salary supplement made to certain directors in lieu of the Company's contribution to the pension scheme, following their withdrawal from the Group pension scheme.

The Annual Incentive Plan rewards directors and senior executives on both personal targets and on annual performance results. The annual performance results target was met in both the current and prior year.

The award made under the Long Term Incentive Plan is in the form of shares and is based on a rolling three year performance target. This was partially achieved this year and last year. The amount awarded reflects the increase in share price over the three year period of each scheme. The annual cost of the Board's Long Term Incentive Plan based on the share price at the time of inception was £0.4m (2014: £1.2m) and for the highest paid director was £240,000 (2014: £430,000).

For further details on these incentive schemes and share schemes please refer to the Directors' Report.

During the year, 3 directors (2014: 5 directors) exercised share rights under the ShareSave Scheme. The aggregate of gains by directors exercising share rights during the year was £9,000 (2014: £67,000). During the year, no directors (2014: 2 directors) participated in defined benefit pension schemes and 1 participated in the defined contribution scheme (2014: 1). No other directors participated in any other Company pension schemes during the year.

The highest paid director exercised share rights under the ShareSave Scheme this year and last year. The highest paid director's accrued pension at the year-end was £150,000 (2014: £146,000).

7 Taxation

	2015 £m	2014 £m
The tax charge represents:		
Current tax:		
UK Corporation tax at 21% (2014: 23%)	**19.0**	33.3
Adjustment in respect of prior periods	**1.3**	(2.6)
Foreign tax	**6.5**	2.1
Tax on share of profits of joint ventures	**3.5**	3.2
Tax on exceptional costs	**(0.3)**	(4.6)
Total current tax	**30.0**	31.4
Deferred tax:		
Deferred tax charge for the year	**3.6**	0.4
Tax on exceptional items	**6.0**	-
Adjustment in respect of prior periods	**(0.4)**	1.3
Tax on (loss)/profit on ordinary activities	**39.2**	33.1

Factors affecting the current tax charge for the year

The current tax charge for the year is different than the standard rate of corporation tax in the UK. The differences are explained below:

	2015 £m	2014 £m
(Loss)/profit on ordinary activities before tax at 21% (2014: 23%)	**(11.1)**	36.7
Expenses not deductible for tax purposes	**1.3**	2.7
Lower tax charge in overseas earnings	**(0.3)**	(1.3)
Non-taxable income	**(3.0)**	(3.1)
Difference between tax depreciation and accounting depreciation	**(2.9)**	(1.6)
Other differences	**(0.1)**	1.3
Adjustment relating to prior period corporation tax	**1.3**	(2.6)
Pension contribution relief in excess of net pension cost charge	**(5.0)**	(0.7)
Tax on exceptional costs	**(0.3)**	-
Exceptional costs not deductible for tax purposes	**50.1**	-
	30.0	31.4

8 Dividends

	2015 £m	2014 £m
Dividends payable from profit and loss reserves:		
- Final of 26.4p (2014: 24.0p)	**17.3**	15.8
- Interim of 11.8p (2014: 11.0p)	**7.8**	7.2
Less: dividends paid to the Employee Benefit Trust	**(1.5)**	(1.2)
	23.6	21.8
Proposed after the year end (not recognised as a liability):		
Second interim of 29.4p (2014 Final: 26.4p)	**19.3**	17.3

Notes to the Financial Statements

Continued

9 Intangible fixed assets

Group	Brands £m
Cost	
At 1 April 2014	949.9
Exchange adjustment	(33.5)
At 31 March 2015	916.4
Amortisation	
At 1 April 2014	(288.0)
Charge for the year	(3.3)
Brugal Brand impairment (see note 2)	(238.7)
At 31 March 2015	(530.0)
Net book value at 31 March 2015	**386.4**
Net book value at 31 March 2014	661.9

Intangible assets are carried at their cost to the business, less any amortisation or provision for impairment, and are subject to annual review to establish that no impairment to their book value exists.

The directors consider detailed cash flow forecasts over a minimum five year period, before applying an estimated terminal value at the end of such period. These cash flows and terminal values are discounted at appropriate rates to give a net present value for each brand.

In assessing the cash flows and terminal values, the directors consider, on a market specific basis, forecast growth rates, the position of the relevant brands relative to competitors and brand investment plans. The discount rate used is 9.53%, based on the Company's weighted average cost of capital, including appropriate risk premia.

The long term growth rates used, which do not exceed 2.3% (2014: 3.1%), were applied to terminal cash flows and were based on a prudent view of long-term weighted average rates for key brand markets.

10 Tangible fixed assets

Group	Freehold land & buildings £m	Plant, vehicles & equipment £m	Casks £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2014	102.2	142.5	185.3	3.0	433.0
Additions	7.9	16.7	25.9	19.7	70.2
Disposals	(1.1)	(1.1)	(7.4)	-	(9.6)
Exchange adjustment	1.4	3.1	0.5	-	5.0
At 31 March 2015	110.4	161.2	204.3	22.7	498.6
Depreciation					
At 1 April 2014	35.6	98.0	57.5	-	191.1
Charge for year	3.1	7.8	8.3	-	19.2
Disposals	-	(0.8)	(3.9)	-	(4.7)
Exchange adjustment	0.4	2.2	0.2	-	2.6
At 31 March 2015	39.1	107.0	62.1	-	208.2
Net book value at 31 March 2015	**71.3**	**54.2**	**142.2**	**22.7**	**290.4**
Net book value at 31 March 2014	66.6	44.5	127.8	3.0	241.9

Included in freehold land and buildings is £1.8m (2014: £1.8m) in respect of freehold land which is not depreciated.

Certain of the Group's land and buildings were revalued on 30 November 1990 on a depreciated replacement cost basis. No provision has been made for the estimated deferred tax that would arise as a result of this valuation, because in the opinion of the directors, those land and buildings which were revalued are unlikely to be disposed of in the foreseeable future. The transitional arrangements set out in FRS 15 Tangible Fixed Assets have been applied on the implementation of this standard. Accordingly, the 1990 valuation is being retained and will not be updated.

Notes to the Financial Statements

Continued

10 Tangible fixed assets (continued)

The figures stated above for cost or valuation at 31 March 2015 are as follows:

Group	Freehold land & buildings £m	Plant, vehicles & equipment £m	Casks £m	Assets under construction £m	Total £m
Cost	91.8	161.2	204.3	22.7	**480.0**
Valuation 1990	18.6	-	-	-	**18.6**
	110.4	161.2	204.3	22.7	**498.6**

If the land and buildings had not been revalued, they would have been stated under the historical cost basis at the following amounts:

	Freehold land & buildings £m
Cost	96.6
Accumulated depreciation	(38.6)
Net book value at 31 March 2015	**58.0**
Net book value at 31 March 2014	53.4

11 Fixed asset investments

Group	Joint ventures £m	Associates and other investments £m	Total investments £m
At 1 April 2014	55.3	8.0	63.3
Share of retained profits of joint ventures less dividends received	2.6	-	2.6
Actuarial loss on pension scheme	(5.2)	-	(5.2)
Movement on deferred tax relating to pension scheme	1.0	-	1.0
Exchange adjustments	(4.4)	-	(4.4)
Movement on profit in stock	0.3	-	0.3
Other movements	-	1.1	1.1
At 31 March 2015	**49.6**	**9.1**	**58.7**

Company	Investments in subsidiaries £m
Cost 1 April 2014	260.6
Additions	191.4
Brugal brand impairment	(146.7)
Other movements	(1.1)
Cost or valuation at 31 March 2015	**304.2**

Other movements of investments represent the fair value of shares issued to subsidiary undertakings in the year to enable them to meet their obligations under share based payment incentive schemes. The Group's accounting policy is to treat these issues as an additional investment in the parent undertaking.

Principal investments

At 31 March 2015 the Group held more than 20% of the equity, and no other share or loan capital, of the following companies (all companies are registered in the UK unless stated otherwise):

Name of Company/(country of registration)	Holding	Proportion held at 31 March 2015	Nature of business
Principal subsidiary undertakings:			
Edrington Distillers Limited	Ordinary shares	100%*	Blending, bottling, sales and marketing of Scotch whisky
The 1887 Company Limited	Ordinary shares	75%**	Management of Scotch whisky companies
Brugal & Co., S.A. (Dominican Republic)	Ordinary shares	61%	Distilling, bottling, sales and marketing of Dominican rum
Principal joint venture and associated undertakings:			
Lothian Distillers Limited	Ordinary shares	50%	Distillation and maturation of Scotch grain whisky
Row & Company Limited	Ordinary shares	50%	Sale and marketing of Scotch whisky
Edrington Kyndal India Private Ltd (India)	Ordinary shares	50%	Sale and distribution of alcoholic beverages

Key:

* Investment is held directly by the Company.

** The Company has 70% of the voting rights in respect of The 1887 Company Limited.

Notes to the Financial Statements
Continued

11 Fixed asset investments (continued)

The 1887 Company Limited owns the following principal investments:

Name of Company/(country of registration)	Holding	Proportion held at 31 March 2015	Nature of business
Principal subsidiary undertakings:			
Highland Distillers Group Limited	Ordinary shares	100%	Management of Scotch whisky companies
The Macallan Distillers Limited	Ordinary shares Preference shares	75% 100%	Distilling, sales and marketing of Scotch whisky
Edrington Korea Limited (Korea)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington Sweden AB (Sweden)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington Danmark A/S (Denmark)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington Norge AS (Norway)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington Finland OY (Finland)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington Shanghai Limited (China)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington Hong Kong Limited (Hong Kong)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington Singapore Pte Limited (Singapore)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
The Edrington Group USA, LLC (United States)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington Taiwan Limited (Taiwan)	Ordinary shares	87.5%	Sale and distribution of alcoholic beverages
Principal joint venture undertakings:			
Maxxium UK Limited	Ordinary shares	50%	Sale and distribution of alcoholic beverages
Maxxium España SL (Spain)	Ordinary shares	50%	Sale and distribution of alcoholic beverages
Denview Limited (t/a Maxxium Russia) (Russia)	Ordinary shares	50%	Sale and distribution of alcoholic beverages
Maxxium Nederland BV (The Netherlands)	Ordinary shares	50%	Sale and distribution of alcoholic beverages
EFME Limited (Cyprus)	Ordinary shares	50%	Sale and distribution of alcoholic beverages
Edrington WEBB Tavel Retail Americas, LLC (United States)	Ordinary shares	50%	Sale and distribution of alcoholic beverages

Principal joint ventures

The following information is given in respect of the Group's share of its joint ventures on an aggregate basis:

	2015 £m	2014 £m
Profit and loss account		
Gross turnover (before elimination of Group transactions with joint ventures)	**301.9**	300.3
Profit on ordinary activities before interest and taxation	**14.1**	10.0
Interest and other finance costs	**(1.4)**	(1.8)
Taxation	**(3.7)**	(3.2)
Profit after taxation	**9.0**	5.0
Balance sheet		
Fixed assets	**17.7**	18.0
Current assets	**199.7**	205.2
	217.4	223.2
Liabilities due within one year	**(156.2)**	(157.2)
Liabilities due after one year	**(11.6)**	(10.7)
	(167.8)	(167.9)
Net assets	**49.6**	55.3

Notes to the Financial Statements
Continued

12 Stocks

Group	2015 £m	2014 £m
Raw materials	**4.8**	3.7
Scotch whisky	**364.1**	344.8
Rum	**20.7**	21.0
Packaging materials	**12.1**	9.9
Other stocks	**6.0**	4.8
	407.7	384.2

13 Current asset investments

Group	2015 £m	2014 £m
Maxxium Worldwide BV	**0.9**	1.1

14 Debtors

	Company		Group	
	2015 £m	2014 £m	2015 £m	2014 £m
Amounts falling due within one year:				
Trade debtors	**-**	-	**64.2**	64.9
Amounts owed by Group undertakings	**0.8**	0.1	**-**	-
Amounts owed by joint ventures	**-**	-	**42.5**	38.2
Other debtors & prepayments	**0.5**	0.9	**16.5**	23.6
UK corporation tax group relief receivable	**0.3**	0.7	**-**	-
	1.6	1.7	**123.2**	126.7

	Company 2015 £m	Company 2014 £m	Group 2015 £m	Group 2014 £m
Amounts falling due after one year:				
Loan to Group undertakings	**-**	196.9	**-**	-

15 Creditors: amounts falling due within one year

	Company		Group	
	2015 £m	2014 £m	2015 £m	2014 £m
Amounts falling due within one year:				
Bank loans (note 16)	**55.3**	63.0	**183.9**	122.6
Bank overdraft	**19.0**	-	**20.0**	19.3
Loan notes	**-**	-	**0.1**	0.1
Trade creditors	**-**	-	**22.5**	27.0
Amounts owed to Group undertakings	**19.7**	24.5	**-**	-
Amounts owed to joint ventures	**-**	-	**31.9**	24.5
Accruals and other creditors	**2.2**	0.1	**92.4**	81.6
Other taxes and social security costs	**-**	-	**17.4**	15.8
Corporation tax	**-**	-	**5.6**	8.8
	96.2	87.6	**373.8**	299.7

16 Creditors: amounts falling due after more than one year

Group	2015 £m	2014 £m	2015 £m	2014 £m
Bank loans	**11.7**	43.8	**97.2**	191.8
US private placement	**-**	-	**189.0**	189.0
Less : deferred arrangement fees	**-**	-	**(0.9)**	(1.5)
	11.7	43.8	**285.2**	379.3

Notes to the Financial Statements
Continued

16 Creditors: amounts falling due after more than one year (continued)

	Company		Group	
	2015 £m	2014 £m	2015 £m	2014 £m
Bank borrowings and other loans are repayable as follows:				
Amounts falling due:				
Within one year	**74.3**	63.0	**204.0**	142.0
Between one and two years	**11.7**	43.8	**90.7**	103.8
Between two and five years	**-**	-	**53.6**	135.2
After five years	**-**	-	**141.8**	141.8
	86.0	106.8	**490.1**	522.8

The Group has access to banking facilities under the following separate arrangements:

At 31 March 2015, The Edrington Group Limited had a multi-currency revolving credit facility of €225.0m with maturities in May 2015, 2016 and 2018 and had drawn down £66.0m (€91.2m) ((2014: £106.0m (€128m)) under this facility. Interest payable on this loan is linked to EURIBOR and LIBOR.

At 31 March 2015, The 1887 Company Limited had a revolving credit facility of £310.0m with maturities in May 2015, 2016 and 2018 and had drawn down £190.0m (2014: £192.0m) under this facility. Interest payable on this loan is linked to LIBOR.

At 31 March 2015, The 1887 Company Limited had a US private debt placement for $75.0m repayable in April 2018 and $225.0m repayable in April 2021 and had drawn down £189.0m ($300.0m) (2014: £189.0m ($300.0m)) under this facility. The 1887 Company Limited entered into cross currency interest rate swaps and a series of forward exchange currency contracts to hedge the US dollar principal amounts and interest payments.

On 29 April 2015, The 1887 Company Limited entered into a new US private debt placement for £100.0m repayable in April 2025 and £20.0m repayable in April 2027 and had drawn down £120.0m under this facility. Consequently, on 29 April 2015, The 1887 Company Limited cancelled £120.0m of its revolving credit facility to leave a remaining facility of £190.0m with maturities in May 2016 and 2018.

On 29 May 2015, The Edrington Group Limited redenominated its euro revolving credit facility of €225.0m to sterling and refinanced its one year facility of €75.0m increasing it to £80m. As a result, The Edrington Group Limited now has a revolving credit facility of £190.0m with maturities in May 2016 and 2018.

The borrowings of the Group are secured by guarantees from, and floating charges over, some of the assets of the Group.

The Group has guaranteed bank borrowings for certain distribution companies totalling £38.9m (2014: £36.1m).

17 Fair value of hedging instruments

The Group operates a prudent hedging policy of fixing forward the rates for both currency and interest via forward exchange contracts and swaps. The Group does not enter into currency or interest hedges for speculative purposes. As required by Statutory Instrument 2008/410, the following table sets out the fair value of the (liability)/asset for those hedges outstanding at the year end.

	Fair value 2015 £m	Fair value 2014 £m
Fair value of financial instruments held to manage interest rates:		
Interest rate swaps assets/(liabilities)	**5.9**	(20.5)
Fair value of financial instruments held to hedge the currency exposure on net cash flows:		
Forward exchange currency contracts (liabilities)/assets	**(3.4)**	13.3

The Group's interest rate swaps were taken out to hedge interest rate risk on bank borrowings and the US private placement. The Group's forward exchange currency contracts were taken out over two years to hedge the Group's risk across its overseas markets.

18 Provisions for liabilities

	Deferred taxation £m	Other provisions £m	Total £m
At 1 April 2014	15.2	14.9	**30.1**
Reclassification from current tax payable	(3.7)	-	**(3.7)**
Provided in the year	1.6	-	**1.6**
Utilised	-	(14.9)	**(14.9)**
At 31 March 2015	13.1	-	**13.1**

Other provisions in 2014 included an estimate of the potential liability related to the termination of a distribution agreement by Brugal. The provision was reduced during the year following payment of a second interim settlement. Following legal advice the Directors do not expect any further liability as a result of the on-going appeal process.

Notes to the Financial Statements
Continued

18 Provisions for liabilities (continued)

Deferred tax is provided as follows:

Group	2015 Provided £m	2014 Provided £m
Capital allowances in excess of depreciation	**29.2**	27.4
Other timing differences	**(16.1)**	(12.2)
	13.1	15.2

Certain investments held by the Group have previously been revalued. No deferred tax has been provided on the uplift arising from the revaluations as the Group has no intention to dispose of these investments in the foreseeable future. If such a disposal did occur, the tax which would be payable is estimated to be £0.6m (2014: £0.6m).

19 Called up share capital

Group and Company	£m
Called up, allotted and fully paid	
At 1 April 2014 and 31 March 2015:	
550,000 'A' ordinary equity shares of 10p each	**0.1**
65,159,010 'B' ordinary equity shares of 10p each	**6.5**
	6.6

The 'A' ordinary shares carry 500 votes per share on a poll. The 'B' ordinary shares carry 1 vote per share on a poll on a resolution affecting their rights, or to sanction a reduction of capital, or winding up of the Company or a sale of part of its undertaking, but no vote otherwise. Foreign controlled shares carry no voting rights. Dividends are paid according to the amount paid up per share. On a winding up, subject to the Articles, a liquidator may value any assets and determine how such assets shall be divided between the members or different classes of members.

20 Reserves

(i) Profit and loss account

Group	£m
Balance at 1 April 2014	349.7
Retained loss for year	(55.8)
Equity dividends payable in the year (note 8)	(23.6)
Exchange adjustments on the net assets of joint ventures	(4.6)
Net currency translation difference on foreign investments and related borrowings	(4.2)
Transfer from revaluation reserve	0.2
Purchase of own shares	(8.8)
Receipts from sale of own shares	1.3
Actuarial loss on pension scheme	(27.3)
Movement on deferred tax relating to pension liability	5.5
Net movement in share based payments reserve	(0.4)
Other movement on foreign investment	0.5
Balance at 31 March 2015	**232.5**

(ii) Other reserves

Group	Share premium account £m	Merger reserve £m	Capital reserve £m	Capital redemption reserve £m	Revaluation reserve £m	Share based payments reserve £m
Balance at 1 April 2014	0.5	29.5	35.8	1.0	7.7	3.2
Transfer to retained profit	-	-	-	-	(0.2)	-
Expenses of equity share issues	-	-	-	-	-	(1.2)
Balance at 31 March 2015	**0.5**	**29.5**	**35.8**	**1.0**	**7.5**	**2.0**

The cumulative amount of negative goodwill arising from acquisitions credited to reserves prior to 31 December 1998 was £3.8m. This negative goodwill would only be credited to the profit and loss account on any subsequent disposal of the business to which it related. Negative goodwill arising after that date will be carried forward under intangible assets in the balance sheet and amortised over its useful life.

Notes to the Financial Statements

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20 Reserves (continued)

Company	Share premium £m	Capital redemption reserve £m	Share based payments reserve £m	Retained profit £m
Balance at 1 April 2014	0.5	1.0	3.2	321.6
Retained loss for the year	-	-	-	(103.6)
Equity dividends payable in the year	-	-	-	(23.6)
Purchase of own shares	-	-	-	(8.8)
Receipts from sale of own shares	-	-	-	1.3
Net share based payment expense	-	-	(1.2)	-
Net currency translation difference on foreign investments and related borrowings	-	-	-	0.9
Balance at 31 March 2015	**0.5**	**1.0**	**2.0**	**187.8**

The profit and loss account reserve includes the reserves of The Edrington Group Limited Employee Benefit Trust amounting to £13.3m (2014: £12.8m) and a deduction from the Company's reserves for their own shares held by the Employee Benefit Trust amounting to £40.6m (2014: £33.1m). There are restrictions on the parent Company's ability to distribute the reserves of the Employee Benefit Trust, while the realised profit of the Company is unaffected by the deduction from reserves for the own shares held by the Employee Benefit Trust.

A profit and loss account is not presented in respect of the Company, as allowed by section 408 of the Companies Act 2006. The loss attributable to the shareholders dealt with in the financial statements of the Company amounted to £103.6m (2014: a profit of £66.5m).

Own shares

The Edrington Employee Benefit Trust was established by Trust Deed in June 1992 to act as a market for shares in The Edrington Group Limited, and it will, so far as possible, look to satisfy the demand for Edrington shares on maturity of the Group's approved ShareSave Schemes.

The Employee Benefit Trust will also sell shares to the trustees of The Edrington Group ShareReward Scheme for those trustees to allocate in accordance with the rules of that Scheme. The Employee Benefit Trust also distributes shares under a shadow ShareReward Scheme for those directors not entitled to participate in the approved Edrington Group ShareReward Scheme.

The Employee Benefit Trust holds 3,829,834 'B' ordinary shares (2014: 3,437,742 shares) with a cost of £40.6m (2013: £33.1m).

The charge to the Group profit and loss account this year in respect of share awards by the ShareReward Scheme was £1.1m (2014: £2.4m).

Previously the Employee Benefit Trust offered certain individuals in the employment of The Edrington Group, the facility of a loan to assist in the purchase of shares in The Edrington Group Limited. The Employee Benefit Trust holds the shares in its own name on behalf of the employees, as security for the loans. At 31 March 2015 the Employee Benefit Trust held a further 134,750 (2014: 171,997) 'B' ordinary shares in its own name as security against employee loans of £0.2m (2014: £0.2m).

21 Minority interests

	£m
Balance at 1 April 2014	363.0
Profit on ordinary activities after taxation	52.9
Brugal impairment	(89.0)
Dividends paid	(23.8)
Revaluation of subsidiary undertakings' net assets	(15.1)
Other movements	(0.6)
Balance at 31 March 2015	**287.4**

22 Net cash inflow from operating activities

	2015 £m	2014 £m
Group operating (loss)/profit	**(41.5)**	172.5
Non cash impact of brand impairment	**238.7**	-
Depreciation and amortisation	**18.3**	15.8
(Gain)/loss on sale of fixed assets	**(0.2)**	0.5
Difference between pension charge and cash contributions	**(11.2)**	(8.7)
Decrease/(increase) in stocks	**(15.2)**	13.8
Decrease/(increase) in debtors	**3.1**	(9.1)
Decrease in creditors	**(4.3)**	(11.5)
Share based payments credit	**(2.1)**	(2.3)
Non cash impact of pension curtailment	**(29.1)**	-
Net cash inflow from operating activities	**156.5**	171.0

Notes to the Financial Statements

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23 Analysis of net debt

	Note	At 1 April 2014 £m	Exchange adjustment £m	Cash flow £m	Non cash movement £m	At 31 March 2015 £m
Cash in hand		85.2	3.0	(31.7)	-	**56.5**
Bank overdrafts		(19.3)	-	(0.7)	-	**(20.0)**
		65.9	3.0	(32.4)	-	**36.5**
Bank loans		(314.3)	10.8	22.5	-	**(281.0)**
US private placement financing		(189.0)	-	-	-	**(189.0)**
Loan notes		(0.1)	-	-	-	**(0.1)**
Total loans		(503.4)	10.8	22.5	-	**470.1**
Net debt before current asset investments		(437.5)	13.8	(9.9)	-	**(433.6)**
Current asset investments		1.1	-	-	(0.2)	**0.9**
Total net debt	24	(436.4)	13.8	(9.9)	(0.2)	**(432.7)**

24 Reconciliation of net cash flow to movement in net debt

	2015 £m	2014 £m
(Decrease)/increase in cash in hand in the year	**(32.4)**	14.4
Net cash outflow on loans	**22.5**	0.1
Change in net debt resulting from cash flows	**(9.9)**	14.5
Non cash movement in current asset investments	**(0.2)**	0.4
Exchange adjustment	**13.8**	(1.4)
Movement in net debt in year	**3.7**	13.5
Net debt at 1 April 2014	**(436.4)**	(449.9)
Net debt at 31 March 2015	**(432.7)**	(436.4)

25 Transactions with related parties

During the year, in the normal course of business, The Edrington Group Limited and its subsidiaries entered into the following transactions with related parties as defined in FRS 8 Related Party Transactions.

The Group made purchases of £13.3m (2014: £13.6m) and received services to the value of £5.9m (2014: £7.3m) from Lothian Distillers Limited a joint venture of the Group. The Group also made purchases of £3.3m (2014: £3.8m) from its joint venture Row & Company Limited and made sales to that Company of £4.5m (2014: £6.7m). The Group made sales to other joint ventures amounting to £163.6m (2014: £170.9m) and received services to the value of £55.1m (2014: £60.4m). The balances due to/from joint ventures in respect of these transactions are as disclosed in notes 14 and 15. The Group made sales amounting to £5.5m (2014: £10.3m) and made purchases amounting to £0.7m (2014: £0.9m) to Suntory Liquors Limited, a related party.

The Group has an interest-free loan from Lothian Distillers Limited for £6.0m (2014: £6.0m) included in note 15.

The Edrington Group Limited received dividends of £38.5m (2014: £62.0m) from its subsidiary, The 1887 Company Limited. The directors of The Edrington Group Limited received dividends from the Group totalling £0.2 m in the year (2014: £0.2m).

The directors have taken advantage of the exemption offered by FRS 8 not to disclose transactions with wholly-owned subsidiaries.

26 Share based payments

Equity-settled share option scheme

The Company operates 2 share schemes for employees – a ShareSave scheme and a ShareReward scheme. The Group recognised total expenses of £2.8m relating to equity-settled share based payment transactions in the year to 31 March 2015 (2014: £2.8m).

The ShareSave scheme is a share option scheme for all employees of the Group. Options are exercisable at the market price of the Company's shares on the date of grant. The vesting period is 3 years. If the options remain unexercised after a period of 3½ years from the date of grant, the options expire. Substantially all options are exercised upon vesting. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding in respect of the ShareSave scheme during the year are as follows:

	2015		2014	
	Number of share options	Weighted average exercise price (in £)	Number of share options	Weighted average exercise price (in £)
Outstanding at 1 April	**434,811**	**£10.25**	548,650	£7.54
Granted during the year	**251,098**	**£13.76**	130,392	£13.31
Exercised during the year	**(164,400)**	**£7.92**	(227,897)	£5.52
Forfeited during the year	**(8,780)**	**£11.22**	(16,334)	£9.49
Outstanding at 31 March	**512,729**	**£12.70**	434,811	£10.25

The weighted average share price at the date of exercise for share options exercised during the period was £7.92 (2014: £5.52). The options outstanding at 31 March 2015 had a weighted average exercise price of £12.70 (2014: £10.25), and a weighted average remaining contractual life of 2 years (2014: 2 years). The fair value of the options granted on 1 April 2014 was £0.8m (on 1 April 2013: £0.5m).

Notes to the Financial Statements
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26 Share based payments (continued)

The fair value of shares and options granted is calculated at grant date using the Black-Scholes model and in accordance with FRS 20 Share Based Payments. The inputs into the Black-Scholes model are as follows:

Grant date	1 April 2014	1 April 2013	1 April 2012
Share price at grant date	£17.19	£16.64	£12.67
Exercise price at grant date	£13.76	£13.31	£10.14
Expected volatility	17%	25%	27%
Expected life	3 years	3 years	3 years
Risk free rate	1.2%	0.3%	0.6%
Expected dividend yield	2.4%	2.3%	2.4%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years.

	2015 £m	2014 £m
Retirement benefit liabilities after deferred tax comprise:		
Defined benefit liabilities in principal subsidiaries	**(45.1)**	(54.5)
Other defined benefit liabilities	**(2.0)**	(1.6)
Other post-retirement benefits	**(1.8)**	(2.1)
	(48.9)	(58.2)

27 Retirement benefit liabilities

Defined benefit schemes

The Group operates two defined benefit pension schemes in the UK providing benefits based on final salary, which have been closed to new employees since 2008. On 31 October 2014 the Group ceased future accrual on the two principal defined benefit pension schemes. The benefit commitments are funded in advance and the assets of the schemes are held in separate trustee administered funds. The contributions are determined by a qualified actuary on the basis of regular valuations using the projected unit method.

The most recent actuarial valuations of the defined benefit pension schemes and other post-retirement benefits were undertaken in March 2013. Both valuations were performed by independent, professionally qualified actuaries.

The notes below relate only to the principal defined benefit schemes in the Group on the basis of their materiality.

The major assumptions used by the actuary were as follows:	2015	2014
Rate of increase in salaries	**n/a**	4.4%
Rate of increase of pensions in payment	**1.9%-3.6%**	2.1%-3.7%
Discount rate	**3.3%**	4.4%
Inflation assumption (RPI/CPI)	**3.1%/2.1%**	3.4%/2.4%
Medical benefits inflation assumption	**5.6%**	5.7%

The post retirement mortality assumptions used to value the benefit obligation at 31 March 2014 - 2015 were those of the S1PXA actuarial index, adjusted by 94% (2014:94%) for both males and females, plus an allowance for 'CMI 2014 with a long term improvement rate of 1.5%'. Assumed life expectancy for scheme members currently aged 65 is 23 years for males, and 25 years for females, and for members currently aged 50 is expected to be 25 years (male) and 27 years (female) upon reaching 65.

The assets in the schemes and the expected rates of return were:

	2015 Rate of return %	2015 Value £m	2014 Rate of return %	2014 Value £m
Equities	-	**32.6**	7.4%	40.3
Corporate bonds	-	**112.9**	4.3%	99.8
Bonds	-	**128.2**	3.4%	71.2
Cash	-	**0.7**	0.5%	0.7
Property	-	**-**	6.8%	13.6
Insured pensions	-	**6.5**	4.4%	5.4
Growth Fund	-	**27.0**	7.4%	24.8
Total fair value of assets		**307.9**		255.8
Present value of scheme liabilities		**(364.3)**		(324.8)
Deficit in pension schemes		**(56.4)**		(69.0)
Related deferred tax asset		**11.3**		14.5
Deficit in pension schemes after deferred tax		**(45.1)**		(54.5)

The Group will begin to report under IFRS for the year ending March 2016. Under IFRS the rate of return on scheme assets is restricted to the scheme discount rates, therefore individual asset returns have not been disclosed as they are no longer relevant.

Notes to the Financial Statements

Continued

27 Retirement benefit liabilities (continued)

Analysis of amount charged to operating profit in respect of defined benefit schemes

	2015 £m	2014 £m
Current service cost	**(2.8)**	(5.5)
Past service cost	**-**	(1.2)
Gain/(loss) on curtailment of pension liabilities	**29.1**	(0.2)
	26.3	(6.9)

Analysis of net charge to finance costs

	2015 £m	2014 £m
Expected return on pension schemes assets	**12.8**	11.0
Interest on pension liabilities	**(14.1)**	(14.3)
Net charge to finance costs	**(1.3)**	(3.3)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2015 £m	2014 £m
Actual return less expected return on assets	**35.7**	(4.3)
Experience gains and losses on liabilities	**(1.5)**	1.6
Changes in assumptions	**(60.4)**	(0.6)
Actuarial loss recognised in the STRGL	**(26.2)**	(3.3)

The cumulative actuarial losses recognised in the STRGL at 31 March 2015 were £93.3m (2014: losses £67.1m).

Reconciliation of fair value of scheme assets	2015 £m	2014 £m
Opening fair value of scheme assets	**255.8**	248.7
Expected return on assets	**12.8**	11.0
Employers' contributions	**13.8**	15.5
Members' contributions	**0.6**	1.1
Actuarial gains/(losses)	**35.7**	(4.3)
Assets distributed on settlements	**-**	(6.2)
Benefits paid	**(10.8)**	(10.0)
Closing fair value of scheme assets	**307.9**	255.8

The expected return on assets is based on long term expectations for each asset class at the beginning of the year. The actual return on plan assets was £48.5m (2014: £5.2m).

Reconciliation of defined benefit obligation	2015 £m	2014 £m
Opening defined benefit obligation	**(324.8)**	(319.7)
Current service cost	**(2.8)**	(5.5)
Past service cost	**-**	(1.2)
Interest cost	**(14.1)**	(14.3)
Members' contributions	**(0.6)**	(1.1)
Actuarial (losses)/gains	**(61.9)**	1.0
Gain on curtailment	**29.1**	-
Liabilities extinguished on settlements	**-**	6.0
Benefits paid	**10.8**	10.0
Closing defined benefit obligation	**(364.3)**	(324.8)

Notes to the Financial Statements

Continued

27 Retirement benefit liabilities (continued)

Movement in deficit during the year	2015 £m	2014 £m
Deficit in schemes at beginning of year	**(69.0)**	(71.0)
Current service cost	**(2.8)**	(5.5)
Past service cost	**-**	(1.2)
Gain/(loss) on curtailment of scheme liabilities	**29.1**	(0.2)
Contributions	**13.8**	15.5
Net interest cost	**(1.3)**	(3.3)
Actuarial losses	**(26.2)**	(3.3)
Deficit in schemes at end of year	**(56.4)**	(69.0)

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Five year history:					
Total fair value of assets	**307.9**	255.8	248.7	219.2	195.2
Present value of scheme liabilities	**(364.3)**	(324.8)	(319.7)	(275.3)	(239.5)
Deficit in pension scheme	**(56.4)**	(69.0)	(71.0)	(56.1)	(44.3)
History of experience gains and losses					
Experience adjustments on schemes' assets	**35.7**	(4.3)	13.5	3.8	0.3
Percentage of schemes' assets	**11.6%**	1.7%	5.4%	1.7%	0.2%
Experience adjustments on schemes' liabilities	**(1.5)**	1.6	(5.2)	4.4	(1.0)
Percentage of schemes' liabilities	**0.4%**	0.5%	1.6%	1.6%	0.4%
Total amount recognised in statement of total recognised gains and losses	**(26.2)**	(3.3)	(23.2)	(21.4)	2.0
Percentage of schemes' liabilities	**7.2%**	1.0%	7.3%	7.8%	0.8%

Sensitivity analysis on scheme liabilities

The sensitivity of the present value of scheme liabilities to changes in the principle assumptions used at 31 March 2015 is set out below:

Assumption	Sensitivity	Impact on scheme liabilities
Discount rate	+/- 0.5%	+/- 10%
Mortality – increase in life expectancy	+/- 1 year	+/- 3%
Increase in inflation	+/- 0.5%	+/- 8%

Defined benefit schemes

The Group paid contributions of 22% of pensionable salary and deficit reduction payments of £11.6m (2014: £10.0m) to the pension schemes during 2015.

In addition to the Group defined benefit schemes, Maxxium UK Limited, Maxxium Nederland BV and Lothian Distillers Limited operate defined benefit schemes. The Group's aggregate share of the net pension deficit of these joint ventures is £11.8m (2014: £9.9m).

Defined contribution schemes

The Group operates a number of defined contribution schemes for employees in the UK and overseas. The pension cost charge for the year in respect of the Group's defined contribution schemes amounted to £2.5m (2014: £1.4m).

Other post-retirement benefits

Other post-retirement benefits reflected in the accounts

	2015 £m	2014 £m
Potential liability for discretionary post-retirement benefits	**(2.2)**	(2.7)
Related deferred tax asset	**0.4**	0.6
Net potential liability for discretionary post-retirement benefits deficit	**(1.8)**	(2.1)

Notes to the Financial Statements

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28 Other contractual obligations

	2015 £m	2014 £m
Contracted but not provided for		
- material purchase commitments	**22.0**	24.4
- capital commitments	**82.0**	66.2
	104.0	90.6

Other contractual obligations comprise commitments for expenditure that has not been provided for in these financial statements.

Material purchase obligations include various long term purchase contracts entered into for the supply of certain materials, principally malt barley. The contracts are used to guarantee supply of these materials over the long term and to enable more accurate management of future costs.

Capital commitments represent contracts entered into for the provision of casks and buildings inclusive of a £2.3m commitment in respect of the expansion of The Macallan Distillery.

29 Control

The Company is controlled by The Robertson Trust, a charitable organisation.

30 Post Balance Sheet Events

On 1 April 2015, The 1887 Group acquired the additional 50% of Maxxium Travel retail from Maxxium UK. The new business will trade as Edrington European Travel Retail, responsible for travel retail operations across Europe.

In April 2015, The 1887 Company successfully entered into a new US private debt placement for £100m repayable in April 2025 and £20m repayable in April 2027, providing the business with funding at commercially competitive rates with maturities which correspond with the Company's expected cash flow profile. In May 2015, Edrington also refinanced its one year facility increasing it to £80m.

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