



EDRINGTON

The Edrington Group Limited

Annual Report and Financial Statements

for the year ended 31 March 2021

Company Registration No. SC036374





EDRINGTON

The
MACALLAN


**THE FAMOUS
GROUSE**

BRUGAL 


**HIGHLAND
PARK**

**THE
GLENROTHES**
ESTD 1879





**TEQUILA
PARTIDA**




NOBLE OAK
DOUBLE OAK BOURBON



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* 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.



Key Financial Highlights

CORE REVENUE



⊖ 15%

Total revenue from our sales of continuing Edrington branded products on a constant currency basis.

ANALYSIS

Core revenue fell by 15% to £576.2m driven by the impact of the pandemic on the demand for our brands through the on-trade and travel retail channels together with trade destocking in key markets.

BRAND INVESTMENT



⊖ 8%

Advertising and promotional expenditure excluding discounts, on our core brands, on a constant currency basis.

ANALYSIS

We invested £118.9m in brand-building marketing activities this year, which is 8% lower than last year. This lower reduction than our decline in revenue has meant that our investment ratio has increased by 2 percentage points to 21%.

CORE CONTRIBUTION



⊖ 19%

Profit from our branded sales and distribution after the deduction of overheads on a constant currency basis.

ANALYSIS

Core contribution decreased by 19% to £196.5m this year, reflecting the trading performance, our cost reduction measures and our focus on protecting the level of brand investment. The measures implemented to reduce our discretionary cost base included the cancellation of annual bonus schemes, pay freezes and salary reductions for our senior leaders.

EARNINGS BEFORE INTEREST AND TAX* (EBIT)



⊖ 23%

EBIT is a measure of the profit generated by the business before the impact of interest, tax, minority interest charges and items deemed to be exceptional in nature.

ANALYSIS

EBIT fell by 23%, in line with the reduction in statutory revenue which is a greater reduction than core contribution due to the impact of a stronger average £ during the year compared to last year.

* before exceptional items



Key Financial Highlights

FREE CASH FLOW

2021 - £122.5m

2020 - £64.8m

2019 - £87.7m

+ 89%

Net cash flow excluding the movements in borrowings, shares, dividend payments, expansionary capital expenditure and exceptional items.

ANALYSIS

Free cash flow represents the cash the business generates after maintaining our asset base. The increase in the year represents the efforts made to conserve cash as a result of the pandemic. The cash conservation measures implemented included reduced capital expenditure, lower investment in new fillings, suspension of dividends and the postponement of pension deficit contributions.

RETAINED PROFIT*

2021 - £77.6m

2020 - £90.3m

2019 - £91.6m

- 14%

Earnings after tax and minority interests excluding exceptional items.

ANALYSIS

Profits attributable to Edrington Shareholders (before exceptional items) declined by 14% to £77.6m. The underlying rate of decline for the year is 20% with a non-recurring prior year deferred tax charge of £6.5m (net of minority interests) benefitting the comparison this year.

* before exceptional items

STRATEGIC INVENTORIES

2021 - £896.9m

2020 - £845.1m

2019 - £756.2m

+ 6%

The net book value of our maturing inventories of whisky and rum and the casks in which they are held.

ANALYSIS

The 6% growth in strategic inventories reflects the ongoing investment in maturing stock to support the long term growth of our brands. The insurance and market value of our maturing whisky and rum is significantly higher than the carrying value.

NET DEBT/EBITDA

2021 - 1.7

2020 - 1.5

2019 - 1.8

- 13%

The ratio of bank and private placement debt at hedged rates, where applicable, after deduction of cash balances compared to reported earnings before interest, tax, depreciation and amortisation.

ANALYSIS

The 13% reduction in the ratio is driven by a partial decrease in our EBITDA offset with a reduction in our net debt.



Directors and Advisers

Directors

C S Gillies, Chairman
S J McCroskie, Chief Executive
P A Hyde
A G Cockburn
A M C Avis MBE
S Fitzgerald
S Hizuka

Secretary

G J Murray

Registered Office

100 Queen Street
Glasgow
G1 3DN

Independent Auditor

Deloitte LLP
Statutory Auditor
110 Queen Street
Glasgow
G1 3BX

Solicitors

Dentons
1 George Square
Glasgow
G2 1AL



Chairman's Statement

Dear Shareholder

Welcome to our Annual Report for 2021.

While the heritage and history of Edrington extends back across two centuries, the company celebrated its 60th anniversary on 25 April 2021. That was a moment to reflect on what had been built over the last six decades, but also on the unprecedented challenges of the past year and the way in which everyone across the Edrington world has helped navigate our way through the most testing 12 months in our history.

2020/21

At the time I wrote my introduction to last year's Annual Report we had just finished our best year ever in 2019/20. The pandemic had started but we did not know the depth of the COVID-19 economic downturn, or its length. During the early days of the pandemic the outlook looked bleak for businesses around the world. Edrington was not immune to the seismic challenges with our on-trade and travel retail channels closed for much of the year in most markets around the world.

The business's response to these unprecedented challenges has been outstanding. In just his second year as Chief Executive Officer, Scott McCroskie and his Executive Team had to make some of the hardest decisions that I suspect Edrington leaders have ever had to make. Prudent and tough decisions on cost and cash controls meant sacrifices by many within the business, our shareholders, and other stakeholders.

Colleagues around the globe demonstrated remarkable resilience and resourcefulness as they embraced new ways of working, many working from home for over a year. Our supply chain teams in our distilleries, warehouses, and bottling halls implemented industry-leading safe systems of working that have kept our ultra-premium spirits flowing to our markets.

As I look at how we finished financial year 2020/21, inevitably, our results have been significantly impacted by the pandemic. While no chairman is happy to see results drop, in the situation we found ourselves, I believe our performance is very creditable.

I would like to express my deep thanks to Scott, his leadership team and Edrington people worldwide for their hard work and the sacrifices they have made to finish the year as positively and strongly as could have been imagined in those early months.

Looking to the year ahead

There is no doubt that Edrington like every other international business still faces significant challenges. While I am confident that our financial results will return soon to their pre-pandemic levels, the economic and geopolitical environment will remain volatile, and the precise timing of the rebound is uncertain.

We are likely to face significant headwinds for some time. Higher taxation will come at some point as governments look to repay debt and accelerate the build back process. Consumer spending may be impacted by a lack of consumer confidence, and ongoing hospitality sector restrictions. Continuing reductions in international air travel means travel retail sales may remain depressed. That said, consumer appetite for our exceptional brands stands us in good stead.

Organisationally, Edrington has displayed impressive agility and a remarkable ability to adapt and change during the past 12 months. Our teams have moved quickly to focus on areas of the business that will help us to return to growth as we emerge from the pandemic. From an increased and improved approach to e-commerce, a renewed focus on growth markets like China, and ongoing new product development, Edrington people continue to innovate.

The combination of our strong brands, record brand investment, our capabilities and culture, and our refined strategy which Scott describes later, allow us to look to the future with confidence.

Our vision

I have written in previous annual reports about Edrington's very special *Giving More* ethos, instilled in the company thanks to the vision of the Robertson sisters back in 1961, when they set up both the company and our principal shareholder, The Robertson Trust. *Giving* is one of the company's four core values, along with *Respect*, *Integrity* and *Excellence*.

I am pleased to report that *Giving More* is alive and well in Edrington, with our people and teams across the world continuing to support the communities that they live and work in despite the challenges of the past year. That vision to Give More by crafting exceptional ultra-premium spirits can be seen in the fundraising and community activity in our Sustainability and Responsibility report.



Chairman's Statement (continued)

Dividend

Paying a healthy dividend is an important obligation of the company. We know it is important to The Robertson Trust and other shareholders. Last year as we faced the uncertainty of the pandemic, we made the difficult decision that in the interests of the long-term sustainability of the company, we would suspend these dividends. That was the right thing to do, and we thank all our shareholders and other stakeholders for their understanding.

I am pleased that the conditions are now stable enough for us to recommence the payment of dividends. Going forward we will seek to grow the dividend at a rate that reflects the sustainable underlying growth of the business.

Board changes

After 21 years with Edrington, 18 of those on our Board, Graham Hutcheon, Group Operations Director, is retiring from the business at the end of June. On behalf of everyone at Edrington I want to thank Graham for his huge contribution to Edrington and I wish him a long, happy, and well-deserved retirement.

I would like to extend a very warm welcome to Angus Cockburn, who last year joined the Edrington Board. Angus' experience as a board member, CEO, and finance director of several public companies is already proving invaluable to our company.

In Conclusion

Edrington has navigated our way well through a tumultuous year that included Brexit, US tariffs and the effects of the pandemic. We did so thanks to the dedication, capability, and resilience of our people. We now look to governments across the world to play their part in the post-Covid recovery and to create the trading conditions where companies like Edrington and industries like Scotch Whisky can grow and prosper.

With clarity, focus and confidence in the future I am confident that we will emerge from the pandemic ready to build an even stronger Edrington.

Crawford Gillies

Chairman

22 June 2021



Chief Executive's Review

It almost goes without saying that 2020/21 was a challenging year for Edrington. As well as facing severe disruption from the COVID-19 pandemic, we had to navigate Brexit and the impact of US tariffs on Single Malt Scotch Whisky. Whilst our results show a decline after several years of strong growth, I am pleased that we were able to hold this to a moderate level and emerge from a difficult year in sound financial health.

Our people around the world responded admirably to the pandemic. They demonstrated personal resilience and a caring and supportive approach both to colleagues and the societies in which they live and work. They also showed an agile and collaborative approach to work, which allowed the company to reshape our business to make the most of the opportunities which emerged. I am especially grateful to our manufacturing employees, who were unable to work from home, for their efforts in keeping our products flowing from our distilleries and bottling plants to consumers across the globe.

I would also like to thank our shareholders for their support during the crisis. We appreciate the impact that pausing dividend payments has, but that has allowed us to get through the pandemic with a strong balance sheet and at the same time invest in our brands and capabilities. I believe that this gives us a strong base from which to grow the business in coming years.

Results

In my last report, I anticipated a significant decline in global sales and profits. After four consecutive years of profit growth, Edrington's core contribution declined by 19% last year, reflecting the impact of COVID-19 and tariffs on Single Malt Scotch Whisky in the USA.

Whilst the decline in profit is disappointing to see, it was less severe than we initially anticipated as consumer demand remained solid in most markets. A significant proportion of purchases previously made in bars, restaurants and Duty Free shops moved to retail stores and online channels. The company adapted quickly to maximise the opportunities, principally by redirecting inventory and reallocating people and investment to growth areas.

Trade destocking caused a significant proportion of the year on year profit decline, driven by the USA. Trade buy-in ahead of the introduction of tariffs in October 2019 and concerns in early 2020 about the reliability of supply chains led to a high

level of trade stock at the start of our financial year. As the pandemic caused on-trade closures, our customers sought to manage stocks down and as a result their purchases from us were lower than sales out to their customers. We believe that we start the new year with in-market stocks close to optimal levels in most markets.

Strategic Review

As we reacted and adapted to the pandemic, we have taken the time to conduct a full review of the business' 2025 strategy. The refreshed strategy maintains our vision of Giving More and sharpens our focus on ultra-premium spirits. Our expertise in ultra-premium, prestige and luxury spirits has fueled the company's growth in recent years and we believe that we can build on this trend by developing our existing strengths further, and building our skills and capabilities in areas where we need to do better.

Market Context

COVID-19 had a very significant impact on our operations, affecting our employees, customers and consumers. Lockdowns meant that many outlets selling our products were forced to close, with bars, restaurants, hotels and Duty Free stores especially badly affected. In most markets retail stores remained open and they, along with e-commerce sales, picked up most of the demand from the restricted channels. The business responded by reprioritising channels, stock allocations and brand investment, and by building capability in areas such as e-commerce. We anticipate that disruption will continue for some time, but that demand for our products will remain healthy. The reopening of on-trade and travel retail channels will shift demand back towards these channels so the business will have to remain agile to deploy our resources effectively.

Exports to the USA, which is the world's largest market for premium spirits, were hit hard by a 25% tariff on Single Malt Scotch Whiskies that was in place from October 2019 until March this year. We are encouraged by the recent agreement between the UK and US governments to suspend tariffs for five years, and grateful for the continuing efforts of the Scotch Whisky Association and the UK Government to resolve the dispute permanently.



Chief Executive's Review (continued)

We have worked hard since the outcome of the referendum in 2016 to be as prepared as possible for Britain leaving the EU. Thanks to the expertise of our Brexit team, the business had planned for a range of scenarios, and we navigated the end of the transition period with minimal disruption.

Performance Highlights

Despite a decline in its overall net sales and contribution, demand for The Macallan remained high in several markets, particularly in China, South East Asia and Russia. As the world's most valuable single malt Scotch Whisky The Macallan continued to lead the category with a number of new launches including the Red Collection, Edition 6, and extensions to the Fine & Rare Collection of vintage bottlings.

Our other single malt brands, The Glenrothes and Highland Park, continued to build their profile in ultra-premium spirits with a series of highly regarded releases including 50-year-old vintages of The Glenrothes and Highland Park. Naked Malt, Edrington's blended malt started the execution of its re-branding, targeting the fast-growing contemporary whisky category.

Brugal rum generated outstanding growth, driven by demand in its home market of the Dominican Republic.

The Famous Grouse proved resilient in its core markets across northern Europe and particularly in its home market the UK.

People and Culture

Edrington's culture informs our vision: to give more by crafting exceptional ultra-premium spirit brands.

On countless occasions over the past year, I have seen the behaviours we call out in our new strategy as being key elements of Edrington's culture; the ability to focus on what makes a difference, to adapt at pace, and to challenge and embrace diversity of thinking. We will continue to build on our culture.

Looking Forward

The roll-out of COVID-19 vaccines gives us hope that the worst of the pandemic is behind us. However, the risk of outbreaks in countries with low vaccination rates and the threats from vaccine-resistant variants will be with us for some time to come. Despite the uncertainties I believe we are well placed to navigate these challenges. We have demonstrated our ability to adapt to a crisis and we have emerged in good shape. A strong balance sheet and the recent and forthcoming investments in brand-building and developing our capabilities provides a solid basis on which to build.

Edrington is powered by great people and exceptional brands. I am proud of our results, and of the people who have achieved them. I am confident that our business is poised for the recovery and ready to power forward.

Scott McCroskie
Chief Executive

22 June 2021



Financial Review

STATUTORY KEY PERFORMANCE INDICATORS

	2021	2020	% movement
Revenue	£625.6m	£792.2m	(21%)
Earnings before interest and tax	£196.7m	£250.9m	(21%)
Profit before tax	£178.4m	£227.0m	(21%)
Profit for the financial year	£81.5m	£87.7m	(7%)
Total equity	£1,153.8m	£1,105.9m	4%

MANAGEMENT KEY PERFORMANCE INDICATORS

	2021	2020	% movement
Volume (case equivalents)	7.6m	8.1m	(6%)

Presented in constant currency rates:

Core revenue*	£576.2m	£680.3m	(15%)
Brand investment*	£118.9m	£129.5m	(8%)
Core contribution*	£196.5m	£242.5m	(19%)

Presented in actual currency rates:

EBITDA	£220.9m	£273.5m	(19%)
Profit before tax (pre-exceptional)	£171.3m	£222.4m	(23%)
Profit for the year (pre-exceptional)	£77.6m	£90.3m	(14%)
Free cash flow	£122.5m	£64.8m	89%
Net debt/EBITDA	1.7	1.5	
Strategic inventories	£896.9m	£845.1m	6%

Volume

The total quantity of cases sold, where a case equivalent is measured as 12 70cl bottles at 40% abv.

Core revenue

Total revenue from our sales of continuing Edrington branded products on a constant currency basis.

Brand investment

Advertising and promotional expenditure excluding discounts, on our core brands, on a constant currency basis.

Core contribution

Profit from our branded sales and distribution after the deduction of overheads on a constant currency basis.

EBITDA

Earnings before the deduction of interest, tax, depreciation and amortisation.

Profit before tax (pre-exceptional)

Profit before exceptional items and the deduction of tax.

Profit for the year (pre-exceptional)

Earnings after tax and minority interests excluding exceptional items.

Free cash flow

Net cash flow excluding the movements in borrowings, shares, dividend payments, expansionary capital expenditure and exceptional items.

Net debt/EBITDA

The ratio of bank and private placement debt at hedged rates, where applicable, after deduction of cash balances compared to reported earnings before interest, tax, depreciation and amortisation.

Strategic inventories

The net book value of our maturing inventories of whisky and rum and the casks in which they are held.

* A reconciliation of constant currency measures is provided at Note 34 to the accounts.



Financial Review (continued)

Group Financial Performance Overview

The financial results presented reflect a year which has been significantly impacted by the COVID-19 pandemic. We entered the year with several of our key markets in full lockdowns, closures of large parts of the global on-trade, and a sudden contraction of the global travel retail business. Our financial imperatives were to reduce our discretionary spend, conserve cash and secure our liquidity. With the support of a number of different stakeholders including employees, shareholders, pension trustees and funding partners we delivered against these priorities.

Our core revenue declined by 15% on a volume decline of 6% for the year. We have been able to dampen the full impact of this revenue decline with our reduced cost base to deliver a core contribution which has declined by 19%. Investing behind our brands remained a key priority in the second half of the year and with only an 8% decline year on year in brand investment we have ensured that we enter the coming financial year with our brands positioned strongly for the future.

Our improvement in free cash flow of £122.5m (2020: £64.8m) reflects our disciplined cash management supported with reductions in investment in capital expenditure and stock. This has resulted in our net debt reducing to £375.5m (2020: £451.8m) allowing us to enter the new year with strong financial fundamentals.

Group Financial Performance (reported on a constant currency basis)

Core revenue

Core revenue fell by 15% to £576.2m driven by the impact of the pandemic on the demand for our brands particularly through the on-trade and travel retail channels together with a significant reduction in inventories held by our distributors in certain markets.

The reduction in core revenue was higher than the 6% volume decline due to product mix with higher declines of our malts brands which are more exposed to the on-trade and travel retail channels.

Brand investment

We invested £118.9m in brand-building marketing activities this year, which is 8% lower than last year. This lower reduction than our decline in revenue has meant that our investment ratio has increased by 2 percentage points to 21%.

Core contribution

Core contribution decreased by 19% to £196.5m this year, reflecting the trading performance, our cost reduction measures and our focus on protecting the level of brand investment. The measures implemented to reduce our discretionary cost base included the cancellation of annual bonus schemes, pay freezes and salary reductions for our senior leaders.

The Macallan saw a significant decline in contribution of 28% driven by the contraction of the travel retail channel, on-trade closures and distributor and trade destocking in the US. Brugal rum had an exceptional year with contribution growing by 93% driven by the high demand and ongoing premiumisation in its home market in the Dominican Republic. Malt whiskies saw a significant contribution decline of 53% due to the reduction in sales from the on-trade together with the decision to continue to support brand investment for Highland Park and The Glenrothes. The Famous Grouse contribution declined by 16% which reflects strong performance in its key equity markets of the UK and Sweden, offset by a reduction in travel retail and Southern European countries

From a regional perspective our REEMEAT region (led by Russia) and the Dominican Republic were strong growth drivers. Asia Pacific was flat year on year with growth in China and South East Asia offset by trade de-stocking in other markets. Europe was marginally down with strong growth in off-trade dominated markets being offset by declines in Southern Europe markets where on-trade closures had a significant impact. In the Americas, the underlying demand for our brands was resilient as consumption moved from the on-trade to the off-trade however our sales to distributors were materially affected by de-stocking due to the combined effects of COVID-19 and purchasing patterns related to the US tariffs imposed on Malt Whisky in October 2019. The significant decline in travel retail sales reflects the shutdown of large parts of the travel industry across the world for the majority of the financial year.

Statutory results (reported at actual currency rates)

Statutory group revenue (pre-exceptional) fell by 21% to £625.6m and pre-exceptional profit before tax decreased by 23% to £171.3m. The decline in statutory revenue is greater than the decline in core revenue due to a negative impact from average foreign exchange rates versus the prior year.

Profits attributable to Edrington Shareholders (before exceptional items) declined by 14% to £77.6m. The underlying rate of decline for the year is 20% with a non-recurring prior year deferred tax charge of £6.5m (net of minority interests) benefitting the comparison this year.



Financial Review (continued)

Exceptional items

The disposal of a 33% shareholding held by Brugal in Vinicola del Norte, a company specialising in the production and marketing of spirits, wines and mass consumer products in The Dominican Republic, has been treated as an exceptional item in the year resulting in a gain of £7.1m.

Profits attributable to Edrington Shareholders including exceptional items declined by 7% to £81.5m. We have included a table which sets out the movement before and after exceptional items in the current and prior year along with the prior year deferred tax rate change to aid the understanding of their effect compared to the underlying trading performance.

Statutory results table adjusted for non-recurring items

	2021	2020	% movement
Profit for financial year before adjustment for impact on deferred tax of changes to future UK tax rates	£77.6m	£96.8m	(20%)
Impact of deferred tax rate change (net of Minority interest of £5.0m)	-	(£6.5m)	
Profit for the financial year pre-exceptional items	£77.6m	£90.3m	(14%)
Exceptional items	£3.9m	(£2.6m)	
Profit for the financial year	£81.5m	£87.7m	(7%)

Interest

Net finance charges, totalling £18.3m, largely comprised interest costs on funding from the Group bank and US private placement debt.

The constituent elements of the interest charge were:

	2021	2020
Interest payable on funding	(£25.7m)	(£25.5m)
Interest expense on lease liabilities	(£0.7m)	(£0.9m)
Non-qualifying cash flow hedge	£3.2m	(£1.1m)
Other finance costs	(£1.4m)	(£1.4m)
Interest on defined benefit pension scheme (note 27)	£1.4m	£0.3m
Other interest receivable	£4.9m	£4.7m
	(£18.3m)	(£23.9m)



Financial Review (continued)

Cash flow and financial position

Despite the significant fall in profits our net debt at 31 March 2021 was £375.5m (excluding the impact of IFRS 16), a decrease of £76.3m from 2020.

The reduction in net debt reflects the cash conservation measures implemented with the support of all our stakeholders from the beginning of the pandemic.

The Group is financed by both US private placement notes and bank debt. The consolidated group net debt to EBITDA ratio at 31 March 2021 was 1.7 times (2020: 1.5 times) and within the 1887 group, where the debt is principally held, we finished the year with a ratio of 2.3 times (2020: 2.0 times) which is comfortably within the limit of our debt covenants.

We retained a robust financial position this year with total equity increasing by £47.9m to £1,153.8m. Total assets fell by £46.3m (2%) to £2,221.2m, primarily as a result of the reduction in the defined benefit pension asset. Property, plant and equipment increased by £5.6m reflecting our cash purchases in the year. Inventories, of which maturing whisky stocks account for the majority of the value, increased by £48.0m. The value of our investments has decreased due to the disposal of Vinicola del Norte, previously held by Brugal, and the purchase of the remaining 50% of Row & Co Limited which moves this out of our Joint Venture assets. An increase in our cash and other liquid resources of £51.2m reflects the suspension of dividends.

Total liabilities reduced by £94.2m to £1,067.4m, primarily reflecting the reduction in borrowing of £25.2m.

Post-employment benefit obligations

The Group operates two defined benefit pension schemes for employees of its principal UK subsidiaries. These have been closed since 2014. At the 31 March 2021, the Group had a surplus of £13.4m in relation to the post-employment benefit obligations of these schemes, as calculated in accordance with accounting standards. This is a decrease of £39.5m from the £52.9m asset recognised at 31 March 2020.

Changes in the mortality and discount rate assumptions increased the present value of the schemes' liabilities by £29.3m. Deficit repair contributions of £5.6m were made in the year following the agreement to reinstate the postponed deficit repayments 5 months earlier than planned from November 2020. The postponed deficit repair contributions will be fully paid by November 2021.

While this surplus position reflects the required accounting treatment for the post-employment benefit obligations, on an actuarial basis, the defined benefit schemes are in deficit. At 31 March 2021, the deficit was valued at £48.9m, £5.6m

lower than last year. The Group is committed to make payments to close this deficit by 2026.

Derivatives and financial instruments

The Group uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange and interest rates. The fair value of these instruments at 31 March 2021 is included in the Statement of Financial Position.

Assets of £26.1m (2020: £41.1m) related primarily to cross currency swaps. These are used to hedge the value of our private placement debt which is denominated in US dollars. At the prevailing year-end rate, the value of the asset decreased compared with the prior year.

Liabilities of £1.9m (2020: £12.4m) principally reflect the fair value of forward foreign exchange contracts outstanding as at the 31 March 2021. The liability decreased from the prior year in line with the movement in the year-end exchange rates on our key trading currencies which we hedge on a rolling 24-month basis and floating interest rates.

Summary

Whilst the results are showing a material decline in revenue and profitably the Group has managed successfully through a difficult and challenging year. We have sought to ensure that our brands continue to have the level of investment required for future growth, and we move forward with a strong underlying business and strengthened balance sheet. This gives us the confidence that we can continue to navigate the ongoing uncertainties and the inevitable short-term challenges and return to growth in the coming year.

Going Concern

To assess the appropriateness of adopting the going concern basis for the Group, the directors have reviewed the strategic and financial plan together with the continuing impact that COVID-19 will have on performance for the next two years. The underlying assumption is that our operations, both in Scotland and Dominican Republic will remain open in line with safe working practices, and that our global supply chain continues to support the shipment of product to our markets.

Whilst the impact of the pandemic has been material on the sales in 2020/21, the Group has managed to dampen the impact by reducing expenditure to manage our EBITDA, and scale back significantly on cash outflows to protect our debt and covenant position. This has given us the confidence that we have the ability to adapt quickly and decisively and with the support of the multiple stakeholders, flex the level of dividends



Financial Review (continued)

and investment levels to manage our liquidity. The Group ended the fiscal year to 31 March 2021 with results that reflect this.

The plan for 2021/22 shows core contribution recovering to 2019/20 levels and then continuing to grow over the two-year period to 2024. The geographic and channel mix of our sales is different to that in 2019/20 with the assumption that our travel retail business will still be affected longer term by the pandemic but offset by increases in contribution from developing markets, the gradual reopening of the on-trade and a greater contribution from ultra-prestige products.

The Group has reviewed a number of different scenarios of revenue decline, together with cost and cash savings, to assess the impact on the Group liquidity and our debt covenant conditions.

We have modelled a further year of sales in line with 2020/21, a decline of 21% from our plan.

The business has the ability to manage such a decline in sales with reductions in the cost base and the levels of investment to maintain the lenders covenant conditions.

Debt facilities and covenant tests

The scenario planning shows that there is adequate headroom within the debt facilities and that the covenant tests are met in each test period to 31 March 2023. The Group has two underlying financial covenants, one that measures net debt/ EBITDA and the second EBITDA/net interest (banking covenant), EBIT/net interest (private placement covenant).

Performance in the initial two months of the financial year to March 2022 show that the Group is currently outperforming our plan however we will continue to monitor and adjust our resources as we see the evolving performance across the different markets and channels.

The results of these assessments were reviewed considering the financial position of the Group at 31 March 2021, the cost and cash mitigation measures available, and the access to ongoing funding facilities. Based on these assessments the Board of Directors have a reasonable expectation that the Group will be able to meet its financial obligations for the foreseeable future and have adequate resources to continue to operate for at least 12 months from the date of this annual report. The directors therefore consider it appropriate to adopt the going concern basis in preparing these financial statements.

Principal Risk and Uncertainties

The board is responsible for risk management and the controls and compliance environment with a framework to support the process for identifying, evaluating and managing financial and non-financial risks. They are supported by the Executive Committee, and the Audit Committee which has direct oversight of the Group Risk Management Committee and the internal control and assurance 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.

The board regularly reviews the principal risks facing the Group including those that would impact its business model, future performance and solvency. A full review and assessment of principal risks was carried out in March 2021 to help update the principal risks facing the Group. These reviews allow the board to assess the Group'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. Given the fast-evolving nature of Edrington's operating environment and external factors, the review of principal risks will be performed by both the Executive Committee and the board on an annual basis going forward.

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 Group 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 is constantly evolving, so the Group remains vigilant to be sure that new and emerging risks are identified and assessed on a timely basis, and that appropriate actions are taken where possible to mitigate the impact of these risks on the business.

The COVID-19 outbreak resulted in several of the previously identified risks materialising simultaneously. These included increased financial risks, the ability of the Group to manufacture and a reduced demand across the markets. The Group was able to react promptly and apply the necessary mitigating actions to protect our people and our operations. The knock-on effect of measures required to address the ongoing impact of COVID-19 continues to be monitored closely, including the interdependency of principal risks and how the size and speed of the impact of these can be accelerated with a single event such as a pandemic or a natural disaster.



Financial Review (continued)

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.

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. It is continuously reviewed to ensure it remains robust and embedded in business processes to enable Edrington to continuously address its relevant business risks.

Principal Risks

Below is the list of risks that the board believes to be the most important risks and uncertainties that may impact the Group's ability to deliver its strategy effectively. Following the board's

most recent triennial risk review changes and updates have been made to the principal risks disclosed in previous annual reports, including:

- > Risk reprioritisation: given the current macroeconomic environment, the impact and likelihood of some risks materialising have increased. These include changes on tariffs and the risk of material cyber-attacks;
- > New risk additions: these include misuse of consumer personal data, due to the increase in digital activity and the ongoing shift towards e-commerce and sustainability, due to the increased focus on the sustainability of our end to end supply chain; and
- > Risks removed: generic risks that are under management's control, such as regulatory compliance or financial risks have been deprioritised from the list of principal risks given that, whilst still relevant, they are considered to be part of the day-to-day management of our operating activities.

Identified Risk	Impact	Mitigating Actions
Geopolitical and Economic Conditions	Economic or political instability restricts market activity, affecting market access, demand or increased costs.	Edrington's diverse geographic spread reduces the exposure to specific market risks. Direct ownership of the Group's route to market in its major markets provides local insight combined with a robust central overview. This enables the Group to react quickly and flexibly to such changes.
Cyber Attack	Theft, failure or corruption of digital assets and/or key systems could lead to business disruption, reputational damage and have an adverse impact on profit.	Edrington has further enhanced our system and information management security in the light of increased remote working as a result of the pandemic. An annual business-wide information risk management assessment is carried out which reviews and updates the cyber incident response plan. Additional guidelines and training are provided regularly to all employees as part of a user awareness training and education programme. Edrington carries out ongoing activities to review and enhance security, including vulnerability management monitoring and testing measures, the segregation of the network to protect business critical systems, and ongoing enhancements on authenticating user access to our systems.
Product Contamination	Product contamination due to human error or malicious intent may result in reputational damage and financial loss due to fines and damage management.	Manufacturing processes are reviewed and monitored regularly to ensure full compliance with Hazard Analysis and Critical Control Point (HACCP), ISO and Food Safety standards. All relevant employees have received appropriate training and there is an internal program in place to continuously review and ensure compliance with all relevant manufacturing standards.



Financial Review (continued)

Identified Risk	Impact	Mitigating Actions
Misuse of Consumer Personal Data	Inadequate management of consumer data could lead to reputational damage and financial loss due to penalties and fines.	<p>Further resource is being put in place to ensure the business continues to comply with all necessary data privacy and data security regulations as the business expands its digital activities and increases the use of personal data.</p> <p>Data Privacy compliance is a core element of Edrington's Code of Conduct and annual training is provided to support this.</p> <p>Additional IT Security measures have been introduced including data encryption and contractual protections with key third party data processors.</p>
Long-Term Impact of COVID-19 on Consumer Drinking Behaviours	The impact of ongoing COVID-19 measures may significantly change consumer behaviours and choice of category, resulting in loss of revenue.	<p>Ongoing monitoring of consumer behaviours and brand performance are performed both at local market and brand strategy reviews. Regular monitoring of key performance indicators including brand performance, and brand health across key market segments and geographies, are in place.</p> <p>Continued focus on delivering the premiumisation strategy is enabled through the increase in e-commerce footprint and Direct to Consumer activities.</p>
Adverse Political and Social Attitudes to Alcohol	Tighter restrictions on alcohol promotion, sales and/or consumption may limit market access resulting in loss of revenue.	<p>Edrington supports a responsible approach to alcohol and considers this a core element of its strategy to grow a sustainable, long-term business.</p> <p>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.</p> <p>Our Company Code of Conduct and Global Marketing Code proactively promote responsible drinking and are reinforced through the group-wide training programme.</p> <p>Edrington's policies and campaigns are reviewed annually by the Marketing Code Committee.</p>
Counterfeit Products and Brand Protection	Ineffective or inadequate protection of intellectual property rights, resulting in reputational damage, an increase in counterfeit goods and a decline in sales volumes and/or market share.	<p>The Group invests considerable effort in proactively protecting its intellectual property rights. Edrington has a clear brand protection strategy with processes aimed at addressing the principal exposures and risks likely to affect alcoholic beverage brands.</p> <p>Cross-functional brand protection reviews are performed and complemented by activities on brand security education, surveillance and enforcement in order to identify and address any potential counterfeit.</p> <p>A group-wide review of brand protection activities and oversight is being performed in order to further enhance efficiency and effectiveness of brand protection effort.</p>



Financial Review (continued)

Identified Risk	Impact	Mitigating Actions
Sustainability	Failure to meet our key sustainability goals results in supply chain disruption or revenue loss.	With the appointment of the Head of Sustainability, a sustainability strategy has been developed to address the key environmental concerns, including carbon emissions, habitat conservation, raw material protection and the promotion of a circular economy.
Disruption of Production / Supply Chain	Major supply chain failure affecting the supply of raw materials or equipment, loss of maturing inventory or the customer orders process.	<p>Assets managed by the business include plant and equipment, people and business technology. Disaster recovery, incident management plans and contingency measures are in place and tested regularly.</p> <p>Contingency bottling/blending options are in place and assessed regularly to ensure that Edrington's operations can be maintained in the event of a loss or impairment of its own facilities.</p> <p>Energy and water supplies are reviewed to ensure continuity, sufficiency and quality of supply.</p>

Approved and signed on behalf of the board

Paul A Hyde
Chief Financial Officer

22 June 2021



Corporate Governance

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 voluntarily observes those elements of governance and disclosure that are appropriate and add value both to the organisation and its stakeholders.

The board continues to adopt and apply many of the Wates Corporate Governance Principles for Large Private Companies (the 'Wates Principles') and this section outlines how Edrington has incorporated these Principles into the business operations: -

WATES PRINCIPLES

Principle 1 – Purpose and Leadership

Edrington has a well-developed and defined purpose and strategy. Our vision, as set out in the refreshed Edrington 2025 strategy, is to give more by crafting exceptional ultra-premium spirit brands.



The board fosters effective stakeholder relationships aligned to the Company's purpose. Further details on stakeholder engagement are included in the Section 172(1) Statement in this section of the annual report.

Strategy and values are clearly articulated throughout the business at a variety of employee engagement sessions and events. These include our annual Edrington Leadership Conference and virtual townhalls by management. All employees have the opportunity to attend an annual Year in Review event delivered by a member of the senior

management team. These engagement forums allow employees to understand financial and strategic plans and to ask questions of senior management. The regular townhall sessions are where members of the executive team host an interactive session encouraging questions, thoughts, and opinions from the employee base. Each of these sessions and events were delivered virtually during the year due to the COVID-19 pandemic.

To monitor culture and to take account of the views of the workforce, Edrington has in place an employee engagement



Corporate Governance (continued)

survey programme. The survey is run every two years, with pulse surveys operating at intervals in between. The board assesses the results of the engagement survey and forms an action plan to put in place improvements. Management at Edrington also engages with recognised trade union partners through partnership meetings, which are held on a quarterly basis. The annual board evaluation questionnaire also asks for board members to give feedback on the culture at board level. Finally, the business also monitors absenteeism rates and uses exit interviews to assist in monitoring the Company's culture.

Edrington believes it has in place workforce policies and practices that are consistent with the Company's values and with the long-term sustainable success of Edrington and has established and transparent policies in relation to raising concerns about misconduct and unethical practices. Through its Speaking Up Policy, Edrington enables employees to raise matters of concern anonymously relating to the interests of others, or the interests of the Company.

Principle 2 – Board Composition

At 31 March 2021, the board comprises the Chairman, two executive directors and four non-executive directors, and is supported by the Group Company Secretary. The roles of Chair and Chief Executive are separated.

Graham Hutcheon, former Managing Director, Group Operations, resigned from the board on 31 March 2021.

The board believes that its composition – its size, mix of expertise and balance of executive and non-executive directors – is appropriate and that it has an appropriate balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. A biography of each director can be found on the Group's website at www.edrington.com/our-company. Angus Cockburn is the Senior Director and is appointed on behalf of The Robertson Trust. Shinichiro Hizuka is appointed on behalf of Suntory Holdings Limited. Crawford Gillies, Stefanie Fitzgerald and Alice Avis MBE are considered by the board to be independent directors.

The board's process on nominations is undertaken by the Nomination Committee and includes assessing the composition of the board and its governance structures as well as considering appointments and succession planning. Further information on the Nomination Committee and other board committees is set out in the "Board Committees" section below.

Evaluation of Effectiveness

On an annual basis, each director is asked to complete an evaluation on board structure, the governance process, strategy and leadership, before 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 overall board effectiveness reviews, the individual performance of executive directors is monitored in the Group's UK performance appraisal programme and by the Remuneration Committee. Furthermore, the senior director seeks feedback on the Chairman annually by way of a questionnaire filled in by both the non-executive and executive directors.

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 Group's operating locations, although such visits were significantly restricted during the year due to the COVID-19 pandemic.

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.

Principle 3 – Director Responsibilities

The board 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 Group'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 Group's budget together with its annual report and financial statements. The board retains overall responsibility for the Group's system of internal control, including the financial controls designed to give reasonable assurance against material financial misstatement or loss.



Corporate Governance (continued)

The board believes the financial controls in place, together with the Edrington values, allow it to meet its responsibility for the integrity and accuracy of the Group'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 or video conference 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 and the chair ensures that sufficient time is made available for meaningful discussion. Documentation includes detailed reports on current trading and full papers on matters where the board is required to give its approval. All board meetings during the year were held by video conference due to COVID-19 restrictions.

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 required and appropriate, 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.

All 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 in the "Board Committees" section below.

Principle 4 – Opportunity and Risk

The board promotes the long-term sustainable success of the Company by considering and assessing how the Company creates and preserves value over the long-term. The Company works to a five-year strategy cycle and the board holds a two-day strategy session each year.

A dedicated Strategy and Innovation team, reporting to the Chief Financial Officer, assists in the identification of future opportunities for innovation and entrepreneurship. The Strategy and Innovation team reports to each board meeting and significant opportunities are considered and approved at board level.

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 board regularly reviews the

principal risks facing the Company including those that would impact its business model, future performance and solvency. To assist with this, the board carried out triennial reviews with the most recent being carried out in March 2021. Given the fast-evolving nature of Edrington's operating environment and external factors these reviews will be carried out on an annual basis going forward. Further details of the most recent review are set out on pages 14-16 of the Strategic Report. These reviews allow 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. These reviews consider both the likelihood and impact of the relevant risks and ultimately determine which risks will be included on the Company's Strategic Risk Register.

The Group Risk Management Committee maintains the Strategic Risk Register and provides scoring on these risks. New and emerging risks are identified in several ways – through the board directly, through the Group Risk Management Committee, or in a "bottom-up" process by the relevant Business Units presenting to the Group Risk Management Committee in scheduled reviews. The Audit Committee is responsible for the direct oversight of the Group Risk Management Committee and the internal control function. The Group Risk Management Committee reports to the Audit Committee and the Audit Committee chair attends at least one Group Risk Management Committee meeting per annum.

The board, through delegation to the Audit Committee and ultimately the Group Risk Management Committee, has established an internal control framework with clearly defined roles and responsibilities for those involved.

Principle 5 – Remuneration

Details of the Company's remuneration policy are set out in the Remuneration Committee section below on page 26.

Directors' remuneration, which is determined by the Remuneration Committee, is benchmarked triennially with the assistance of independent specialist consultants.

Edrington reports gender pay statistics annually and has in place a series of improvement actions and targets to ensure demonstrable progress towards our commitment of narrowing the gender pay gap. In our most recent gender pay gap report published in February 2021, reflecting the 2020 reference period, the mean gender pay gap of 15.2% represents a decrease of 0.1% (2019: 15.3%) and the median pay gap of 13.9% represents an increase of 3.5% (2019: 10.4%). Our gender pay report, which explains these results in detail is available on the Edrington website.



Corporate Governance (continued)

Principle 6 – Stakeholder Relationship and Engagement

The board fosters effective stakeholder relationships aligned to the Company's purpose. Further details on stakeholder engagement are set out in the Section 172(1) Statement below.

This board considers how the Company's activities may impact both current and future stakeholders, including impacts on the environment, with a particular emphasis on sustainability. Further detail on Edrington's sustainability strategy and programmes are included in the Corporate Sustainability and Responsibility section on pages 30-34.

The Group maintains a website (www.edrington.com) to provide up-to-date, detailed information on the Group's values as well as its operations and brands, including sections on news and business performance. All significant Group announcements are available on this site, as are annual financial reports. The Group's corporate affairs team manages external communications and can be reached at corporatecommunications@edrington.com.

Section 172(1) Statement

The board's priority is to ensure that the directors have acted both individually and collectively in the way that they consider, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole with regards to all its stakeholders and to the matters set out in paragraphs a-f of Section 172(1) of the Companies Act 2006. You can read more on how the board have regard to the matters set out in paragraphs a-f of Section 172(1) in the following sections of this annual report:

- | | | | |
|-------|--|--|--------------------------------|
| (a) | the likely consequence of any decision in the long term | <i>Wates Principles</i> | – pages 17-20 |
| <hr/> | | | |
| (b) | the interests of the company's employees | <i>Wates Principles</i>
<i>Stakeholder Engagement</i> | – pages 17-20
– pages 20-25 |
| <hr/> | | | |
| (c) | the need to foster the company's business relationships with suppliers, customers and others | <i>Stakeholder Engagement</i> | – pages 20-25 |

- | | | | |
|-------|---|--|---------------|
| (d) | the impact of the company's operations on the community and the environment | <i>Stakeholder Engagement</i> | – pages 20-25 |
| <hr/> | | | |
| (e) | the desirability of the company maintaining a reputation for high standards of business conduct | <i>Corporate Sustainability and Responsibility</i> | – pages 30-34 |
| <hr/> | | | |
| (f) | the need to act fairly as between members of the company | <i>Stakeholder Engagement</i> | – pages 20-25 |

Stakeholder Engagement

Effective engagement with our key stakeholders is critical to the long-term success of the Company. Dialogue with stakeholders helps the board understand the effects of company policies and practices, predict future developments and trends, and re-align strategy.

The Company undertook a stakeholder mapping exercise in 2019 to identify stakeholder relationships and the board and the business more generally continue to focus on enhancing engagement with key stakeholders. The table below sets out our key stakeholders, how we engaged with them during the year and, where relevant, the impact of that engagement on the Company's strategy and the principal decisions taken during the year. During the year, most of this engagement took place virtually due to the travel and other restrictions imposed in response to the COVID-19 pandemic. The board recognises that stakeholder engagement takes place at both the operational day-to-day level within the business and at a board level. In all cases, the level of engagement informs the board, both in relation to stakeholder concerns and the likely impact on decision-making throughout the year. The board uses its regular meetings as a mechanism to address and meet its obligations under Section 172(1) of the Companies Act 2006.



Corporate Governance (continued)

Key Stakeholder	Principal Methods of Engagement	How this stakeholder group influenced Board / committee discussions and decisions
Shareholders	<p>The Company's principal shareholder is The Robertson Trust (the "Trust") and representatives from the Trust and from the Company meet regularly and where practicable prior to Edrington board meetings, through the Trust's 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, thus providing an effective and meaningful engagement forum. The Chief Executive and Chief Financial Officer present Edrington's strategic plan annually, and at each meeting will provide an update on the performance and progress of the business. The board also meets formally with the Trust on an annual basis to report on financial performance, strategic development and business outlook. In addition, the Audit, Remuneration and Nomination Committees report to the Trust on their respective activities.</p> <p>The Company also maintains regular dialogue with employee shareholders through a variety of mechanisms, including an employee engagement survey programme and regular Year in Review and townhall sessions (please see "Employees" below for more detail on engagement with employees more generally).</p> <p>The Company also recognises the importance of maintaining communication and dialogue with its other shareholders. All shareholders were invited to briefing in relation to business performance and the investment by Suntory in the Company in early 2020. Due to the COVID-19 pandemic, it has not been possible this year for the Company to hold a similar annual briefing with shareholders. The Company continues to review opportunities and explore methods of fostering further engagement and communication with shareholders. During the year, the Company rolled out its electronic Share Portal platform to all shareholders. The Share Portal allows shareholders to submit electronic requests to buy or sell Edrington B ordinary shares in the internal market and acts as a communication platform.</p> <p>Each shareholder receives access to an electronic copy of the Group's annual report and audited financial statements, together with an unaudited interim financial report.</p>	<p>The Chief Executive and Chief Financial Officer brief the board on discussions with shareholders and the views of shareholders are considered in the decision-making of the board.</p> <p>The board is aware that the priorities and strategic imperatives of shareholders will not all be the same. For instance, some shareholders may prioritise dividends, whereas others (particular employee or ex-employee minority holders of B ordinary shares) may prioritise share liquidity. The board aims to understand the views of shareholders and to act fairly between members of the Company.</p> <p>The board recognises that liquidity in the internal market for B ordinary shares in the Company and dividend policy remain the priority issues for many minority shareholders and these issues continue to inform the board's decision-making.</p> <p>Given the uncertainty in global markets as a result of the COVID-19 outbreak and after assessing the financial position of the group under a number of scenarios the board concluded that no final dividend would be paid in July 2020. This approach was agreed with key shareholders and aligns with the impacts on other stakeholders during this period. An interim dividend was declared in December 2020 and paid in April 2021 after further consultation with key shareholders.</p>



Corporate Governance (continued)

Key Stakeholder	Principal Methods of Engagement	How this stakeholder group influenced Board / committee discussions and decisions
Employees	<p>The Group is committed to engaging employees at all levels regarding matters which affect them and the performance of the Group. The board takes its responsibilities to hear and understand our employees' voices seriously and firmly believes that good corporate governance is underpinned by board members meaningfully engaging with stakeholders, including the employees.</p> <p>Employees of the Group are given the opportunity to participate in share ownership as part of approved incentive and savings schemes and may continue to hold their shares in the Group after retirement.</p> <p>Edrington has in place an employee engagement survey. The survey is run every two years, with pulse surveys operating at intervals in between. Our most recent survey, which was conducted early in 2020, confirmed an overall employee engagement score of 73%, an improvement of 5% from the last survey, with particular improvement in the area of communication.</p> <p>Edrington also surveys its employees on important matters that relate to the Company's culture and values.</p> <p>Currently all employees have the opportunity to attend an annual Year in Review event delivered by a member of the senior management team. This allows employees to understand detailed financial and strategic plans for the performance year and beyond and ask questions of senior management.</p> <p>There are also regular townhall sessions, which in the year were held virtually, in which members of the executive team host an interactive session encouraging questions, thoughts and opinions from the workforce.</p> <p>Executives at Edrington also undertake breakfast sessions aimed at fostering constructive and trusting relationships between executives and employees. In lieu of being able to hold these physically during the year, these were largely replaced with "10 Minutes With..." video interviews with executives. In addition, the Executive Committee host "Ask the Exec" sessions at the talent development programmes and the annual Edrington Leadership Conference.</p> <p>The Company's "Balance Network", has a remit to promote diversity within Edrington. The network is sponsored by the Chief Executive and the Group HR Director and allows employees at all levels within the organisation to candidly engage on the topic of diversity.</p>	<p>A report from the Group HR Director is submitted to each board meeting and the results of employee engagement surveys are also presented at board meetings.</p> <p>In 2020/21 we re-established our staff forum, known as Your Voice. Attendees are appointed and represent a cross-section of employees in the business. The Chief Executive and HR Director attend each meeting. The intent is to support meaningful engagement with employees on a number of topics that have a direct impact on the employees. Over the course of the year, the Your Voice forum has been extended and now operates group-wide on a regional basis.</p> <p>Engagement with our employees and trade union partners and the paramount importance of employee safety have informed our decisions relating to Global Supply Chain operations in light of the COVID-19 pandemic. We engaged extensively with our trade union partners and employee representatives on designing COVID-19 safe systems of working in order to recommence operations following a shutdown of operations in the UK on 25 March 2020. A controlled start took place from 6 April 2020 and engagement with our trade union partners and employee representatives has continued throughout the year.</p> <p>We have also engaged with employees on ways of working as COVID-19 restrictions begin to ease, including surveys in relation to employee preferences. Decisions on future ways of working will be informed by this engagement.</p>



Corporate Governance (continued)

Key Stakeholder	Principal Methods of Engagement	How this stakeholder group influenced Board / committee discussions and decisions
Joint Venture Partners and Co-Investors	<p>Regular interaction with our joint venture partners and co-investors takes place in several different forums. For instance, there are four board meetings per year of the Highland Distillers Group and The 1887 Company Limited at which directors appointed by our partner William Grant & Sons are present. Similarly, there are four board meetings of The Macallan Distillers Limited per year at which directors appointed by our partner Suntory are present. Alliance Board meetings are also held with Beam Suntory in respect of our joint venture distribution entities Edrington-Beam Suntory UK Distribution Limited, Maxxium España SL, Denview Limited (t/a Maxxium Russia) and Maxxium Rus. A Brugal & Co., S.A. annual general meeting is held each year to which the minority holders of Brugal & Co., S.A. are invited and at which they can ask questions of the Brugal & Co. S.A. board.</p>	<p>The Chief Executive and Chief Financial Officer brief the board on discussions with joint venture partners and co-investors and their views are taken into account in the decision-making of the board.</p>
Customers	<p>We have regular engagement with our customers through face-to-face or virtual meetings, conferences and events. Quarterly and annual performance reviews are generally held by Edrington's commercial teams with our distributors, allowing for structured feedback from our distributors.</p>	<p>Customers and channels are reviewed in annual Performance and Strategy Reviews, which are attended by, among others, the Chief Executive, the Chief Financial Officer, the Managing Director for Group Operations and relevant business unit and commercial teams. Engagement with customers informs discussion at these Performance and Strategy Reviews.</p> <p>During the year we engage with certain key customers on new product development and launches.</p>
Suppliers	<p>We have regular engagement with our suppliers through face-to-face meetings, conferences and events.</p> <p>The Company has formal quarterly reviews with key suppliers, which involve senior management and cover quality, service, commercials, innovation, key business updates, strategic reviews and our vendor rating scores. With other suppliers, we generally have bi-annual reviews.</p> <p>We actively engaged with key suppliers to ensure we had sufficient stocks of key raw materials and finished goods in preparation for Brexit.</p>	<p>Updates on significant supply chain activities and issues are provided to board meetings and are considered and discussed by the directors.</p> <p>Engagement with key suppliers during the year informed the board's discussions and decisions regarding the annual budgeting and long-term strategic planning processes for the Group.</p>



Corporate Governance (continued)

Key Stakeholder	Principal Methods of Engagement	How this stakeholder group influenced Board / committee discussions and decisions
Trade Associations	<p>Edrington is an active member of the Scotch Whisky Association (the 'SWA'). The SWA is governed by a Council of 16 members, elected at its Annual General Meeting. Edrington has regular engagement with the SWA through a variety of forums and the Chief Executive and Chief Financial Officer serve on the SWA Council.</p> <p>At the international level, Edrington is a member of the Distilled Spirits Council of the United States (DISCUS), the Dominican Rum producers' association (ADOPRON), spiritsEUROPE (which represents producers of spirits drinks at the European level), and the Asia Pacific International Spirits and Wine Alliance (APISWA).</p> <p>Edrington's Corporate Affairs team regularly engages and actively partakes in the work of these trade bodies on pertinent matters, including understanding potential changes to the regulatory framework, promoting moderate consumption and advancing industry standards.</p>	<p>Where relevant, updates on engagement with the SWA, ADOPRON, DISCUS, spiritsEUROPE and APISWA are provided to the board by the Chief Executive or Chief Financial Officer.</p>
Pension Trustees	<p>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 Group.</p> <p>There is regular interaction between the chair of the pension trustees in respect of the defined benefit schemes and Edrington's Chief Financial Officer and Group Company Secretary.</p> <p>Route map meetings are also held twice annually with the pension trustees, including attendance from the Chief Financial Officer among others.</p>	<p>The Chief Financial Officer and Group Company Secretary brief the board on the views of the pension trustees on matters of relevance.</p> <p>The pension trustees agreed to postpone the deficit repair contributions for 12 months from March 2020 in light of the forecast impact of the pandemic. Based on the group performance contributions recommenced in October 2020, with the 7 months postponed payments planned to be fully paid by November 2021.</p>



Corporate Governance (continued)

Key Stakeholder	Principal Methods of Engagement	How this stakeholder group influenced Board / committee discussions and decisions
Lenders	<p>Our Treasury team is in regular contact with our banking partners and Private Placement note holders. Annual review meetings are held with our lenders where business performance, future plans and strategy are presented to our lenders and they have the opportunity to ask questions and give their views to management. The Chief Financial Officer attends these review meetings. In addition, regular updates on performances are shared with our lenders.</p>	<p>The Company's lenders give their views on key areas of financial risk management strategy. These are regularly discussed by the Treasury Committee and additionally the Chief Financial Officer briefs the board on the views of the Company's lenders.</p> <p>The Company also engaged directly with its lenders in relation to the impact of the COVID-19 crisis, including providing scenario assessments and action plans for the management of cashflow and compliance with covenant conditions.</p>
HM Revenue & Customs	<p>Edrington aims to develop and maintain professional working relationships with HM Revenue & Customs. Regular dialogue is maintained with our relationship manager and the business has an annual Business Risk Review with HM Revenue & Customs which is attended by the Chief Financial Officer and Group Tax Manager, among others.</p>	<p>The Chief Financial Officer briefs the board on tax matters.</p>
Government and Regulatory Bodies	<p>Edrington is committed to working constructively with all government and regulatory bodies across its office locations.</p> <p>Through our trade and industry associations (see above), executive directors and members of the Corporate Affairs team, among others, maintain open and positive dialogue with this group of stakeholders, building trust and reputation.</p>	<p>The Company aims to comply with all laws and regulations wherever it operates, and we actively monitor changes to these requirements.</p> <p>The Chief Executive, Chief Financial Officer and Group Company Secretary brief the board on the impact of relevant regulatory changes; this is assessed and taken into account when making decisions.</p>



Corporate Governance (continued)

Board Committees

In discharging its governance responsibilities, the board has established committees to provide oversight and guidance in certain areas on its behalf. Three 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.

Nomination Committee

The Nomination Committee is chaired by Crawford Gillies and meets at least twice per year to assess the composition of the board and its governance structures as well as considering board appointments and both senior executive and non-executive succession planning.

The Committee is responsible for leading the process for new appointments to the board and ensuring that these appointments bring the required skills, knowledge, experience and diversity to the board. As part of this, the Committee reviews the structure, size and composition of the board to ensure it is made up of the right people to direct the Company in the successful execution of its strategy. The Committee is also responsible for formulating succession plans for both executive and non-executive directors, as well as reviewing the overall talent and succession plans for Edrington's leadership group.

Remuneration Committee

The Remuneration Committee is chaired by Alice Avis MBE and meets at least twice per year.

Together with the committee, the Group determines directors' remuneration policy with reference to an external triennial benchmarking review prepared with the assistance of independent specialist consultants. In addition, the committee recommends and monitors the level and structure of remuneration for senior management and reviews a number of reward initiatives and development programmes for all Edrington wholly owned businesses.

The principles of Edrington's executive remuneration strategy, frameworks and programmes are designed to:

- > Apply a pay for performance philosophy that directly links executive reward to the achievement of individual results and the strategic goals and performance of Edrington;
- > Align remuneration to business outcomes that deliver value to shareholders;

- > Balance incentives appropriately to reward superior performance in the short term and sustained performance over the long term;
- > Drive a performance culture by setting challenging objectives and rewarding individual performance;
- > Be transparent, consistent and fair; and
- > Ensure remuneration is globally aligned but with local flexibility, where required, to be competitive in the relevant employment marketplace.

Audit Committee

The Audit Committee, chaired by Angus Cockburn, meets at least three times a year. Two of the meetings are with the external auditors and senior members of the management team and finance function to discuss audit planning, review statutory accounts and address issues arising from the audit. It also considers the ongoing independence of the auditors 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 opportunity is taken at each meeting for the committee to discuss matters with the auditors without management present. The committee also addresses risk management and internal controls, where they receive presentations from senior members of the management team and finance function and approve risk management plans going forward.

Financial statements and audit

The Audit Committee has reviewed the plan presented by the external auditors 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 Group, and the methods used to account for significant or unusual transactions. During the year the committee reviewed the accounting treatment of Covid related items including government grants, rent relief, the capitalisation of certain fixed overheads and restructuring costs. During the year the audit committee also updated its policy for non-audit services.

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 auditors wished to discuss. The committee also assessed the effectiveness of the audit process through discussion with the auditors.



Corporate Governance (continued)

External auditor

Deloitte LLP continued their appointment as auditors, and during the year, the Audit Committee monitored the relationship with the auditors and assessed their performance, cost-effectiveness, objectivity and independence. The committee will assess the effectiveness of Deloitte LLP's appointment in relation to the 2021 audit in October 2021. The board is satisfied that the auditors are independent of the Group and that best practice is being observed.

Deloitte 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 £25,000 cumulatively and the Chairman of the Audit Committee may approve specific engagements up to £50,000. Fees in excess of £50,000 are subject to approval of the full committee. There was £50,213 of non-audit fee work completed by Deloitte during the financial year, this included secretarial services and certain government audits in our overseas subsidiaries.

Further information on the Audit, Remuneration and Nomination Committees and other advisory sub-committees established by the board is set out below.

Committee	Members	Remit
Nomination Committee	Crawford Gillies (chair) Alice Avis MBE Stefanie Fitzgerald Angus Cockburn Scott McCroskie	> reviews structure, size and composition of board > recommends appointments and considers succession planning
Remuneration Committee	Alice Avis MBE (chair) Angus Cockburn Crawford Gillies	> sets remuneration policy > sets executive director remuneration and incentives > approves annual performance objectives > approves granting of long-term incentives
Audit Committee	Angus Cockburn (chair) Stefanie Fitzgerald Shinichiro Hizuka	> 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
Capital Expenditure Committee	Graham Hutcheon	<ul style="list-style-type: none"> > develops five-year capital expenditure plan > ensures evaluation of business cases and that resources allocated on an appropriate basis > ensures risks and interdependencies are clearly understood > manages liquidity requirements and post evaluation reviews
Sustainability and Responsibility Steering Group	Tim Patterson (Head of Sustainability)	<ul style="list-style-type: none"> > ensures Edrington conducts business in a socially responsible and ethical way > setting and adhering to industry standards on responsible consumption of alcohol > identification and monitoring of performance against targets on environmental sustainability > in conjunction with The Trust and Edrington's network of Trust Ambassadors, ensures the business supports local communities in which it operates
Marketing Code Committee	Alice Avis MBE	<ul style="list-style-type: none"> > sets marketing policy in compliance with industry standards to ensure responsible marketing practice > reviews marketing practice on an annual basis and maintains processes for complying with marketing code prospectively
Group Risk Management Committee	Lindsay Campbell (Group Finance Director)	<ul style="list-style-type: none"> > identifies and evaluates principal risks > reviews the adequacy of risk management processes > recommends improvements in risk management processes > reports material findings to the Audit Committee
Treasury Committee	Paul Hyde	<ul style="list-style-type: none"> > ensures compliance with the terms of group borrowing facilities > minimises financial risk arising from exposure to fluctuations in foreign exchange rates, interest rates liquidity and counterparty risk > 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 Governance (continued)

Committee	Chairman	Remit
IT Steering Committee	Euan Fraser (Director of Business Technology)	<ul style="list-style-type: none"><li data-bbox="815 510 1477 568">> ensures that the technology strategic plan aligns with business priorities and return on investment<li data-bbox="815 573 1477 631">> approves proposed technology projects, and scrutinises ongoing activity<li data-bbox="815 636 1477 667">> audits completed projects to ascertain effectiveness<li data-bbox="815 672 1477 725">> oversees cyber security management and monitors cyber security improvements



Corporate Sustainability and Responsibility

Edrington was created to be a company that makes a positive contribution to the communities in which we live and work. Over 160 years we have built a responsible and sustainable business that respects the environment around us. Our sustainability strategy is underpinned by a governance structure and key performance indicators for delivery.

During 2020 we revised our Sustainability Strategy sharpening the focus in the environment and have subsequently created a revised Sustainability and Responsibility Strategy with four focus areas:



The strategy is driven by Edrington’s Sustainability and Responsibility Steering Group which is chaired by our Head of Sustainability. Senior leaders head up each of the four focus areas and the Head of Sustainability reports directly to the Chief Executive. The strategy is underpinned by a range of KPIs spanning each area, which are reviewed and reported internally on a quarterly basis.

1. PROTECTING THE ENVIRONMENT

Edrington recognises and embraces our responsibility to do everything we can to support and protect the environment around us. We have revisited our environmental strategy and the elements within it to deliver a strategy which significantly increases and sharpens our environmental focus areas.

Our new sustainability management team comprises key leaders in our environmental focus areas. They are supported by six regional leaders to ensure that our strategy is understood and implemented at a commercial level across our global business. The company is developing a network of ‘Green Teams’ across our locations to drive engagement from all our sites and employees.

Each of our brands has developed their own environmental sustainability strategy, each of which will dovetail with the broader Edrington corporate strategy and ensure that our brands take responsibility for their own greener future.

Our new environmental sustainability strategy identifies five focus areas in which we need to deliver measurable targets to ensure continued focus and delivery.



Reduce carbon emissions

Our commitment:

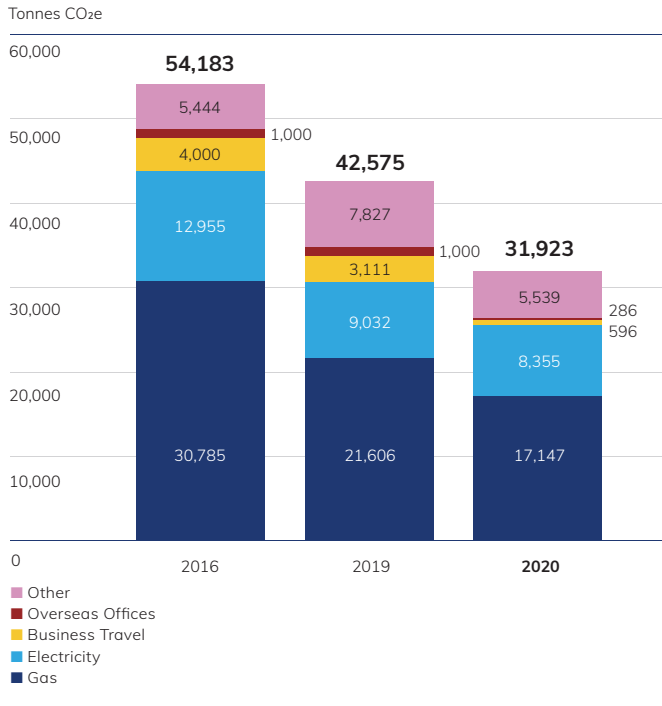
“We will become a carbon-neutral business by 2030 for our distilleries, offices (Scopes 1 & 2) and travel, reducing greenhouse gas emissions by at least 70% compared to 2016 levels.”

In 2020, our reported CO2e emissions reduced by 25% compared to 2019. Our carbon intensity ratio (kg CO2e per litre of pure alcohol produced) reduced by 10%. The Company considers that these numbers reflect the impact of the global pandemic on the business, which resulted in the temporary closure of our distilleries in Scotland and almost no business travel.

We report our emissions in line with the Greenhouse Gas Protocol Corporate Standard. This document reports Scope 1 and 2 emissions from our operations as well as the majority of Scope 3 emissions from business travel in line with the Streamlined Energy and Carbon Reporting requirements (SECR). Additionally, we now include Scope 3 emissions relating to the grain whisky used in our blended whisky.



Corporate Sustainability and Responsibility (continued)



In 2020 we sourced 31% of our energy requirements from renewable sources in the UK. This is ahead of Scottish Government targets, and we expect to make further progress during 2021. We are also committed to significantly reduce the emissions from business travel having understood the capacity to make greater use of communication technologies and to travel more efficiently. Business travel that allows us to understand and meet the demands of consumers in international markets will continue to be an essential element of our business. However, added to the new focus on scope 3 emissions, we are determined to take significant steps forward in reducing all carbon emissions associated with our business.

Protect water

Our commitment:

“We will replenish 100% of water consumption from production sites in water-stressed areas.”

We recognise our responsibility as custodians of a scarce natural resource which is an essential ingredient in all our spirits. We will reduce water consumption used to support the production processes, we will return the highest quality water to the environment and we are committed to replenish 100% of water consumption from our production sites in water-stressed areas, namely the Dominican Republic. This means working closely with our suppliers in the agricultural sector to ensure that water is used as efficiently as possible in the

growing of sugar cane. We will also be pursuing ISO 46001 certification for water efficiency management systems by 2025 in the Dominican Republic.

We will reduce our process water use in Scotland in line with the Scotch Whisky Association target by 2025. We have maintained an ‘Excellent’ rating – the highest possible standard - from the Scottish Environmental Protection Agency compliance scheme for the abstraction and return of water. We have also invested significantly in biological water treatment plants in both Scotland and the Dominican Republic to ensure high quality water is returned to rivers.

Promote circular economy

Our commitments:

“We will ensure that all packaging is sustainably sourced and widely recyclable by 2025.”

“We will achieve zero waste to landfill from our own operations by 2025.”

This enhanced focus area for our environmental strategy reflects a commitment to ensure that the business is maximising its ability to reduce, re-use and re-cycle materials used for its products. We will specifically focus on re-purposing waste from the making of our spirits, reducing the environmental impact of packaging and marketing materials and eliminate sending waste to landfill.

We will continue to focus on reusing all co-products from the distillation process and where possible and appropriate we will be reducing packaging weight. Our commitment also includes evolving cardboard to become fully recyclable, sourcing from only FSC accredited suppliers, increasing recycled glass content, reducing packaging weight and extending our commitment to 100% sustainable sourcing and recyclability of all marketing materials and point of sale by 2025.

Conserve habitats

Our commitment:

“We will execute a nature and wildlife strategy across all Edrington sites.”

Edrington’s distilleries and associated land are located in beautiful natural landscapes. We have both a desire and a responsibility to ensure that the environment around us is maintained and that we support and develop the landscapes and wildlife that surround us. We are committed to introducing



Corporate Sustainability and Responsibility (continued)

and executing nature and wildlife strategies across all our sites and actively developing the 3,000 acres of land that we own to improve the environment. In the UK, we are recognised by ISO14001 Environmental Management certification for our environmental protection in Scotch Whisky distillation operations and we continue to source barley to the highest UK standard (Sustainable Agricultural Initiative – Farm Sustainability Assessment) and source sugar cane in the Dominican Republic from local sustainable partners.

Sustain wood

Our commitment:

“We will advocate sustainable wood sourcing by tracing oak supply to region of origin in Europe by 2025 and US by 2030.”

The use and management of wood is recognised as central to our business and as such we believe that we have a responsibility to focus on wood as one of our key environmental pillars. From the management of the forests from which we select our oak, to the creation and careful use of our casks, to the packaging and marketing materials we create, wood is at the heart of our business and our brands. We will achieve our sustainable sourcing target for European and American Oak supply by working with our wood partners to understand wood origin and only sourcing from sustainably managed areas, sourcing over 50% of all Oak from PEFC/FSC suppliers by 2030 and continuing to responsibly manage the lifecycle of our casks.

Climate Change and Risk:

In the context of climate change, the most significant risks relating specifically to environmental sustainability are already captured within the ‘Sustainability’ and ‘Disruption of Production/Supply Chain’ risks which form two of our Principal Risks and are detailed within the Principle Risks and Uncertainties section on page 13 of the Annual Report.

We recognise that there are other business risks associated with both climate change and the failure to deliver on a green agenda, specifically around potential corporate and consumer trust and reputational damage and also the potentially high financial costs. In 2021/22 we will develop a separate and specific risk assessment for our environmental strategy.

2. GIVING MORE

We will continue our positive contribution to society and the communities that we live and work in, with Giving More at the centre of everything we do.

Our commitments:

Contribute up to 1% of EBIT to Giving More initiatives around the world

Double Match all employee initiated Giving More fundraising

Inspire all employees to take up to 4 days’ paid leave for Giving More activities

Giving is one of Edrington’s four core values, along with Respect, Integrity and Excellence. Giving is woven into the history and fabric of our business in a way that is unique in our industry. This ethos was inherited from our principal shareholder – The Robertson Trust – Scotland’s largest independent grant-making trust. Since 1961, when the Robertson Sisters incorporated Edrington, The Trust has donated £301m to a variety of causes to advance its aims of working for a fairer Scotland, funded by dividends from the company.

In the UK, Edrington and The Robertson Trust continue doing good together, both matching the charitable fundraising of employees. Thanks to this support, £1 raised for charity by an Edrington employee in the UK becomes £3 after additional contributions from The Robertson Trust and Edrington. In 2020/21 the total raised and donated by Edrington employees to causes in Scotland was £268,514. With the obvious challenges to fundraising caused by the COVID-19 pandemic, our employees focused their efforts on volunteering and making a difference in their local communities. This included donating hand sanitiser in the UK and Dominican Republic, and supporting more than 170 charities which tackle inequality, poverty, and illness.

The value of giving is alive and well in Edrington’s international locations. As Edrington has grown internationally, the company has encouraged our people to contribute to the wellbeing of the communities in which they live and work. Across our international locations, our employees are supported in making a difference by championing causes they feel passionate about. To do this, Edrington sets aside 1% of pre-tax earnings each year for charitable giving by its employees worldwide, with their fundraising efforts being double matched. Last year Edrington empowered its people across the world to make donations valued at £1.3m, bringing the total raised and donated by Edrington’s international employees to £13 million since Giving More was rolled out internationally in 2012.



Corporate Sustainability and Responsibility (continued)

Edrington sees participation in Giving More as a key ingredient of a healthy lifestyle and staying true to our heritage. A healthy lifestyle is as much about getting involved and contributing to the health and wellbeing of our societies as it is about personal wellbeing. That is why we encourage all our people to use their four days' paid leave to volunteer in their communities. Employees are encouraged to make use of these days to give back and support local causes.

3. PROMOTING RESPONSIBLE CONSUMPTION

Edrington is committed to promoting responsible consumption of its brands by those adults who choose to drink alcohol.

The company structures its responsible consumption agenda under three pillars that represent commitments to our people, our partnerships, and our brands:

Our commitments:

We support our people to work and live as alcohol responsibility ambassadors, with year-round education and support, and a commitment to 95% of eligible roles completing Edrington Marketing Code training every 2 years.

We partner with leading responsibility organisations to help people make positive choices about alcohol.

We ensure that our brands will promote alcohol responsibility to the people who enjoy them, that our brands adhere to the Edrington Marketing Code in all communications, and pledge that 100% of our brands' packaging will carry responsibility advice by 2025.

A healthy population and a relationship of trust with consumers are vital to the success of our business. Our responsibility starts with ensuring our brands are distilled, packaged, and promoted to a consistently high standard everywhere in the world. We have an important role to play in promoting responsible attitudes to alcohol.

In 2020/21 we launched a new online Edrington Marketing Code training course in English, Spanish, Chinese and Simplified Chinese to ensure that everyone in the business has the appropriate level of knowledge to enable them to be alcohol responsibility ambassadors. Two versions of this important training course were launched. A shorter version for all our people to raise awareness of our marketing code, including substantial new measures relating to digital compliance, gender stereotyping and events management. A longer, more substantive course was launched for everyone involved in marketing and promotion of our brands.

As part of our year-round package of education and training on promoting responsible consumption, last year we upgraded our annual Alcohol Responsibility Week to a month long focus. Due to ongoing COVID-19 restrictions, Alcohol Responsibility Month included a series of videos, and other online training events on and the launch of a new "Promoting Responsible Consumption" online training course.

Within local markets, our business works with and funds organisations that support responsible consumption and work to reduce the harms associated with alcohol misuse.

4. ENGAGING GREAT PEOPLE

We want to cultivate an inclusive environment that celebrates diversity of thinking and enables everyone to make meaningful contributions.

Our commitments:

Employ 33% female leaders by 2022 and ensure a minimum of 50% female candidates at first round interviews

Target 95%+ of employees to have development plans

Drive top quartile employee engagement

Ensure all employees and their families have 24/7 support via Employee Assistance Programme

We are proud to be an international business with an incredibly diverse set of consumers, customers and employees, 70% of whom are based outside Scotland. To achieve an inclusive and high-performance culture we have introduced progressive initiatives and policies focussing on diversity & inclusion, development of our great people, engagement and wellbeing.

Diversity & Inclusion

As with many organisations, we have work to do to ensure we foster a diverse and inclusive culture that enables diversity of thinking. Over the past few years, we have made considerable progress on gender equality by putting in place ambitious targets and a clear action plan. We are on track in achieving our target of having 33% female leaders in the business by 2022 (currently at 31%) and we are making progress towards our recruitment target of having 50% female candidates for every first-round interview (currently 43%). We narrowed our gender pay gap in the UK and introduced a number of progressive policies such as Modern Family Leave and new ways of working guidelines allowing for more flexibility.



Corporate Sustainability and Responsibility (continued)

We have also started to widen our diversity agenda and have communicated our diversity and inclusion (D&I) strategy to the business. In the UK we became a Disability Confident Committed employer in line with our commitment to the SWA Diversity & Inclusivity Charter. In addition, we focussed on raising awareness on mental health with over 250 managers undertaking mental health awareness training. Having just recruited a D&I Manager we are now in the process of putting together a comprehensive plan focussing on culture and engagement, awareness and education, and impactful interventions.

Development

Developing our great people by building the skills and capabilities needed to deliver our vision is a key area of our business strategy.

We also continued to evolve our Edrington Academy by collaborating with colleagues from across the business to build learning sprints, pathways, and skill frameworks.

Employee Engagement

Despite the challenging environment we are pleased to have increased our engagement score by 2% to 75% in the most recent pulse survey. This is an excellent result and a great testament to teams across the business who successfully implemented their action plans following the 2020 survey.

Wellbeing

In early 2020 we implemented our Employee Assistance Programme (EAP) to support all employees and their immediate families globally. Over the course of last year, we have seen many of our employees benefit from the resources and counselling sessions available via the EAP.

We also increased our wellbeing offerings by focussing on mental health awareness and building resilience which was particularly important during the pandemic.



Directors' Report

The directors present the audited financial statements for the year ended 31 March 2021.

Results for the year

The Company's financial results, which are detailed in the income statement, cover the year to 31 March 2021.

No dividends were paid in the current year (2020: 12.4p per share) however a dividend of 7.0p per share was declared in December 2020 and paid in April 2021. The directors agreed a further interim dividend of 27.0p per share will be paid on 16 July 2021. The aggregate dividends recognised in the year amounted to nil (2019: £24.9m).

Revenue (pre-exceptional) for the year amounted to £625.6m (2020: £780.2m) resulting in a profit before tax (pre-exceptional) of £171.3m (2020: £222.4m) and overall profit for the financial year (pre-exceptional) of £140.5m (2020: £173.8m). Exceptional items totalling £3.9m (2020: (£2.6m)) (after taxation and minority interest) were incurred, leading to a profit for the year, attributable to Edrington shareholders, of £81.5m (2020: £87.7m).

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

Future developments

This is detailed within the strategic report within the "Going Concern" section on page 12 and the "Looking Forward" section on page 8.

Directors

The directors who served during the year and to the date of this report were:

C S Gillies
S J McCroskie
G R Hutcheon (resigned 31 March 2021)
P A Hyde
D H Richardson (resigned 15 September 2020)
A G Cockburn (appointed 1 September 2020)
A M C Avis MBE
S Fitzgerald
S Hizuka

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 are required to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period.

International Accounting Standard 1 requires that directors:

- > properly select and apply accounting policies;
- > present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- > provide additional disclosures when compliance with specific requirements of IFRSs or FRS 101s are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- > make an assessment of the Company's ability to continue as a going concern.

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

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.



Directors' Report (continued)

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 income statement 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 core contribution in the year, exceeding a pre-determined growth rate. The scheme has been approved by HM Revenue and Customs. The Company charges the annual fair value of this scheme to the income statement if the performance criteria have been met.

The ShareReward Scheme was withdrawn for the performance year ended 31 March 2021.

Executive incentive plans

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

The Annual Incentive Plan was withdrawn for the performance year ended 31 March 2021 and therefore no associated costs have been included within the income statement.

The Long Term Incentive Plan rewards senior executives based on the Company's performance over a three year period, by awarding a cash incentive. The Company charges any associated costs to the income statement over the period of the plan. The financial performance conditions, which represents 75% of the award, did not meet threshold performance in respect of the three year period ended 31 March 2021.

Energy and Carbon Reporting

Reporting of the Group's energy consumption is detailed within the Corporate Sustainability and Responsibilities Report on page 31.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee Engagement

A summary of how the Company engages with its employees is detailed within the "Stakeholder Engagement" section within the Corporate Governance report.

Business Relationships

Fostering business relationships with our suppliers, customers and lenders is key to the success of the business. Further details of our engagement with our business partners is detailed within the "Stakeholder Engagement" section within the Corporate Governance report.

Corporate Governance

The group has adopted and is complying with the Wates Principles which apply to financial years beginning on or after 1 January 2019. Further detail on the compliance with each of the principles is detailed within the "Corporate Governance" report on pages 17-20.

Going Concern

The Company has carried out assessments of the future trading performance and cash flows with sensitivities completed to reflect the current uncertain environment and is discussed on page 12 of the Strategic Report. The results of these assessments were reviewed considering the financial position of the Group at 31 March 2021, the cost and cash mitigation measures available to it, and the access to ongoing funding facilities. Based on these assessments the board and directors have a reasonable expectation that the Group will be able to meet its financial obligations for the foreseeable future and have adequate resources to continue to operate for at least 12 months from the date of this annual report. The directors therefore consider it appropriate to adopt the going concern basis in preparing these financial statements.



Directors' Report (continued)

Auditors

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

Approved and signed on behalf of the board

A handwritten signature in black ink, appearing to read 'G. Murray', written in a cursive style.

Gavin Murray

Group Company Secretary

22 June 2021



Independent Auditor's Report

to the members of The Edrington Group Limited
for the year ended 31 March 2021

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of The Edrington Group Limited (the 'parent company') and its subsidiaries (the 'group'):

- > give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2021 and of the group's profit for the year then ended;
- > have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- > have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- > the consolidated income statement;
- > the consolidated statement of comprehensive income;
- > the consolidated and parent company statement of financial position;
- > the consolidated and parent company statements of changes in equity;
- > the consolidated cash flow statement;
- > the statement of accounting policies; and
- > the related notes 1 to 35.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing,



Independent Auditor's Report (continued)

as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- > had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Companies Act 2006, pensions legislation and tax legislation; and
- > do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as tax, valuations, pensions and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- > reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- > performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- > enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- > reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- > the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- > the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.



Independent Auditor's Report (continued)

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

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.

David Mitchell
(Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, UK

22 June 2021



Group Consolidated Income Statement

year ended 31 March 2021

	Note	Pre- Exceptional 2021 £m	Exceptional (Note 2) 2021 £m	Total 2021 £m	Pre- Exceptional 2020 £m	Exceptional (Note 2) 2020 £m	Total 2020 £m
Revenue	1	625.6	-	625.6	780.2	12.0	792.2
Cost of sales		(421.6)	-	(421.6)	(518.6)	0.1	(518.5)
Gross profit		204.0	-	204.0	261.6	12.1	273.7
Other administration costs		(22.5)	-	(22.5)	(22.0)	(3.7)	(25.7)
Group operating profit		181.5	-	181.5	239.6	8.4	248.0
Share of profit in joint ventures	12	8.0	-	8.0	6.9	-	6.9
Income/(cost) from other investments	3	0.1	-	0.1	(0.5)	(9.4)	(9.9)
Gain on sale of investment		-	7.1	7.1	-	5.9	5.9
Earnings before interest and tax		189.6	7.1	196.7	246.0	4.9	250.9
Finance income	4	6.3	-	6.3	5.0	-	5.0
Finance costs	4	(26.4)	-	(26.4)	(26.1)	(0.3)	(26.4)
Other finance income/(costs)	4	1.8	-	1.8	(2.5)	-	(2.5)
Profit before taxation	5	171.3	7.1	178.4	222.4	4.6	227.0
Taxation	7	(30.8)	(1.4)	(32.2)	(48.6)	(2.5)	(51.1)
Profit for the financial year		140.5	5.7	146.2	173.8	2.1	175.9
Attributable to non-controlling interests		(62.9)	(1.8)	(64.7)	(83.5)	(4.7)	(88.2)
Profit for the financial year attributable to owner		77.6	3.9	81.5	90.3	(2.6)	87.7

All the activities of the Group are classed as continuing.

The notes and accounting policies on pages 48 to 102 form an integral part of these financial statements.



Group Statement of Comprehensive Income

year ended 31 March 2021

	2021 £m	2020 £m
Profit for the year attributable to owner	81.5	87.7
Profit for the year attributable to non-controlling interests	64.7	88.2
	146.2	175.9
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Actuarial (loss)/gain on pension schemes net of non-controlling interests		
Group	(35.7)	22.7
Associates and joint ventures	(5.5)	10.3
Non-controlling interests	(9.4)	8.9
Movement in deferred tax on pension schemes		
Group	7.3	(4.1)
Associates and joint ventures	1.0	(2.0)
Non-controlling interests	1.5	(1.3)
Pension fees paid direct to Pension Fund	(0.1)	(0.2)
Revaluation reserve movement	0.2	0.2
Movement in financial instruments taken straight to reserves		
Group	1.9	0.1
Non-controlling interests	(1.9)	(0.1)
Cost of hedging reserve movement	(0.1)	(0.3)
Capital gains tax on sale of shares by the Employee Benefit Trust	-	(2.7)
Items that will be or have been reclassified to profit or loss		
Exchange differences on foreign operations		
Group	(9.5)	(0.2)
Associates and joint ventures	(1.2)	(1.2)
Non-controlling interests	(6.1)	(1.6)
Exchange difference on foreign dividend	(1.9)	(1.5)
Movement on deferred tax taken straight to reserves		
Group	(3.3)	(2.1)
Non-controlling interests	2.7	1.3
Share based payment movements	(2.0)	(0.9)
Non-controlling interest share of Share based payment movements	(2.3)	(0.2)
Cash flow hedge reserve movement	5.8	5.3
Cash flow hedge amounts recycled	0.2	0.2
Other comprehensive (loss)/income attributable to parent	(42.9)	23.6
Other comprehensive (loss)/income attributable to non-controlling interest	(15.5)	7.0
Total other comprehensive (loss)/income for the year	(58.4)	30.6
Total comprehensive income for the year, net of tax	87.8	206.5
Attributable to parent	38.6	111.3
Attributable to non-controlling interest	49.2	95.2
Total	87.8	206.5

The notes and accounting policies on pages 48 to 102 form an integral part of these financial statements.



Statement of Financial Position

as at 31 March 2021

	Note	Company		Group	
		2021 £m	2020 £m	2021 £m	2020 £m
Non-current assets					
Intangible assets	9	-	-	404.6	407.5
Property, plant and equipment	10	-	-	556.1	550.5
Right-of-use assets	11	-	-	21.9	26.4
Investment in subsidiary undertakings	12	308.9	318.4	-	-
Investment in joint ventures	12	-	-	63.7	70.3
Investments in other interests	12	-	-	5.6	14.3
Derivative financial instruments	20	-	-	0.6	41.1
Deferred tax asset	21	-	-	43.8	40.1
Pension and other employment assets	27	-	-	10.2	48.1
Non-current assets		308.9	318.4	1,106.5	1,198.3
Current assets					
Inventories	13	-	-	667.4	619.4
Trade and other receivables	15	0.6	3.3	96.2	170.5
Assets held for sale	14	-	-	0.7	0.8
Derivative financial instruments	20	-	-	25.5	-
Cash and liquid resources		59.5	57.9	320.0	268.8
Current tax asset	15	0.2	-	4.9	9.7
Current assets		60.3	61.2	1,114.7	1,069.2
Total assets		369.2	379.6	2,221.2	2,267.5

The notes and accounting policies on pages 48 to 102 form an integral part of these financial statements.



Statement of Financial Position (continued)

	Note	2021 £m	Company 2020 £m	2021 £m	Group 2020 £m
Equity and liabilities					
Equity					
Share capital	22	6.3	6.3	6.3	6.3
Share premium		0.5	0.5	0.5	0.5
Merger reserve		-	-	29.5	29.5
Capital reserve		-	-	35.8	35.8
Capital redemption reserve		1.3	1.3	1.3	1.3
Revaluation reserve		-	-	6.3	6.5
Liability for share based payments		0.9	4.6	0.9	4.6
Retained earnings		269.6	256.5	592.4	571.4
Cash flow hedge reserve	24	-	-	2.2	(3.8)
Cost of hedging reserve	24	-	-	-	0.1
Equity attributable to owners of the parent		278.6	269.2	675.2	652.2
Non-controlling interests	12	-	-	478.6	453.7
Equity		278.6	269.2	1,153.8	1,105.9
<i>Non-current liabilities</i>					
Borrowings	17	-	29.8	480.7	675.5
Lease liabilities	30	-	-	19.4	24.1
Deferred tax liabilities	21	1.8	3.0	147.0	150.0
Derivative financial instruments	20	-	-	0.1	1.9
Other liabilities	16	-	-	0.3	0.4
Non-current liabilities		1.8	32.8	647.5	851.9
<i>Current liabilities</i>					
Trade and other payables	16	88.8	73.9	46.3	72.5
Borrowings	17	-	-	215.5	45.9
Lease liabilities	30	-	-	5.9	6.2
Derivative financial instruments	20	-	-	1.8	10.5
Current tax liabilities	16	-	-	12.1	15.9
Other liabilities	16	-	3.7	138.3	158.7
Current liabilities		88.8	77.6	419.9	309.7
Total liabilities		90.6	110.4	1,067.4	1,161.6
Total equity and liabilities		369.2	379.6	2,221.2	2,267.5

In the year to 31 March 2021, The Edrington Group Company made a profit of £13.1m (2020: £27.5m). The Group has taken the exception from the requirement to publish a separate income statement for the parent company as set out in section 408 of the Companies Act.

The notes and accounting policies on pages 48 to 102 form an integral part of these financial statements.

The consolidated financial statements of The Edrington Group Limited (registered number SC036374) were approved by the board of directors and signed on behalf of the board:

S McCroskie
Director

22 June 2021

P A Hyde
Director

22 June 2021



Consolidated Statement of Changes in Equity

year ended 31 March 2021

Group	Share capital £m	Share premium £m	Merger reserve £m	Capital reserve £m	Capital redemption reserve £m	Revaluation reserve £m	Liability for share based payments £m	Retained earnings £m	Cash flow hedge reserve £m	Cost of hedging reserve £m	Total attributable to owners of parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 April 2020	6.3	0.5	29.5	35.8	1.3	6.5	4.6	571.4	(3.8)	0.1	652.2	453.7	1,105.9
Adjustments from other reserves	-	-	-	-	-	-	-	(0.5)	-	-	(0.5)	-	(0.5)
Adjusted balance based at 1 April 2020	6.3	0.5	29.5	35.8	1.3	6.5	4.6	570.9	(3.8)	0.1	651.7	453.7	1,105.4
Dividends	-	-	-	-	-	-	-	-	-	-	-	(20.1)	(20.1)
Share based payments (note 26)	-	-	-	-	-	-	(3.7)	-	-	-	(3.7)	-	(3.7)
Buy back of shares	-	-	-	-	-	-	-	(11.2)	-	-	(11.2)	(4.2)	(15.4)
Transaction with owners	-	-	-	-	-	-	(3.7)	(11.2)	-	-	(14.9)	(24.3)	(39.2)
Profit for the year	-	-	-	-	-	-	-	81.5	-	-	81.5	64.7	146.2
Other comprehensive income	-	-	-	-	-	-	-	(48.8)	-	-	(48.8)	(15.5)	(64.3)
Cash flow hedge reserve (note 24)	-	-	-	-	-	-	-	-	6.0	(0.1)	5.9	-	5.9
Revaluation reserve	-	-	-	-	-	(0.2)	-	-	-	-	(0.2)	-	(0.2)
Total comprehensive income for the year	-	-	-	-	-	(0.2)	-	32.7	6.0	(0.1)	38.4	49.2	87.6
Balance at 31 March 2021	6.3	0.5	29.5	35.8	1.3	6.3	0.9	592.4	2.2	-	675.2	478.6	1,153.8
Balance at 1 April 2019	6.3	0.5	29.5	35.8	1.3	6.7	3.3	463.2	(9.3)	0.4	537.7	391.1	928.8
Effect of the adoption of IFRS 16 and IFRIC 23	-	-	-	-	-	-	-	(0.8)	-	-	(0.8)	(0.1)	(0.9)
Adjusted balance at 1 April 2019	6.3	0.5	29.5	35.8	1.3	6.7	3.3	462.4	(9.3)	0.4	536.9	391.0	927.9
Dividends (note 8)	-	-	-	-	-	-	-	(25.3)	-	-	(25.3)	(32.5)	(57.8)
Share based payments (note 26)	-	-	-	-	-	-	1.3	-	-	-	1.3	-	1.3
Disposal of shares	-	-	-	-	-	-	-	28.2	-	-	28.2	-	28.2
Transaction with owners	-	-	-	-	-	-	1.3	2.9	-	-	4.2	(32.5)	(28.3)
Profit for the year	-	-	-	-	-	-	-	87.7	-	-	87.7	88.2	175.9
Other comprehensive income	-	-	-	-	-	-	-	18.4	-	-	18.4	7.0	25.4
Cash flow hedge reserve (note 24)	-	-	-	-	-	-	-	-	5.5	(0.3)	5.2	-	5.2
Revaluation reserve	-	-	-	-	-	(0.2)	-	-	-	-	(0.2)	-	(0.2)
Total comprehensive income for the year	-	-	-	-	-	(0.2)	-	106.1	5.5	(0.3)	111.1	95.2	206.3
Balance at 31 March 2020	6.3	0.5	29.5	35.8	1.3	6.5	4.6	571.4	(3.8)	0.1	652.2	453.7	1,105.9

The notes and accounting policies on pages 48 to 102 form an integral part of these financial statements.



Company Statement of Changes in Equity

year ended 31 March 2021

Company	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Liability for share based payments £m	Retained earnings £m	Total equity £m
Balance at 1 April 2020		6.3	0.5	1.3	4.6	256.5	269.2
Share based payments	26	-	-	-	(3.7)	-	(3.7)
Transactions with owners		-	-	-	(3.7)	-	(3.7)
Profit for the period		-	-	-	-	13.1	13.1
Total comprehensive income for the year		-	-	-	-	13.1	13.1
Balance at 31 March 2021		6.3	0.5	1.3	0.9	269.6	278.6

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Liability for share based payments £m	Retained earnings £m	Total equity £m
Balance at 1 April 2019		6.3	0.5	1.3	3.3	255.5	266.9
Dividends	8	-	-	-	-	(26.5)	(26.5)
Share based payments	26	-	-	-	1.3	-	1.3
Transactions with owners		-	-	-	1.3	(26.5)	(25.2)
Profit for the period		-	-	-	-	27.5	27.5
Total comprehensive income for the year		-	-	-	-	27.5	27.5
Balance at 31 March 2020		6.3	0.5	1.3	4.6	256.5	269.2

The notes and accounting policies on pages 48 to 102 form an integral part of these financial statements.



Group Cash Flow Statement

year ended 31 March 2021

	2021 £m	2020 £m
Operating activities		
Operating profit	181.5	248.0
Adjustments for:		
Depreciation	28.3	24.4
Amortisation of intangible assets	3.2	3.1
Gain on sale of fixed assets	3.9	0.6
Other non-cash movements	-	0.9
Operating cash flows before movements in working capital	216.9	277.0
Increase in inventories	(32.9)	(37.2)
Decrease in receivables	57.9	7.2
Decrease in payables	(25.1)	(30.3)
Employer pension contributions paid	(5.6)	(13.5)
Other non-cash movements	(15.3)	5.6
Cash generated by operations	195.9	208.8
Tax on profit paid	(29.8)	(60.7)
Net cash from operating activities	166.1	148.1
Investing activities		
Dividends received	-	0.2
Dividends received from joint ventures undertakings	3.1	5.6
Purchase of property, plant and equipment	(56.2)	(70.4)
Purchase of intangible assets	(1.1)	(2.7)
Sale of property, plant and equipment	6.2	5.4
Sale of intangible assets	-	0.2
Disposal of investment	2.9	0.1
Acquisition of subsidiary	(12.2)	(5.0)
Net cash acquired on acquisition	0.1	-
Net cash used in investing activities	(57.2)	(66.6)
Financing activities		
Interest paid	(26.4)	(25.5)
Interest received	6.5	5.0
Sale of own shares	-	25.0
Net proceeds from EBT share transactions	(3.6)	3.1
Repayment of lease liabilities	(9.4)	(6.6)
Equity dividends paid	-	(25.3)
Dividends paid to non-controlling interests in subsidiaries	(20.1)	(32.5)
Drawdown of revolving credit facilities	230.0	186.0
Repayment of revolving credit facilities	(276.0)	(115.0)
Drawdown of other loans	62.0	1.8
Repayment of other loans	(25.7)	(3.1)
Net cash (used in)/generated from financing activities	(62.7)	12.9
Net increase in cash and liquid resources	46.2	94.4
Cash and liquid resources at beginning of year	247.2	152.2
Effect of foreign exchange rate changes	0.2	0.6
Cash and liquid resources at end of year (note 25)	293.6	247.2

The notes and accounting policies on pages 48 to 102 form an integral part of these financial statements



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

The Edrington Group Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in Scotland. The address of the Company's registered office is shown on page 4.

The principle activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the Strategy Report.

These financial statements, which are presented in Sterling, have been prepared on the going concern basis, under the historical cost convention, with except of financial instruments that are measured at revalued amounts or fair value at the end of each reporting period, as explained in the accounting policies below and in accordance with the Companies Act 2006, with the Group reporting under IFRS and Company reporting under FRS101. All values are to the nearest £m except where otherwise stated.

The Group financial statements consolidate the financial statements of the Company, its subsidiary undertakings, joint ventures and associates.

Subsidiary undertakings are entities in which the Group has a controlling interest.

Control is achieved when the Company:

- > has the power over the investee;
- > is exposed, or has rights, to variable return from its involvement with the investee; and
- > has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Joint venture undertakings are entities in which the Group holds an interest on a long term basis and which are jointly controlled by the Group, with one or more ventures, under a contractual agreement. To the extent that they are material, the Group financial statements include the appropriate share of their results and reserves. In the Group financial statements, joint ventures are accounted for using the gross equity method.

The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated income

statement from the date the Company gains control until the date when the Company ceases to control the subsidiary. Where the Group acquires a controlling interest in an existing joint venture undertaking, goodwill arising is calculated on a piecemeal basis. For each tranche of shares acquired, the cost of that tranche is compared with the related share of net assets at fair value at the date of acquisition. This treatment of goodwill on a piecemeal basis is permitted by IFRS 3 Business Combinations, and in the opinion of the directors gives a true and fair view of the separate transactions. This is a departure from the requirements of the Companies Act 2006 which requires identifiable assets and liabilities of the undertaking acquired to be included in the consolidated balance sheet at their fair value at the date of acquisition.

Adoption of new and revised standards

At the date of authorisation of these financial statements, the following Standards and Interpretations were newly in effect:

- > Amendments to references to the conceptual framework in IFRS Standards;
- > IFRS 3 (amendments) – definition of business;
- > IAS 1 and IAS 8 (amendments) – definition of material;
- > IFRS 9, IAS 39 and IFRS 7 (amendments) – interest rate benchmark reform.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- > IFRS 17 Insurance Contracts – onerous contracts – cost of fulfilling a contract;
- > IFRS 17 (amendments) – insurance contracts;
- > Annual Improvements to IFRS Standards 2018-2020 Cycle Amendments to property, plant and equipment – proceeds before intended use;
- > IFRS 3 (amendments) annual improvements to IFRS Standards 2018-2020 (May 2020);
- > IAS 37 (amendments) reference to the Conceptual Framework;
- > IFRS 4, IFRS 7, IFRS 9, IFRS 16 (amendments) interest rate benchmark reform – phase 2;
- > IAS 1 (amendments) IFRS 17, definitions and classifications;
- > IFRS 10 and IAS 28 (amendments) classification of liabilities as current or non-current.



Accounting Policies (continued)

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the company in future periods.

IFRS 9 (amendments interest rate benchmark reform) (effective for reporting periods beginning on or after 1 January 2020)

In September 2019, the IASB issued Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

The application of the amendments impacts the Group's accounting in the following ways:

- > The Group has floating rate bank debt, linked to GBP LIBOR, which it cash flow hedges using interest rate swaps. The amendments permit continuation of hedge accounting even though there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reforms.
- > The Group will retain the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges that are subject to interest rate benchmark reforms even though there is uncertainty arising from the interest rate benchmark reform with respect to the timing and amount of the cash flows of the hedged items. Should the Group consider the hedged future cash flows are no longer expected to occur due to reasons other than interest rate benchmark reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

The Group took the decision to apply the amendments to IFRS 9/IAS 39 for the reporting period ending 31 March 2020. Adopting these amendments allows the Group to continue hedge accounting during the period of uncertainty arising from interest rate benchmark reforms.

IFRS 16 (amendments) COVID-19 Related Rent Concessions (effective for reporting periods beginning on or after 1 June 2020)

This amendment provides lessees with an exemption from assessing where a COVID-19 related rent concession as it there were not lease modifications. This also required the

lessees to apply the exception retrospectively but does not require restatement of prior period figures. The Group has taken this exemption where a COVID-19 related rent concession was received.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of certain disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- > a statement of cash flows and related notes;
- > the requirement of IAS 24 related party disclosures to disclose related party transactions entered into between two or more members of The Edrington Group as they are wholly-owned within The Edrington Group;
- > disclosure of key management personnel compensation;
- > capital management disclosures;
- > certain share based payments disclosures;
- > business combination disclosures; and
- > disclosures in respect of financial instruments.

Going concern

A full assessment of the appropriateness of the going concern method of preparation has been included in the Strategic Report. Edrington annually forecasts future trading performance and cash flow 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 Group in certain markets, together with the strong growth experienced in others and indicate, to the Group's satisfaction, that it has resources more than sufficient to continue as a going concern for at least 12 months from date of signing.

Foreign currencies

The Company's functional currency is Sterling.

While the Group's presentational currency in its consolidated financial statements is Sterling, it conducts business in many currencies. As a result, it is subject to foreign currency risk due to exchange rate movements which will affect the Group's transactions and translation of the results and underlying net assets of its operations.



Accounting Policies (continued)

Transactions in foreign currencies are translated at the spot rate at the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at each balance sheet date, with exchange gains and losses recognised in the consolidated income statement.

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 are taken to reserves together with the differences between the income statements translated at average rates and rates ruling at the year-end.

Revenue recognition

Revenue comprises the sale of goods, royalties and rents receivable from contracts with customers. Revenue is measured at the fair value of consideration received or receivable, excluding sales tax, and reduced by any rebates and trade discounts allowed. The sales of goods are recognised depending upon individual customer terms based on the point at which the transfer of control is deemed to have been made. For most customers this is the point at which the goods are transported onto the ship for delivery but it can differ for some customers. Revenue is recognised to the extent that it is highly probable that a material reversal will not occur and at the value the Group expects to be entitled to.

Dividend income is recognised at the point the right to receive payment is established.

Exceptional items

Exceptional items are those that, in management's judgement, need to be disclosed by virtue of their size or incidence. These items are included within the income statement caption to which they relate and are separately disclosed in the notes to the accounts, and on the face of the consolidated income statement.

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

- > Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- > Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- > The amount expected to be payable by the lessee under residual value guarantees;
- > The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- > Payments of penalties for terminating the lease, if the lease terms reflect the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- > The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.



Accounting Policies (continued)

- > The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- > A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The Group did make such adjustments during the current year in line with the standard requirements.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a lease asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS37. The costs are included in the related right-of-use asset unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the period of the lease the right of use asset is expected to be utilised. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Property, plant and equipment and depreciation" policy.

Variable rents that do not depend on an index or rate are not included in the measurement of lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are charged to the consolidated income statement.

Property, plant and equipment and depreciation

Property, plant and equipment is 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%

Depreciation is not charged on assets under construction until the asset comes into use at which point it will be moved to the appropriate category above.

Property, plant and equipment is reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable.

Intangible assets

Intangible assets are primarily brands with a material value, which are long term in nature and 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 in the opinion of the directors, based on their assessment of the strength of the brands and industry, are regarded as having an indefinite economic life are not amortised. 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 cash flows.

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

Software system costs are stated at historical cost net of amortisation. Amortisation is charged on a straight-line basis over the useful life of the assets. The principal annual rates used for this purpose are 10% to 33%.



Accounting Policies (continued)

Investments

Fixed asset and current asset investments are stated at cost, net of any provision for impairment.

An associate is an undertaking in which the Group has a long-term equity interest and over which it has the power to exercise significant influence. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group's interest in the net assets of associates and joint ventures is reported in investments in the consolidated balance sheet and its interest in their results is included in the consolidated income statement.

Investments in associates and joint ventures are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The impairment review compares the net carrying value with the recoverable amount, where the recoverable amount is the higher of the value in use calculated as the present value of the Group's share of the associate's future cash flows and its fair value less costs to sell. Associates and joint ventures are initially recorded at cost including transaction costs.

Acquisitions

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- > deferred tax assets or liabilities arising on acquisition and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- > assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's

previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the income statement as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 Financial Instruments, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in the income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the income statement, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are



Accounting Policies (continued)

recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Inventory

Inventory is 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 such as depreciation, warehousing rent and freight but excluding interest. Net realisable value is based on estimated selling price, less the estimated costs of completion and selling. The inventory is valued at standard cost which is reviewed at least annually. Provision is made for obsolete and slow-moving items where appropriate.

Current assets held for sale

Current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified a held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate.

After the disposal takes place, the Group accounts for any retained interest in the associate in accordance with IFRS 9 unless the retained interest continues to be an associate, in which case the Group uses the equity method (see the accounting policy regarding investments above).

Operating profit

Operating profit is stated after a goodwill write off or charging restructuring costs but before the share of results of associates, investment income, share of profit after tax in joint venture and finance costs.

Taxation

Income tax expense comprises current and deferred tax. It is recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. Taxable income differs from the profit before tax reported in the Group consolidated income statement because of items of income/expense which are taxable/deductible in other years ("temporary differences") and items that are never taxable/deductible ("permanent differences"). Current tax is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.



Accounting Policies (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Uncertain tax provisions

The Group is required to estimate the corporate tax in each of the many jurisdictions in which it operates. Management is required to estimate the amount that should be recognised as a tax liability or tax asset in many countries which are subject to tax audits which by their nature are often complex and can take several years to resolve. Current tax balances and tax provisions are based on management's judgement and interpretation of country specific tax law and the probability that the tax authority will accept the tax treatment used or planned to be used in the tax filing made.

Other liabilities

Other liabilities are primarily provisions which 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.

Deferred consideration

Deferred consideration comprises amounts due for assets received. These are measured at amortised cost and the amounts due payable are split between those due within one year and those due out with one year.

Share-based payments

The Edrington Group, issues equity-settled share-based payments to certain Group employees (ShareReward Scheme). The fair value at grant date of the shares granted is charged to the Company's income statement over the vesting period with a corresponding credit to 'Share based payments reserve' in the statement of financial position.

In addition, The Edrington Group 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 and options granted is calculated at grant date using the Black-Scholes model and in accordance with IFRS 2 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.

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 income statement. 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.

The group classifies its financial assets and liabilities into the following categories: amortised cost, fair value through other comprehensive income or fair value through profit and loss.



Accounting Policies (continued)

Amortised cost

Financial assets measured at amortised cost, are assets held for the purpose of collecting contractual cash flows where the contractual terms of the financial asset give rise to cash flows, on specified date, that are solely payments of principal and/or principal and interest on the principal amount outstanding.

Trade and other receivables are recognised initially at the transaction price. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less an allowance for expected credit loss (ECL). The amount of the ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the receivable. The ECL on financial assets is estimated using a provision matrix by reference to past default experience and an analysis of current financial position, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group only writes off-trade receivables when there is information that the debtor is in financial distress (liquidation or bankruptcy) and there is no prospect of recovery. The carrying amount of the asset is reduced by the allowance for ECL and the amount of the loss is recognised in the income statement within cost of sales.

Financial asset and liabilities at fair value through profit or loss

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as an effective hedging instrument, in which event the recognition in profit or loss depends on the nature of the hedge relationship.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks and deposits which are readily convertible to known amounts of cash and have an original maturity of three months or less.

Hedge accounting

The Group designates derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk

management objectives, its strategy and at inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effect in offsetting changes in cash flows of the hedged item attributable to the hedged risk. All derivative designated in a cash flow hedge are designated in their entirety as the hedging instrument, with the exception of the Cross Currency Swaps. In the case of the Cross Currency Swaps, the foreign currency basis risk has been excluded and as such is treated as a cost of hedging.

The separate component of equity associated with the hedged item (the cash flow hedge reserve) is adjusted to the lower of the cumulative gain or loss on the hedging instrument from inception of the hedge and the cumulative change in fair value of the hedged item from inception of the hedge.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. Any remaining gain or loss on the hedging instrument is hedge ineffectiveness and is recognised in the income statement. Where the amount that has been accumulated in the cash flow hedge reserve relates to a hedged forecast transaction that subsequently results in the recognition of a non-financial asset or liability, it is removed from cash flow hedge reserve and included in the initial cost of the asset or liability. For hedges that relate to a financial asset or liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects the income statement.

In accordance with IFRS 9's transition provisions for hedge accounting, the Group has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application on 1 April 2018, with the exception of the treatment of the cross currency swaps basis component of foreign exchange derivatives designated in qualifying cash flow hedging relationships which has been excluded as a "cost of hedging". This change has been applied retrospectively as is permissible under IFRS 9. The Group's qualifying hedging relationships in place as at 1 April 2018 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. On transition to IFRS 9 the unamortised proportion of the basis risk, bifurcated from the cross currency swap valuation, has been accounted for in the cost of hedging reserve and continues to be amortised over the remaining life of the underlying hedging item with an annual release to the income statement.



Accounting Policies (continued)

Effective interest rate

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts, (including all fees and transaction costs) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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 Group.

Defined benefit scheme assets are measured at fair value. Scheme liabilities which represent the present value of obligation 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 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 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 comprehensive income.

For defined contribution schemes the amount charged to the income statement 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 statement of financial position.

In addition, the Company pays other post retirement discretionary benefits which are accounted for in accordance with IAS 19 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.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported on a net basis only when the Group has a legally enforceable right to set off the amounts and either intends to settle on a net basis, or to realise the asset or liability simultaneously.

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 Group's accounts as it has deemed control under the guidance of IFRS 10.

The Group 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 Consolidated Statement of Changes in Equity.
- > Other assets and liabilities (including borrowings) of the Employee Benefit Trust are recognised as assets and liabilities of the Group.
- > 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 Consolidated Statement of Changes in Equity.
- > No gain or loss is recognised in the income statement or statement of comprehensive income 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 excluded from the income statement.

Estimation uncertainty and significant judgements

There are no significant judgements which the group has applied in the process of preparing the financial statements.

There are three key areas of estimation uncertainties with the group, valuation of pension assets and liabilities, the carrying value of brand assets and liabilities and the carrying value of equity acquisitions:



Accounting Policies (continued)

Pensions and other post-retirement benefits

The Group operates both defined benefit pension schemes providing benefits based on final pensionable earnings, and a defined contribution scheme. The determination of any pension scheme surplus/deficit is based on assumptions determined with independent actuarial advice. The assumptions used include discount rate, inflation, pension increases, salary increases, the expected return on scheme assets and mortality assumptions. Sensitivity analysis has been undertaken on these key assumptions as detailed in note 27.

Brand valuation

Assessment of the recoverable value of an intangible asset, the useful economic life of an asset, or that an asset has an indefinite useful life requires management estimate.

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 cash flow. The tests are dependent on management's estimates and judgements, in particular in relation to the forecasting of future cash flows, the discount rates applied to those cash flows and the expected long term growth rates. Such estimates and judgements are subject to change as a result of changing economic conditions and actual cash flows may differ from forecasts. Sensitivity analysis is undertaken on these key assumptions as outlined within note 9.

Valuation of equity acquisition

The Group holds minority equity stakes with several key strategic partners. The valuation of each equity stake requires management estimate in both the calculation of future cash flows and the appropriateness of the discount rate used.

The estimates and judgements around future cash flows are subject to change as a result of changing economic conditions and actual cash flows may differ from forecasts. Management have performed sensitivity analysis on the discount rate applied and are satisfied that a change in the rate applied will not result in a material change in the valuation.

There are no critical accounting judgements or key sources of estimation uncertainty existing in the parent company.



Notes to the Financial Statements

1 Revenue

The analysis of revenue, net assets and profitability by class of business or geographical market has not been disclosed as the directors consider that this could be seriously prejudicial to the Group's interest.

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

	2021 £m	2020 £m
Core revenue*	576.2	699.6
Revenue from distribution of 3rd party products	34.5	48.3
Sale of non-cased goods	13.6	17.9
Other income	1.3	14.4
Group revenue	625.6	780.2
Exceptional revenue	-	12.0
	625.6	792.2

* The definition of core revenue has been amended in the current year to include the allocation of retail sales from the group's visitor experiences. This aligns with our definition applied in our alternative performance measures. A reconciliation of the impact on the 2020 comparatives is included in Note 34.

2 Exceptional items

	2021 £m	2020 £m
Release of historical accruals	-	14.9
Gain on disposal of investment	7.1	5.9
Restructuring costs	-	(3.1)
Professional fees	-	(3.7)
Brand impairment	-	(9.4)
Total of exceptional items before taxation and non-controlling interest	7.1	4.6
Taxation	(1.4)	(2.5)
Total of exceptional items after taxation	5.7	2.1
Non-controlling interest	(1.8)	(4.7)
Net impact on retained earnings	3.9	(2.6)



Notes to the Financial Statements (continued)

2 Exceptional items (continued)

The gain on disposal of investment in the current year relates to the disposal of shares in Vinicola del Norte, a drinks manufacturer in the Dominican Republic. The prior year gain on disposal of investment related to the disposal of shares in Paterson Arran, a shortbread company.

The prior year release of £14.9m related to accruals for brand investment and selling costs in Edrington Taiwan Limited which were incorrectly accrued for in prior periods and not in line with the Group accounting policies. These accruals were built up over a number of financial periods from 2014/15 to 2018/19 and did not meet the necessary criteria for recognition as there were no contractual commitments nor any benefit received in relation to these costs. The adjustment was deemed to be below materiality for the Group and was therefore disclosed as an exceptional item.

The prior year restructuring costs are in relation to the closure of the Group's distribution subsidiary in South Korea.

As part of the share purchase by Suntory in the prior year, the Group incurred professional fees associated with the transaction.

In the prior year a brand impairment charge was recognised in relation to our investments in Partida Tequila and Wyoming Whiskey. This reflects the economic environment and a revised outlook for these brands in the medium term.

3 Income/ (Cost) from other investments

	2021 £m	2020 £m
Impairment of other fixed asset investments (note 12)	-	(9.4)
Share of profits/(losses) from other fixed asset investments	0.1	(0.5)
	0.1	(9.9)

4 Finance income and finance costs

	2021 £m	2020 £m
Finance income		
Interest on defined benefit pension scheme (note 27)	1.4	0.3
Other interest receivable	4.9	4.7
	6.3	5.0
Finance costs		
Interest payable - bank loans & overdrafts	(6.5)	(6.1)
Interest payable - US private placement	(19.2)	(19.4)
Interest expense on lease liabilities	(0.7)	(0.9)
	(26.4)	(26.4)
Other finance income/(costs)		
Non-qualifying cash flow hedge	3.2	(1.1)
Other finance costs	(1.4)	(1.4)
	1.8	(2.5)



Notes to the Financial Statements (continued)

5 Profit before taxation

	2021 £m	2020 £m
<i>Profit before taxation is stated after charging/(crediting):</i>		
Fees payable to the Company's auditor for the audit of the parent company and group's financial statements	0.1	0.1
<i>Fees payable to the Company's auditor for other services:</i>		
- audit of the accounts of subsidiaries	0.6	0.6
Depreciation of property, plant and equipment	22.7	18.4
Depreciation of right-of-use assets (note 11)	5.6	6.0
Staff costs (note 6)	117.4	144.4
Trade receivable impairment (note 15)	(4.6)	7.0
Inventory charged to income statement	53.3	54.5
Loss on disposal of property, plant and equipment	3.9	0.6
Amortisation of intangible assets (note 9)	3.2	3.1

The depreciation charge noted above is different from that shown in note 10 to these financial statements as cask and warehouse depreciation is added to the cost of Scotch whisky inventory and is not released to the income statement until the relevant inventory is sold.

6 Employees

	2021 Number	2020 Number
The average number of employees was as follows:		
Engaged in distilling, coopering, blending, bottling and marketing of Scotch whisky & rum	2,384	2,526

	2021 £m	2020 £m
Employment costs during the year amounted to:		
Wages and salaries	95.9	95.8
Social security costs	8.3	8.7
Pension costs	9.1	11.7
Employee share schemes	0.3	4.1
Long term incentive plans	3.8	8.5
Annual employee incentive schemes	-	15.6
	117.4	144.4

In the year the Group received government funding in the form of COVID-19 government support schemes of £4.6m, of which £2.6m was received in the UK. The figures above do not include the impact of these payments.



Notes to the Financial Statements (continued)

6 Employees (continued)

	2021 £m	2020 £m
Remuneration in respect of the board of directors was as follows:		
Emoluments (excluding pension contributions)	1.6	1.8
Benefits	0.2	0.3
Employee share schemes	-	0.1
Performance related Annual Incentive Plan	-	1.7
Performance related Long-Term Incentive Plan	0.3	3.0
	2.1	6.9

	2021 £m	2020 £m
The amounts set out above include remuneration in respect of the highest paid director each year as follows:		
Emoluments (excluding pension contributions)	0.5	0.6
Benefits	0.1	0.1
Employee share schemes	-	0.1
Performance related Annual Incentive Plan	-	0.8
Performance related Long-Term Incentive Plan	0.1	1.0
	0.7	2.6

Directors' remuneration, which is determined by the Remuneration Committee, is benchmarked triennially with the assistance of independent specialist consultants.

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

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

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

The Annual Incentive Plan rewards directors and senior executives on both personal targets and on annual performance results. Payments were not triggered in the current year but were triggered in the prior year.

No incentive payments are being made in respect of the financial year 2020/21 as all annual and long-term incentives were cancelled as part of our cost reduction measures implemented at the beginning of the year. The amount included for long term incentive includes amounts earned in the periods through 2019 - 2020 together with an accrual for potential future payments that may or may not be earned for the years ending 31 March 2022 and 31 March 2023.

The award made under the Long Term Incentive Plan is in the form of shares and is based on targets set at the beginning of a three year performance cycle. This was partially triggered in the current year and reduced to take into account the withdrawal of bonus schemes in 2020/21.

The amount awarded also 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 £0.1m (2020: £1.5m) and for the highest paid director was £0.0m (2020: £0.5m).

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



Notes to the Financial Statements (continued)

6 Employees (continued)

During the year, 3 directors (2020: 2 directors) exercised share rights under the ShareSave Scheme. The aggregate of gains by directors exercising share rights during the year was £73,000 (2020: £8,000). During the year, no directors (2020: 0 directors) participated in defined benefit pension schemes and 2 directors participated in the defined contribution scheme (2020: 2). No other directors participated in any other Company pension schemes during the year.

The highest paid director did exercise share rights under the ShareSave Scheme this year but did not in the prior year.

The Group defines key management personnel to be the Board of Directors, as noted on page 4.

None of the Group employees were employed by the Company and nor did any of the directors hold a service contract with the Company in the current or preceding financial years.

7 Taxation

Corporation tax is calculated at 19% (2020: 19%) of the estimated taxable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

	2021 £m	2020 £m
The tax charge represents:		
<i>Current tax:</i>		
UK Corporation tax at 19% (2020: 19%)	9.3	10.4
Adjustment in respect of prior periods	-	(2.9)
Foreign tax	21.1	21.8
Tax on exceptional items	1.4	3.4
Total current tax	31.8	32.7
<i>Deferred tax:</i>		
Deferred tax (credit)/charge for the year	(0.6)	21.5
Tax on exceptional items	-	(0.9)
Adjustment in respect of prior periods	1.0	(2.2)
Total deferred tax	0.4	18.4
Total tax	32.2	51.1



Notes to the Financial Statements (continued)

7 Taxation (continued)

Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2020: 19%).

The differences are explained below:

	2021 £m	2020 £m
Profit before tax from continuing operations	178.4	227.0
Income tax expense calculated at 19% (2020: 19%)	33.9	43.1
Effect of expenses that are not deductible in determining taxable profit	1.5	5.6
Effect of different tax rates of subsidiaries operating in other jurisdictions	3.2	(0.7)
Non-taxable income	(3.9)	(3.3)
Other differences	(1.3)	(1.2)
Adjustment in respect of prior periods	1.0	(2.4)
Effect on deferred tax balances due to changes in future tax rates	-	11.5
Deferred tax assets previously unrecognised	0.7	1.1
Share of results of associates and joint ventures	(1.5)	(1.3)
Deferred tax on distributable reserves	(1.4)	(1.3)
	32.2	51.1

8 Dividends

	2021 £m	2020 £m
Dividends paid during the year:		
- Second interim of 0.00p (2020: 29.5p)	-	18.6
- First interim of 0.00p (2020: 12.4p)	-	7.9
Less: dividends paid to the Employee Benefit Trust	-	(1.2)
	-	25.3
Proposed not paid (not recognised as a liability):		
First interim of 7.0p (2020: 0.00p)	4.4	-
Proposed after the year-end (not recognised as a liability):		
Second interim of 27.0p (2020 second interim: 0.00p)	17.1	-



Notes to the Financial Statements (continued)

9 Intangible assets

Group	Brands £m	Software £m	Total £m
Cost or valuation			
At 1 April 2020	902.4	31.9	934.3
Additions	-	1.1	1.1
Disposals	-	(0.5)	(0.5)
Exchange adjustment	-	(0.5)	(0.5)
At 31 March 2021	902.4	32.0	934.4
Amortisation			
At 1 April 2020	513.4	13.4	526.8
Charge for the year	-	3.2	3.2
Disposals	-	(0.5)	(0.5)
Exchange adjustment	-	0.3	0.3
At 31 March 2021	513.4	16.4	529.8
Net book value at 31 March 2021	389.0	15.6	404.6
Net book value at 31 March 2020	389.0	18.5	407.5

The amortisation expense of the intangible assets is included within cost of goods sold and other administrative expense within the income statement.

At 31 March 2021, the carrying amounts of the principal brands acquired by the Group are as follows:

	2021 £m
Cash generating unit	
Famous Grouse Family	32.0
The Macallan	324.1
Highland Park	13.9
The Glenrothes	19.0
	389.0

The brands are protected by trademarks, which are renewable indefinitely, in all of the major markets they are sold. There are not believed to be any legal, regulatory or contractual provisions that limit the useful lives of these brands. The nature of the premium drinks industry is that obsolescence is not a common issue, with indefinite brand lives being commonplace. Accordingly, management believe that it is appropriate that the brands are treated as having indefinite lives for accounting purposes and are therefore not amortised.



Notes to the Financial Statements (continued)

9 Intangible assets (continued)

Impairment testing and sensitivity analysis

Impairment tests are carried out annually or more frequently if events or circumstances indicate that the carrying amount may not be recoverable.

The recoverable amount of a cash generating unit (CGU) is determined based on the value in use calculations. These calculations use pre-tax discounted cash flow projections based on financial budgets approved by the board. Where appropriate cashflows are extended over a longer period of time using managements best estimate of future performance. These cash flows reflect expectations of sales growth, operating costs and margin, based on past experience and industry growth forecasts. Cash flows are extrapolated using the growth rates stated below.

The pre-tax discount rates and terminal growth rates used for impairment testing of each of the CGUs have been split by the geographical area in which each brand is sold and are as follows:

	Terminal growth rate %
Americas	2.5%
Asia	2.5%
Global Travel Retail	2.4%
Europe	2.1%
Russia, Emerging Europe, Middle East, Africa and Turkey	2.1%

The pre-tax weighted average cost of capital (WACC) is the basis for the discount rate of 9% (2020: 9%). The WACC reflects the pre-tax cost of debt-financing and the pre-tax cost of equity finance. Further risk premia are also applied according to management's assessment of any specific risks impacting on each CGU.

The terminal growth rates applied at the end of the forecast period are based on the long-term annual inflation rate of each CGU obtained from external sources.

As at 31 March 2021, based on internal valuations, management concluded that the values in use of the CGUs exceed their net asset value.

Sensitivity analysis was also carried out on the above calculations to review possible levels of impairment after adjusting discount rates. At a pre-tax discount rate of 9.5%, none of the CGUs were impaired. At a terminal growth rate of 2.0% none of the CGU's were impaired. Applying the impact of our cash flow sensitivities, none of our CGUs were impaired. Therefore, management has concluded that changes within reason to the key assumptions applied in assessing the value in use calculation would not result in a change to the impairment conclusions reached.



Notes to the Financial Statements (continued)

10 Property, plant and equipment

Group	Freehold land & buildings £m	Plant, vehicles & equipment £m	Casks £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2020	233.1	253.6	347.6	1.1	835.4
Additions	1.6	3.6	32.0	9.4	46.6
Disposals	(1.6)	(1.5)	(4.7)	-	(7.8)
Transfers	-	0.7	0.3	(1.0)	-
Exchange adjustment	(2.0)	(6.2)	(1.8)	(0.2)	(10.2)
At 31 March 2021	231.1	250.2	373.4	9.3	864.0
Depreciation					
At 1 April 2020	51.4	131.6	101.9	-	284.9
Charge for the year	5.6	13.3	15.7	-	34.6
Disposals	(0.9)	(1.4)	(3.2)	-	(5.5)
Exchange adjustment	(0.9)	(4.2)	(1.0)	-	(6.1)
At 31 March 2021	55.2	139.3	113.4	-	307.9
Net book value at 31 March 2021	175.9	110.9	260.0	9.3	556.1
Net book value at at 31 March 2020	181.7	122.0	245.7	1.1	550.5

Included in freehold land and buildings is £1.5m (2020: £1.5m) in respect of freehold land which is not depreciated.



Notes to the Financial Statements (continued)

11 Right of use assets

The Group leases several assets including buildings, plant and IT equipment. The average lease term is 4 years.

The Group has options to purchase certain manufacturing equipment for a nominal amount at the end of the lease term. The Group's obligations are secured by the lessors' title to the leased assets for such leases.

The following assets are subject to lease arrangement.

Group	Freehold land & buildings £m	Plant, vehicles & equipment £m	Total £m
Cost or valuation			
At 1 April 2020	31.1	1.3	32.4
Additions	2.8	0.2	3.0
Disposals	(0.5)	(0.1)	(0.6)
Exchange adjustment	(2.0)	-	(2.0)
At 31 March 2021	31.4	1.4	32.8
Depreciation			
At 1 April 2020	5.6	0.4	6.0
Charge for the year	5.1	0.5	5.6
Disposals	(0.2)	(0.1)	(0.3)
Exchange adjustment	(0.4)	-	(0.4)
At 31 March 2021	10.1	0.8	10.9
Net book value at 31 March 2021	21.3	0.6	21.9
Net book value at 1 April 2020	25.5	0.9	26.4

Approximately 15 (2020: 15) of the leases for property, plant and equipment expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. This results in additions to right-of-use assets of £3.0m in 2021 (2020: £4.2m).



Notes to the Financial Statements (continued)

12 Investments

Group	Joint ventures £m	Associates and other investments £m	Total investments £m
At 1 April 2020	70.3	14.3	84.6
Share of retained profits less dividends received	4.9	-	4.9
Movement in intercompany profits	1.7	-	1.7
Actuarial loss on pension scheme	(5.4)	-	(5.4)
Movement on deferred tax relating to pension scheme	1.0	-	1.0
Transfer from JV to subsidiary*	(7.4)	-	(7.4)
Disposal of investment	-	(8.5)	(8.5)
Exchange adjustments	(1.4)	(0.2)	(1.6)
At 31 March 2021	63.7	5.6	69.3

* In the year the Group purchased the remaining 50% of the share capital of Row & Company Limited obtaining full ownership.

Company	Investments in subsidiaries £m
Cost or valuation at 1 April 2020	318.4
Other Movements	(3.6)
Impairment of subsidiary investment	(5.9)
Cost or valuation at 31 March 2021	308.9

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.



Notes to the Financial Statements (continued)

12 Investments (continued)

At 31 March 2021 the Group held more than 20% of the equity, and no other share or loan capital, of the following companies:

Name of Company/ (registered address)	Holding	Proportion held at 31 March 2021	Nature of business
Subsidiary undertakings:			
Edrington Distillers Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%*	Blending, bottling, sales and marketing of Scotch whisky
The 1887 Company Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	75%**	Management of Scotch whisky companies
Brugal & Co., S.A. (Piso 11, Downtown Business Tower Av. Núñez de Cáceres Esq. Rómulo Betancourt, Santo Domingo, R.D.)	Ordinary shares	63%*	Distilling, bottling, sales and marketing of Dominican rum
Casa Brugal RD., S.A. (Piso 11, Downtown Business Tower Av. Núñez de Cáceres Esq. Rómulo Betancourt, Santo Domingo, R.D.)	Ordinary shares	63%	Distilling, bottling, sales and marketing of Dominican rum
Brugal Subsidiaria Espana, SLU (Calle Mahonia No.2, Edificio Portico, 1ra planta, Campo de las Naciones, 28043, Madrid, Espana)	Ordinary shares	63%	Sales and marketing of Dominican rum
Snow Leopard Vodka Limited (One Fleet Place, London, England, EC4M 7WS)	Ordinary shares	100%*	Sale and distribution of vodka
Clyde Bonding Company Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%	Dormant
Marshall McGregor Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%	Marketing of Scotch whisky
The Clyde Cooperage Company Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%	Dormant
Edrington Distillers Finance Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%*	Dormant
Edrington Africa Pty Ltd (Block A, Ground Floor, 3021 William Nicol Drive, Bryanston, 2191, Johannesburg)	Ordinary shares	100%*	Sale and distribution of alcoholic beverages
Hepburn & Ross Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%	Dormant
R & B (West Nile Street) Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%	Dormant
Robertson & Baxter Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%	Dormant



Notes to the Financial Statements (continued)

12 Investments (continued)

Name of Company/ (registered address)	Holding	Proportion held at 31 March 2021	Nature of business
Edrington Brands Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%*	Dormant
Edrington International Brands Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%	Activities of holding companies
Edrington USA Inc (18 West 24th Street, 4th Floor, New York, NY10010, USA)	Ordinary shares	100%*	Activities of holding companies
Edrington (Trustees) Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%	Dormant
Edrington Trustees (2017) Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%	Dormant
Row & Company Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%***	Sale and marketing of Scotch whisky
Joint venture and associated undertakings:			
Lothian Distillers Limited (9 Wheatfield Rd, Edinburgh, EH11 2PX)	Ordinary shares	50%	Distillation and maturation of Scotch grain whisky
Edrington Kyndal India Private Ltd (304 Navkriti Arcade, Sector 55, Gurgaon, 122003, Haryana, India)	Ordinary shares	50%	Sale and distribution of alcoholic beverages
Tequila Partida LLC (6201 Antioch St, Oakland, CA 94611)	Ordinary shares	37%	Distilling, bottling, sales and marketing of Tequila
Wyoming Whiskey, Inc. (100 South Nelson Street, Kirby, Wyoming 82430)	Ordinary shares	44%	Distilling, bottling, sales and marketing of American craft whiskey

Key:

* Investment is held directly by the Company.

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

*** Holding increased from 50% on 30 March 2021.

The 1887 Company Limited holds the following investments either directly or indirectly:

Name of Company/ (registered address)	Holding	Proportion held at 31 March 2021	Nature of business
Subsidiary undertakings:			
Highland Distillers Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%	Distilling, blending, bottling, sales & marketing of Scotch Whisky
The Macallan Distillers Limited (The Macallan Distillery, Craigellachie, Banffshire, AB38 9RX)	Ordinary shares Preference shares	75% 100%	Distilling, sales and marketing of Scotch whisky
Edrington Korea Limited (5F, 570 Samsung-ro, Gangman-gu, Seoul 06163)	Ordinary shares	100%	Sale and distribution of alcoholic beverages



Notes to the Financial Statements (continued)

12 Investments (continued)

Name of Company/ (registered address)	Holding	Proportion held at 31 March 2021	Nature of business
Subsidiary undertakings (continued):			
Edrington Sweden AB (Luntmakargatan 46, 111, 37 Stockholm, Sweden)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
BB&R Spirits Limited (One, Fleet Place, London, England, EC4M 7WS)	Ordinary shares	100%	Dormant
Edrington Danmark A/S (Dronningens Tvaergade 9, 2 Copenhagen, 1302 Denmark)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington Finland OY (Firdonkatu T2 144 005200, Helsinki, Finland)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington Norge AS (Radhusgata 30B NO-0151, Oslo, Norway)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington Taiwan Limited (9F, No. 9 Songgao Road, Xinyi Dist., Taipei City, 11073 Taiwan)	Ordinary shares	87.5%	Sale and distribution of alcoholic beverages
Edrington Shanghai Limited (03, 10/F, Tower 2, Grand Gateway, No.1 Hong Qiao Road, Xuhui, Shanghai, China)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington Hong Kong Limited (Room 1020, 1209 A, 12F, Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Hong Kong)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington Singapore Pte Limited (12 Marina View Asia Square, Tower 2 Level 24-01, Singapore 018961)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
The Edrington Group USA, LLC (18 West 24th Street, 4th Floor, New York, NY10010, USA)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington European Travel Retail (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington Middle East and Africa (Makrasykas 1, KBC North, Office 201, Strovolos, 2034 Nicosia, Cyprus)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Highland Distribution Company Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%	Activities of distribution holding companies
Highland Distribution Holdings Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%	Activities of distribution holding companies
Highland Distribution Ventures Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%	Activities of distribution holding companies



Notes to the Financial Statements (continued)

12 Investments (continued)

Name of Company/ (registered address)	Holding	Proportion held at 31 March 2021	Nature of business
Subsidiary undertakings (continued):			
HS (Distillers) Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares Preference shares	75% 100%	Activities of holding companies
Highland Distribution Netherlands Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%	Activities of distribution holding companies
Highland Distillers Group Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%	Activities of holding companies
Macallan Property Development Company Limited (The Macallan Distillery Easter Elchies House, Craigellachie, Aberlour, Banffshire, AB38 9RX)	Ordinary shares	75%	Development of building projects
Highland Distillers Finance Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%	Dormant
James Grant & Company (Highland Park Distillery) Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%	Dormant
Macallan Property Company Limited (The Macallan Distillery Easter Elchies House, Craigellachie, Aberlour, Banffshire, AB38 9RX)	Ordinary shares	75%	Letting and operating of real estate
Matthew Gloag & Son Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%	Dormant
Edrington Mexico Ltd (Paseo de los Tamarindos 90, Piso 18, 05120, Cuajimalpa de Morelos, Ciudad de Mexico)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Importadora EMEX Ltd (Paseo de los Tamarindos 90, Piso 18, 05120, Cuajimalpa de Morelos, Ciudad de Mexico)	Ordinary shares	100%	Importer of alcoholic beverages
Servicios EMEX Ltd (Paseo de los Tamarindos 90, Piso 18, 05120, Cuajimalpa de Morelos, Ciudad de Mexico)	Ordinary shares	100%	Provision of employment services
Edrington (Malaysia) SDN BHD (Unit 30-01, Tower A, Vertical business suite, Ave 3, Bangsar South, No 8, Jalan Kerinchi, 59200 Kuala Lumpur)	Ordinary shares	100%	Sale and distribution of alcoholic beverages



Notes to the Financial Statements (continued)

12 Investments (continued)

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests	Profit allocated to non-controlling interests		Accumulated non-controlling interests	
			2021 £m	2020 £m	2021 £m	2020 £m
The Macallan Distillers Limited	UK	25%	24.0	41.3	232.6	207.1
1887 Company Limited	UK	30%	28.0	36.5	223.6	212.3
Brugal & Co., S.A.	Dominican Republic	37%*	12.6	10.4	21.8	33.9
Edrington Taiwan	Taiwan	12.5%	0.1	(0.2)	0.6	0.5
			64.7	88.0	478.6	453.8

* During the year a number of shares were bought back resulting in a reduction in the non-controlling interest.

Name of Company/(registered address)	Holding	Proportion held at 31 March 2021	Nature of business
Joint venture undertakings:			
Edrington-Beam Suntory UK Distribution Limited (191 West George Street, Glasgow, Scotland, G2 2LD)	Ordinary shares	50%	Sale and distribution of alcoholic beverages
Maxxium España SL (C/Mahonia, 2 – Planta 2, 28043 Madrid, Spain)	Ordinary shares	50%	Sale and distribution of alcoholic beverages
Denview Limited (t/a Maxxium Russia) (Timur Frunze 11, Building 1, Business Center “Demidov,” Moscow, 119021)	Ordinary shares	50%	Sale and distribution of alcoholic beverages
Maxxium Nederland BV (De Cuserstraat 89, 1081 CN Amsterdam, The Netherlands)	Ordinary shares	50%	Sale and distribution of alcoholic beverages
Maxxium Rus (Timur Frunze 11, Building 1, Business Center “Demidov,” Moscow, 119021)	Ordinary shares	50%	Sale and distribution of alcoholic beverages
Maxxium Worldwide BV (Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands)	Ordinary shares	50%	Activities of holding companies
Maxxium Cyprus Limited Diomidous 10, Alphamega Akropolis Building, 3rd Floor, Office 401, 2024, Nicosia, Cyprus	Ordinary shares	50%	Sales and distribution of alcoholic beverages



Notes to the Financial Statements (continued)

12 Investments (continued)

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

	2021 £m	2020 £m
Income Statement		
Revenue (before elimination of group transactions with joint ventures)	279.0	303.7
Profit before interest and taxation	9.7	10.5
Interest and other finance costs	0.2	(1.5)
Taxation	(1.9)	(2.1)
Group's share of profit for the year	8.0	6.9
Less dividends paid	(3.1)	(5.3)
	4.9	1.6
Statement of Financial Position		
Non-current assets	18.5	19.6
Current assets	207.2	220.8
	225.7	240.4
Current liabilities	(155.1)	(164.0)
Non-current liabilities	(6.9)	(6.1)
	(162.0)	(170.1)
Group's share of net assets	63.7	70.3

13 Inventories

Group	2021 £m	2020 £m
Raw materials	5.1	0.6
Scotch whisky	622.4	580.5
Rum	17.4	18.9
Packaging materials	21.1	18.5
Other inventory	1.4	0.9
	667.4	619.4

Within total inventory £510.2m relates to inventory which will be realised in greater than one year (2020: £514.6m.)



Notes to the Financial Statements (continued)

14 Assets held for sale

Group	2021 £m	2020 £m
Maxxium Worldwide BV	0.7	0.8

15 Trade and other receivables

	Company		Group	
	2021 £m	2020 £m	2021 £m	2020 £m
Amounts falling due within one year:				
Trade receivables	-	-	59.6	125.3
Less: Expected credit loss	-	-	(3.8)	(8.4)
Trade receivables – net	-	-	55.8	116.9
Amounts due from group undertakings	0.2	3.3	-	-
Amounts due from joint ventures (note 31)	-	-	18.0	33.6
Prepayments and accrued income	0.4	-	22.4	20.0
	0.6	3.3	96.2	170.5
Corporation tax and group relief receivable	0.2	-	4.9	9.7
	0.8	3.3	101.1	180.2

Credit terms vary across markets from cash in advance to 180 days and reflect customary practice within markets. In certain markets credit insurance reduces or eliminates the risk and this has been reflected within the expected credit loss calculation.

No interest is charged on outstanding trade receivables.

The Group measures the loss allowance for trade receivables at an amount equal to a lifetime expected credit loss (ECL). The expected credit loss on trade receivables is estimated using a provision matrix by reference to past default experience on the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group has recognised an aggregate loss allowance of 6.3% in the year and 6.7% in the prior year.

The Group only writes off trade receivables when there is information that the debtor is in financial distress (liquidation or bankruptcy) and there is no prospect of recovery.



Notes to the Financial Statements (continued)

15 Trade and other receivables (continued)

The following table details the risk profile of trade receivables based on the Group's provision matrix:

Group	Not past due £m	<30 £m	Trade receivables – days past due			Total £m
			31-60 £m	61-90 £m	>90 £m	
31 March 2021						
Expected credit loss rate	0.5%	1.5%	17.7%	38.3%	73.6%	6.3%
Expected total gross carrying amount at default	49.9	3.4	2.1	0.1	4.1	59.6
Lifetime ECL	0.24	0.05	0.38	0.05	3.05	3.8
31 March 2020						
Expected credit loss rate	0.8%	2.8%	23.6%	49.3%	69.4%	6.7%
Expected total gross carrying amount at default	97.5	12.9	5.2	3.4	6.3	125.3
Lifetime ECL	0.76	0.36	1.23	1.68	4.37	8.4

The company has not recognised a loss allowance on intercompany loans on the basis that the counterparties to the loans have access to sufficient funds via a committed revolving credit facility.

16 Trade and other payables

	Company		Group	
	2021 £m	2020 £m	2021 £m	2020 £m
Current				
Trade payables	-	-	39.5	50.0
Amounts due to group undertakings	88.8	73.9	-	-
Amounts due to joint ventures (note 31)	-	-	6.8	22.5
Accruals and other payables	-	3.7	124.3	137.4
Other taxes and social security costs	-	-	14.0	13.3
Corporation tax payable	-	-	12.1	15.9
Deferred consideration	-	-	-	8.0
	88.8	77.6	196.7	247.1
Non Current				
Accruals and other payables	-	-	0.3	0.4
	-	-	0.3	0.4

The tables in Note 18 analyse the Group and Company's financial liabilities into the relevant maturity.



Notes to the Financial Statements (continued)

17 Borrowings

	Company		Group	
	2021 £m	2020 £m	2021 £m	2020 £m
Current				
Bank overdraft	-	-	26.4	21.6
Bank borrowings	-	-	20.0	24.3
Other external borrowings	-	-	6.0	-
Private placements	-	-	163.1	-
Total Current Borrowings	-	-	215.5	45.9
Non-current				
Bank borrowings	-	29.8	142.3	154.0
Private placements	-	-	338.4	521.5
Total Non-current Borrowings	-	29.8	480.7	675.5
Total Borrowings	-	29.8	696.2	721.4

Bank overdrafts are on demand facilities or committed facilities with a maturity date to March 2022. Interest on bank overdrafts is linked to LIBOR, the currency equivalent of LIBOR or the issuing banks benchmark rate. Overdraft facilities are generally multi currency facilities.

UK Bank Borrowings are denominated in GBP and borrowings in overseas entities are generally drawn down in the local currency with the exception of a euro loan in the Dominican Republic.

At 31 March 2021 The 1887 Company Limited had a US private placement with debt denominated in USD of \$225m repaid in April 2021 and at a fixed interest rate of 5.01% and four sterling denominated private placements totalling £340m with maturities ranging from 2025 to 2034 at fixed interest rates of 2.84%, 2.91%, 2.96% and 3.21%. The 1887 Company uses cross currency swaps to hedge the foreign currency risk on the dollar denominated debt, these swaps are designated as cash flow hedges.

Amortisation of deferred arrangement fees is recorded within the finance costs line in the income statement.

With the exception of the long term fixed private placement debt the book value of borrowings equates to the fair value as the outstanding bank debt is short term in nature and at floating market rates. The fair value of the long term fixed debt, calculated on a discounted cash flow basis, as at 31 March 2021 was £581.1m (2020: £613.6m).

Borrowings of the Group are secured by guarantees and floating charges over some of the assets of the Group. Certain of the borrowings include cross default provisions and negative pledges.

The Group has guaranteed bank borrowings for distribution companies totalling £17.2m (2020: £27.6m).

	2021 £m	2020 £m
The Group had available undrawn committed bank facilities as follows:		
Expiring between one and two years	50.0	-
Expiring after two years	215.0	169.0
	265.0	169.0



Notes to the Financial Statements (continued)

17 Borrowings (continued)

The facilities can be used for general corporate purposes. There are no financial covenants on the Group's material short term borrowings.

The following table shows the bank covenants applicable as at 31 March 2021.

	Bank Debt	Private Placement Debt
Net Debt: EBITDA	< 4.0 times	< 4.0 times
EBITDA: Net Interest	> 3.0 times	n/a
EBIT: Net Interest	n/a	> 3.0 times

Any non-compliance with covenants could, if not waived, constitute an event of default with respect to any such arrangement, and may, in particular circumstances lead to an acceleration of the maturity on certain borrowings. Edrington was in full compliance with its financial covenants throughout each of the years presented.

	Company		Group	
	2021 £m	2020 £m	2021 £m	2020 £m
Borrowings will mature as follows:				
Within one year	-	-	215.5	45.9
Between one and two years	-	-	16.1	181.0
Between two and five years	-	29.8	224.8	154.8
Beyond five years	-	-	239.8	339.7
	-	29.8	696.2	721.4

18 Risk management

Market risk

The Group's funding, liquidity and exposure to foreign currency and interest rate risks are managed by the Group's treasury department. The treasury department use a range of financial instruments to manage the underlying risks. Treasury operations are conducted within a framework of board approved policies and guidelines, which are recommended and monitored by the Treasury Committee, chaired by the Chief Financial Officer. All transactions in derivative financial instruments are undertaken to manage risks arising from underlying business activities. The Group does not use derivatives for speculative purposes.

Currency risk

Foreign exchange risk management

The Group undertakes transactions denominated in foreign currencies and is therefore exposed to foreign exchange risk.

Foreign exchange contracts

It is the Group policy to enter into derivative contracts to manage the risk associated with anticipated sales and purchase transactions out to 24 months.

The Group implements a rolling policy which ensures that by the end of the current year, as a minimum, 50% of anticipated currency contribution (excluding GBP) will be hedged within the next 12 months and 20% in the following 12 months.

Refer to Note 20 for further detail on derivatives outstanding as at 31 March 2021.



Notes to the Financial Statements (continued)

18 Risk management (continued)

Interest rate risk

The 1887 Company has a substantial element of fixed debt issued through US Private Placement with maturities ranging from 2021 to 2034. The remainder of the Group debt is bank debt at floating rates. The Group interest rate policy is to fix up to a maximum of 90% of planned debt primarily through the issuance of fixed debt in the private placement market. Interest rate derivatives are used to swap debt from floating to fixed and designated as cash flow hedges.

The following table shows the split of debt between fixed and floating at each reporting date including the impact of interest rate derivatives and cross currency swaps.

	2021 £m	2020 £m
Fixed rate debt	531.8	582.6
Floating rate debt	164.4	138.8
	696.2	721.4

The average interest rate across the portfolio of debt including the impact of derivatives is 3.14% (2020: 3.18%).

The Group as at 31 March 2021 had no derivatives with exposure to LIBOR benchmark rates.

During the year to March 2021 the Group set up an IBOR transition programme comprised of the following work streams: risk management, tax, treasury, legal, accounting and systems.

The Group has closely monitored the market and the output from the various industry working groups managing the transition to the new benchmark interest rates. This includes announcements made by LIBOR regulators (including the Financial Conduct Authority (FCA) and the US Commodity Futures Trading Commission) regarding the transition away from LIBOR (including GBP LIBOR to the Sterling Overnight Index Average Rate (SONIA)). The FCA has announced that at the end of 2021 it will no longer seek to persuade or compel banks to submit to LIBOR.

The IBOR transition programme is under the governance of the Corporate Treasurer who reports to the Director of Finance. In the year to March 2021 the transition team have identified the contracts in scope, have sought guidance via external legal representation and have agreed that documentation will be negotiated and updated by December 2021.

With the exception of newly issued EUR denominated debt in Brugal, none of the Group's current LIBOR linked contracts include adequate and robust fall back provisions for a cessation of the referenced benchmark interest rate. Various industry groups are working on fall back language for different instruments and IBORs, which the Group has been monitoring closely and will look to implement these through 2021.

For the Group's derivatives, the International Swaps and Derivatives Association's (ISDA) fall back clauses were made available at the end of 2019. Currently the Group has no exposure to LIBOR linked derivatives however, the fall back clauses will in due course be incorporated in the ISDA documentation to ensure there are no restrictions to access products in the foreseeable future.

For the Group's floating rate debt, the Group will look to commence discussions over the coming months, with the appointed agent (Royal Bank of Scotland) for The 1887 Company Revolving Credit Facility, to amend the multi-currency facility documentation, so that the reference benchmark interest rate will reflect the appropriate IBOR replacement. The Group aims to finalise this amendment in the second half of 2021.

The Group has no exposure at present to any hedging instruments and hedged items in scope of the IFRS 9/IAS 39 amendments.



Notes to the Financial Statements (continued)

18 Risk management (continued)

The Group will continue to apply the amendments to IFRS9/IAS39 until the uncertainty arising from the interest rate benchmark reforms, with respect to the timing and the amount of the underlying cash flows that the Group is exposed to. The Group has assumed that this uncertainty will not end until the Group's contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced and the subsequent impact of the alternative benchmark rate and the relevant spread adjustment to the cash flows have been incorporated. This will, in part, be dependent on the introduction of fall back clauses, which have yet to be added to the Group's contracts and negotiated with lenders.

The following table details the Group's sensitivity to a 10% increase and decrease in currency rates and a 10bps increase and decrease in interest rates and the impact on profit and loss and equity. The 10% sensitivity rate applied to foreign currency and 10bps movement applied to interest represents management's assessment of the reasonably possible change on foreign exchange rates and interest rates within a 12 month period. The sensitivity analysis is based on outstanding foreign currency denominated monetary items and interest bearing debt on the balance sheet as at 31 March 2021, adjusted for a 10% movement in foreign currency rates or 10bps movement in interest rates, to quantify the impact over a 12 month period. The sensitivity analysis to movements in foreign currency rates and interest rates takes account of the impact of financial derivatives.

The results of the sensitivity analysis should not be considered as projections of likely future events, or gains or losses as actual results may differ materially as a result of developments in global financial markets impacting exchange rates and interest rates.

	Impact on income statement gain/(loss)		Impact on comprehensive income gain/(loss)	
	2021 £m	2020 £m	2021 £m	2020 £m
10% weakening of sterling	7.9	10.7	1.0	6.1
10% strengthening of sterling	(6.2)	(8.5)	(0.8)	(5.0)
10bps increase in interest rates	(0.2)	(0.1)	-	-
10bps decrease in interest rates	0.2	0.1	-	-

Capital risk

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance. The Group's overall strategy remains unchanged from 2020.

The capital structure of the Group consists of net debt (disclosed in Note 25) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests) as detailed in the Statement of Changes in Equity.

The Group is not subject to any externally imposed capital requirements.

The board reviews the capital structure annually. The Group has a target leverage ratio of less than 2.5x determined as the proportion of net debt to EBITDA. The leverage ratio at 31 March 2021 of 1.7 was within the target range.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises on cash balances, derivative financial instrument and credit exposures to customers.

The carrying amount of financial assets represents the Group's exposure to credit risk at the balance sheet date.



Notes to the Financial Statements (continued)

18 Risk management (continued)

Credit risk is managed through application of risk management policies approved and monitored by the board. Financial credit risk is managed by limiting counterparties to major banks and financial institutions primarily with a long term credit rating within the A band. The Group's policy is to spread the risk by using a number of banks to avoid significant concentrations of credit risk.

Trade and other receivable exposures are managed locally in the operating units where they arise, and credit limits are set as deemed appropriate for the customer. A small proportion of customers, including those 3rd parties shipped directly from the UK and the majority of European Travel Retail and EMEA customers are covered by credit insurance.

Reconciliation of financial instruments

	Fair value through Profit or loss £m	Amortised cost £m	Total £m	Current £m	Non- Current £m
31 March 2021					
Financial assets					
Trade and other receivables	-	96.2	96.2	96.2	-
Cash and liquid resources	70.0	250.0	320.0	320.0	-
Derivatives in a hedge relationship	24.2	-	24.2	23.9	0.3
Derivatives not classified as hedges	1.9	-	1.9	1.6	0.3
	96.1	346.2	442.3	441.7	0.6
Financial liabilities					
Trade and other payables	-	(170.9)	(170.9)	(170.6)	(0.3)
Borrowings	-	(696.2)	(696.2)	(215.5)	(480.7)
Derivatives in a hedge relationship	(0.2)	-	(0.2)	(0.2)	-
Derivatives not classified as hedges	(1.7)	-	(1.7)	(1.6)	(0.1)
	(1.9)	(867.1)	(869.0)	(387.9)	(481.1)
	94.2	(520.9)	(426.7)	53.8	(480.5)



Notes to the Financial Statements (continued)

18 Risk management (continued)

31 March 2020	Fair value through Profit or loss £m	Amortised cost £m	Total £m	Current £m	Non- Current £m
Financial assets					
Trade and other receivables	-	125.3	125.3	125.3	-
Cash and liquid resources	110.0	158.8	268.8	268.8	-
Derivatives in a hedge relationship	41.2	-	41.2	0.1	41.1
Derivatives not classified as hedges	(0.1)	-	(0.1)	(0.1)	-
	151.1	284.1	435.2	394.1	41.1
Financial liabilities					
Trade and other payables	-	(218.3)	(218.3)	(217.9)	(0.4)
Borrowings	-	(722.3)	(722.3)	(46.8)	(675.5)
Derivatives in a hedge relationship	(5.3)	-	(5.3)	(3.6)	(1.7)
Derivatives not classified as hedges	(7.1)	-	(7.1)	(6.9)	(0.2)
	(12.4)	(940.6)	(953.0)	(275.2)	(677.8)
	138.7	(656.5)	(517.8)	118.9	(636.7)

19 Liquidity risk

Liquidity risk is the risk that the Group cannot meet its obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

The following table provides an analysis of the anticipated contractual cash flows for the Group's financial liabilities including derivative instruments on an undiscounted basis.

Where interest rate payments are on a floating rate basis, rates of each cash flow until maturity of the instruments are calculated based on the forward yield curve prevailing at 31 March 2021 and 31 March 2020.

The gross cash outflows in relation to derivative financial liabilities are presented for the purposes of this table, although in practice, the Group uses netting arrangements to reduce its liquidity requirements on these instruments. The Group has entered into master netting agreements with the following counterparties; Royal Bank of Scotland, NatWest, HSBC, Lloyds, SEB, Barclays and Clydesdale Bank. Derivatives subject to offsetting, master netting agreements and any collateral pledged or received are presented below.



Notes to the Financial Statements (continued)

19 Liquidity risk (continued)

Contractual cash flows

31 March 2021	Notes	2022 £m	2023 £m	2024 £m	2025 £m	2026 £m	2027 and thereafter £m	Total £m
Loans and other borrowings	(i)	(216.1)	(16.9)	(2.9)	(112.9)	(109.5)	(240.0)	(698.3)
Interest on borrowings	(ii)	(14.3)	(10.2)	(10.2)	(10.2)	(8.8)	(37.2)	(90.9)
Payables		(170.6)	(0.3)	-	-	-	-	(170.9)
Non-derivative financial liabilities		(401.0)	(27.4)	(13.1)	(123.1)	(118.3)	(227.2)	(960.1)
Amounts payable under foreign exchange contracts		(34.2)	(12.7)	-	-	-	-	(46.9)
Derivative instruments		(34.2)	(12.7)	-	-	-	-	(46.9)

31 March 2020	Notes	2021 £m	2022 £m	2023 £m	2024 £m	2025 £m	2026 and thereafter £m	Total £m
Loans and other borrowings	(i)	(46.4)	(181.5)	(30.0)	-	(126.0)	(340.0)	(723.9)
Interest on borrowings	(ii)	(19.3)	(14.7)	(10.2)	(10.2)	(10.2)	(31.5)	(96.1)
Payables		(217.9)	(0.4)	-	-	-	-	(218.3)
Non-derivative financial liabilities		(283.6)	(196.6)	(40.2)	(10.2)	(136.2)	(371.5)	(1,038.3)
Gross amounts payable under foreign exchange contracts		(201.3)	(43.0)	(0.7)	-	-	-	(245.0)
Amounts payable on interest rate swaps		(0.5)	-	-	-	-	-	(0.5)
Derivative instruments		(201.8)	(43.0)	(0.7)	-	-	-	(245.5)

(i) For the purpose of these tables above, borrowings are defined as gross borrowings excluding fair value derivative instruments.

(ii) Interest on borrowings represents the gross interest payable on private placement denominated in GBP, in USD at prevailing spot rate and on fixed bank debt in DOP and EUR at prevailing spot rate.



Notes to the Financial Statements (continued)

20 Derivative financial instruments

Fair value hierarchy

Fair value measurements of financial instruments are presented through use of a three level fair value hierarchy that prioritises the valuation techniques used in fair value calculations.

- Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3:** inputs for the asset or liability are not based on observable market data.

Cash flow hedges

Interest rate swaps

The Group uses interest rate swaps to fix the cash flows payable under issued floating rate borrowings.

At the end of the reporting period the total notional amount of outstanding interest rate swap contracts to which the Group is committed is £nil (2020: £ 50.0m). Changes in the fair value of derivatives that are designated as and are effective cash flow hedges amounting to £nil (2020: £0.3m loss) have been recognised in the cash flow hedge reserve. A net gain of £0.5m (2020: £0.2m gain) has been transferred out of the cash flow hedge reserve to the income statement.

Cross currency swaps

The Group uses cross currency swaps to hedge cash flows on fixed rate debt denominated in foreign currencies.

At the end of the reporting period the total notional amount of outstanding cross currency swap contracts to which the Group is committed is £142.0m (2020: £142.0m). Changes in the fair value of derivatives that are designated as and are effective cash flow hedges amounting to £18.7m loss (2020: £15.2m gain) have been recognised in the cash flow hedge reserve. A net gain of £17.5m (2020: £9.9m loss) has been transferred out of the cash flow hedge reserve to the income statement.

Foreign exchange forward contracts

The Group uses foreign exchange forward contracts to manage the transactional foreign exchange risk associated with anticipated sales and purchase transactions out to 24 months. Consistent with prior periods, when a forward contract is designated in a cash flow hedge relationship, the Group has designated the change in fair value of the entire forward contract, i.e. including the forward element, as the hedging instrument.

At the end of the reporting period the total notional amount of outstanding forward foreign exchange contracts to which the Group is committed is £142.1m (2020: £304.5m). Changes in the fair value of derivatives that are designated as and are effective cash flow hedges amounting to £5.9m (2020: £2.6m) have been recognised in the cash flow hedge reserve. A net gain of £0.8m (2020: £2.9m gain) has been transferred out of the cash flow hedge reserve to the income statement.

Financial instruments not qualifying for hedge accounting

The Group's policy does not permit the use of derivatives for trading purposes. However, some derivatives do not qualify for hedge accounting, or are specifically not designated as a hedge where gains and losses on the hedging instrument and the hedged item naturally offset in the statement of comprehensive income.

These instruments include foreign exchange forward contracts and average basket rate options to hedge transactional exposures denominated in foreign currencies. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement. Changes in the fair value of derivatives not designated as hedges at 31 March 2021 had a net £7.2m impact on finance costs.



Notes to the Financial Statements (continued)

20 Derivative financial instruments (continued)

Derivative financial instruments – carrying value

Group	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Current:				
Hedging derivatives - cash flow hedges				
- Foreign exchange rates	2.4	(0.2)	0.1	(3.1)
- Cross currency swaps	21.5	-	-	-
- Interest rate swaps	-	-	-	(0.5)
Non-hedging derivatives				
- Foreign exchange rate – at fair value through P&L	1.6	(1.6)	(0.1)	(6.9)
Total current	25.5	(1.8)	-	(10.5)
Non-current:				
Hedging derivatives - cash flow hedges				
- Foreign exchange rates	0.3	-	-	(1.7)
- Cross currency swaps	-	-	41.1	-
Non-hedging derivatives				
- Foreign exchange rate – at fair value through P&L	0.3	(0.1)	-	(0.2)
Total non-current	0.6	(0.1)	41.1	(1.9)
	26.1	(1.9)	41.1	(12.4)

All fair values are level 2, based on discounted cash flows using quoted market prices for interest rates and exchange rates.



Notes to the Financial Statements (continued)

20 Derivative financial instruments (continued)

The following table sets out the maturity profile, average interest rates and foreign currency exchange rates of the hedging instruments used in the Group's cash flow hedging strategies.

31 March 2021	Up to one year	Maturity One to five years	More than five years
Cash flow hedges			
<i>Foreign exchange risk</i>			
Cross currency swaps (GBP:USD)			
- Notional amount (£m)	142.0	-	-
- Average interest rate (pay)	5.46%	-	-
- Average exchange rate	1.585	-	-
Foreign exchange forward contracts (GBP:USD)			
- Notional amount (£m)	32.7	7.5	-
- Average exchange rate	1.280	1.313	-
Foreign exchange forward contracts (GBP:EUR)			
- Notional amount (£m)	15.7	4.3	-
- Average exchange rate	1.102	1.100	-
Foreign exchange forward contracts (EUR:GBP)			
- Notional amount (£m)	29.2	13.2	-
- Average exchange rate	1.131	1.134	-

Hedge ineffectiveness resulting from cash flow hedging in the year was immaterial. The principal potential source of ineffectiveness has been identified as periodic (credit) valuation adjustments made to the hedging instruments when marked-to-market which are not reflected in the periodic repricing of the associated hedged items. A change in the timing of the cash flows of a designated hedged item and/or a reduction in the volume of hedged item occurring subsequent to having been designated in a cash flow hedging relationship have also been identified as potential sources of ineffectiveness. Historically, such adjustments have not resulted in significant hedge ineffectiveness and are similarly not expected to generate significant ineffectiveness in future reporting periods.

As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements.

Since 100% of the notional amount of the hedging instruments are designated against the equivalent principal amount of the associated hedged items, the hedge ratio for all live hedges is 1:1.



Notes to the Financial Statements (continued)

21 Deferred tax

Group	Cash flow hedges £m	Accelerated tax depreciation £m	Intangible assets £m	Retirement benefit obligations £m	Withholding tax on distributable reserves £m	Other temporary differences £m	Property revaluation £m	Tax losses £m	Total £m
At 1 April 2019	1.6	(38.8)	(65.1)	(0.6)	(4.9)	23.2	(1.5)	0.9	(85.2)
Charge to income statement	-	(8.3)	(9.4)	(3.4)	1.2	2.5	-	(1.0)	(18.4)
Charge to other comprehensive income	(0.8)	-	-	(5.5)	-	-	-	-	(6.3)
At 31 March 2020	0.8	(47.1)	(74.5)	(9.5)	(3.7)	25.7	(1.5)	(0.1)	(109.9)
Reclassification of balances	(0.1)	-	3.0	0.1	0.2	(3.0)	(0.2)	-	-
Acquisition	-	-	-	-	-	(0.1)	-	-	(0.1)
Charge to income statement	(0.1)	(3.8)	-	(1.5)	1.3	4.0	-	-	(0.1)
Charge to other comprehensive income	(1.2)	-	-	8.8	-	-	0.5	-	8.1
FX retranslation of opening balances	-	-	-	-	-	(1.2)	-	-	(1.2)
At 31 March 2021	(0.6)	(50.9)	(71.5)	(2.1)	(2.2)	25.4	(1.2)	(0.1)	(103.2)

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

	2021 £m	2020 £m
Deferred tax asset	43.8	40.1
Deferred tax liability	(147.0)	(150.0)
	(103.2)	(109.9)

Unrecognised deferred tax assets:

	2021 £m	2020 £m
Tax losses (capital in nature)	2.5	2.6
Tax losses (revenue in nature)	1.2	0.1



Notes to the Financial Statements (continued)

21 Deferred tax (continued)

Company	Withholding tax on distributable reserves £m
At 1 April 2019	(3.4)
Charge to income statement	0.4
At 31 March 2020	(3.0)
Charge to income statement	1.2
At 31 March 2021	(1.8)

The company has an unrecognised deferred tax asset of £0.4m which is revenue in nature.

UK corporation tax rate changes

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax liability at 31 March 2021 has been calculated at 19% (2020: 19%).

In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have increased by £34.7m.

22 Called up share capital

Group and Company	2021 No.	2020 No.
Called up, allotted and fully paid:		
'A' ordinary equity shares of 10p each	550,000	550,000
'B' ordinary equity shares of 10p each	62,725,042	62,725,042
	2021 £m	2020 £m
'A' ordinary equity shares of 10p each	0.1	0.1
'B' ordinary equity shares of 10p each	6.2	6.2
	6.3	6.3

The 'A' ordinary shares carry 500 votes per share on a poll. In the event of a proposed resolution (i) to sanction a reduction of capital, (ii) to wind up the Company, (iii) to sanction a sale, transfer or other disposal of any part of the Company's undertaking or (iv) directly affecting the rights and privileges attaching to the 'B' ordinary shares, the passing of such resolution shall only be valid if either (a) the holders of at least one half in nominal value of the 'B' ordinary shares provide their consent thereto in writing or (b) an ordinary resolution is passed at a separate general meeting of the 'B' shareholders sanctioning the relevant matter. Dividends are paid according to the amount paid up per share. On a winding up, subject to the Articles and with the sanction of a special resolution of the Company, a liquidator may value any assets and determine how such assets shall be divided between the members or different classes of members.

In the year, no shares were repurchased and cancelled by the Company (2020: £nil).



Notes to the Financial Statements (continued)

23 Reserves

The retained earnings reserve includes the reserves of The Edrington Group Limited Employee Benefit Trust amounting to £50.6m (2020: £52.2m). 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.

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 holds 2,368,668 'B' ordinary shares (2020: 2,284,711 shares) with a cost of £24.1m (2020: £29.6m). During the year to 31 March 2020 the Employee Benefit Trust sold 527,292 shares to Suntory Holdings Limited.

The ShareReward Scheme was withdrawn for the current performance year, therefore the charge to the Group consolidated income statement this year was £nil (2020: £3.6m).

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 2021 the Employee Benefit Trust held a further 47,363 (2020: 53,634) 'B' ordinary shares in its own name as security against employee loans of £0.1m (2020: £0.1m).

Share premium

Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

Merger reserve

This reserve arose as a result of a Group reconstruction. This represents the issued share capital and share premium amount in the Company's subsidiary undertaking.

Capital reserve

This reserve represents the Group's long-term capital investment projects or any other large and anticipated expense(s) that will be incurred in the future.

Capital redemption reserve

This reserve represents the extent of the nominal value of shares that are repurchased and cancelled, to maintain capital.



Notes to the Financial Statements (continued)

23 Reserves (continued)

Revaluation reserve

Subsequent to initial recognition, an item of property, plant and equipment and, in certain circumstances, an intangible asset, may be revalued to fair value. The revaluation surplus is recognised in equity, unless it reverses a decrease in the fair value of the same asset, which was previously recognised as an expense, in which case it is recognised in the income statement.

Liability for share based payments

Share based payments include share awards and options granted to directors and employees. This reserve represents shares to be issued on potential exercise of those share options that have been accounted for under IFRS 2 Share based payments.

Retained earnings

Retained earnings reflect the Company's accumulated earnings less dividends paid and payable.

Cash flow hedge reserve

This reserve represents the effective portion of gains and losses, net of tax, arising from the revaluation of a financial instrument designated as a cash flow hedge. The effect of this is to protect the income statement from short term volatility when all hedges are effective and qualify for hedge accounting treatment.

24 Cash flow hedge reserve

	Group Cashflow hedge reserve £m	Group Cost of hedging reserve £m
Balance at 31 March 2020	(3.8)	0.1
Gain/(loss) arising on changes in fair value of hedging instruments (cash flow hedges)		
- Forward foreign exchange contracts	5.9	-
- Cross currency swaps	(18.7)	-
Changes in fair value of the foreign currency basis spread in relation to transaction related hedged items during the period		
- Cross currency swaps	-	(0.1)
Cumulative gain arising on changes in fair value of hedging instruments reclassified to income statement		
- Forward foreign exchange contracts	0.8	-
- Cross currency swaps	17.5	-
- Interest rates swaps	0.5	-
Total movement in cash flow hedge reserve	6.0	(0.1)
Balance at 31 March 2021	2.2	-



Notes to the Financial Statements (continued)

25 Analysis of net debt

	At 1 April 2020 £m	Net cash flow £m	Non cash movement £m	At 31 March 2021 £m
Cash and liquid resources (net of bank overdraft)	247.2	46.4	-	293.6
Current asset investments	0.8	-	(0.1)	0.7
	248.0	46.4	(0.1)	294.3
Lease liabilities	(30.3)	6.7	(1.7)	(25.3)
Bank loans	(178.3)	16.0	-	(162.3)
Private placement debt	(521.5)	-	20.0	(501.5)
Other borrowings	-	(6.0)	-	(6.0)
Total liabilities from financing activities	(730.1)	16.7	18.3	(695.1)
Total net debt	(482.1)	63.1	18.2	(400.8)

Included within the Group's cash and liquid resources is £8.0m (2020: £25.6m) which is held by the Group's Employee Benefit Trust. These funds are restricted and are not available to circulate within the Group on demand.

Reconciliation of net cash flow to movement in net debt

	2021 £m	2020 £m
Increase in cash in hand in the year	46.4	94.4
Cash flow from debt financing	16.7	(63.0)
Change in net debt resulting from cash flows	63.1	31.4
Non cash movement in current asset investments	(0.1)	(0.2)
Other non cash movements	(1.7)	(5.4)
Exchange adjustment	20.0	(9.4)
Movement in net debt in year	81.3	16.4
Net debt at the beginning of the year	(482.1)	(498.5)
Net debt at the end of the year	(400.8)	(482.1)



Notes to the Financial Statements (continued)

26 Share based payments

Equity-settled share option scheme

The Company operates two share schemes for employees – a ShareSave scheme and a ShareReward scheme. The Group recognised total expenses of £0.3m (2020: £4.1m) relating to equity-settled share based payment transactions in the year to 31 March 2021.

The ShareSave scheme is a share option scheme for all employees of the Group. Options are exercisable at the market price of The Edrington Group's shares on the date of grant, less a discount of 20%, as estimated by an independent external valuation specialist. 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 at the balance sheet date are as follows:

	2021		2020	
	Number of share options	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)
Outstanding at 1 April	477,629	£17.65	476,955	£16.19
Granted during the year	-	£0.00	156,334	£19.76
Exercised during the year	(171,729)	£15.31	(132,584)	£15.06
Forfeited during the year	(23,225)	£18.94	(23,076)	£16.56
Outstanding at 31 March	282,675	£18.97	477,629	£17.65

The weighted average share price at the date of exercise for share options exercised during the period was £15.31 (2020: £15.06). The options outstanding at 31 March 2021 had a weighted average exercise price of £18.97 (2020: £17.65), and a weighted average remaining contractual life of 1.5 years (2020: 2 years). The fair value of the options granted on 1 April 2020 was £nil (on 1 April 2019: £0.6m).

The fair value of shares and options granted is calculated at grant date using the Black-Scholes model. The inputs into the Black-Scholes model are as follows:

Grant date	1 April 2020	1 April 2019	1 April 2018
Share price at grant date	N/a*	£24.70	£22.67
Exercise price at grant date	N/a*	£19.76	£18.14
Expected volatility	13%	11%	8%
Expected life	3 years	3 years	3 years
Risk free rate	0.7%	0.7%	0.9%
Expected dividend yield	0.0%	1.7%	1.9%

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

* There was no new ShareSave Scheme in the current financial year.

Share Reward disclosure requirements

The ShareReward scheme allows eligible employees to be awarded shares to the value of a common percentage of their earnings, dependent on the performance of the Group up to a maximum of 10% of annual salary. The shares awarded are held in trust for five years. The ShareReward scheme did not operate in the current year but did operating in the prior year where targets were fully met.



Notes to the Financial Statements (continued)

27 Retirement benefits

	2021 £m	2020 £m
Defined benefit surplus in principal subsidiaries	13.4	52.9
Other defined benefit liabilities	(1.1)	(2.7)
Other post-retirement benefits	(2.1)	(2.1)
Total retirement benefit surplus	10.2	48.1

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 February 2008. On 31 October 2014 the schemes were closed to future accrual. 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 based on regular valuations using the projected unit method. In addition, for new employees, the Group also provides a defined contribution scheme.

The most recent actuarial valuations of the defined benefit pension schemes and other post-retirement benefits were undertaken at 6 April 2019. All valuations were performed by independent, professionally qualified actuaries.

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

The major assumptions used by the actuary were as follows:

	2021	2020
Rate of increase of pensions in payment	2.25%-3.65%	1.75%-3.4%
Discount rate	2.10%	2.35%
Inflation assumption (RPI/CPI)	3.30%-2.70%	2.65%-1.85%

The post retirement mortality assumptions used to value the benefit obligation at 31 March 2021 were those of the S3 series actuarial index, adjusted by 94% (2020: 94%) for both males and females, plus an allowance for 'CMI 2019 with a long term improvement rate of 1.5%'. In 2015, as permitted by scheme rules, the company has linked the deferred pension valuation in excess of Guaranteed Minimum Pension to CPI. Inflation-linked pension increases continue to be based on RPI.

Assumed life expectancy for scheme members currently aged 65 is 22.8 years for males, and 24.6 years for females, and for members currently aged 45 is expected to be 24.5 years (male) and 26.4 years (female) upon reaching 65.



Notes to the Financial Statements (continued)

27 Retirement benefits (continued)

The assets in the schemes were:

	2021 Value £m	2020 Value £m
Bonds	160.5	160.4
Cash	10.3	22.1
Insured pensions	133.9	131.5
Growth fund	11.4	9.6
Illiquid debt	67.6	70.3
Total market value of assets	383.7	393.9
Present value of scheme liabilities	(370.3)	(341.0)
Surplus in pension schemes	13.4	52.9

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

	2021 £m	2020 £m
GMP equalisation	(0.3)	-
	(0.3)	-

Analysis of net income to finance income/ (costs)

	2021 £m	2020 £m
Expected return on pension schemes assets	9.2	8.5
Interest on pension liabilities	(7.8)	(8.2)
Net income to finance income (note 4)	1.4	0.3

Analysis of amount recognised in other comprehensive income (OCI)

	2021 £m	2020 £m
Actual return less expected return on assets	(11.1)	16.2
Experience losses on liabilities	(0.4)	(5.4)
Changes in assumptions	(34.7)	20.6
Actuarial (loss)/gain recognised in the OCI	(46.2)	31.4



Notes to the Financial Statements (continued)

27 Retirement benefits (continued)

	2021 £m	2020 £m
Reconciliation of fair value of scheme assets		
Opening fair value of scheme assets	393.9	369.5
Expected return on assets	9.2	8.5
Employers' contributions	5.6	14.1
Actuarial (losses)/gains	(11.1)	16.2
Benefits paid	(13.9)	(14.4)
Closing fair value of scheme assets	383.7	393.9

	2021 £m	2020 £m
Reconciliation of defined benefit obligation		
Opening defined benefit obligation	(341.0)	(362.4)
Past service cost including curtailment	(0.3)	-
Interest cost	(7.8)	(8.2)
Actuarial (losses)/gains	(35.1)	15.2
Benefits paid	13.9	14.4
Closing defined benefit obligation	(370.3)	(341.0)

The actual return on plan assets was £9.2m (2020: £8.5m).

	2021 £m	2020 £m
Movement in surplus during the year		
Opening surplus in scheme	52.9	7.1
GMP equalisation	(0.3)	-
Contributions	5.6	14.1
Net interest income	1.4	0.3
Actuarial (losses)/gains	(46.2)	31.4
Closing surplus in scheme	13.4	52.9



Notes to the Financial Statements (continued)

27 Retirement benefits (continued)

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Five year history:					
Total market value of assets	383.7	393.9	369.5	373.7	368.0
Present value of scheme liabilities	(370.3)	(341.0)	(362.4)	(354.3)	(374.3)
Surplus/(deficit) in pension scheme	13.4	52.9	7.1	19.4	(6.3)

History of experience gains and losses

Difference between expected and actual return on schemes' assets (£m)	(11.1)	16.2	(6.8)	4.4	62.8
Percentage of schemes' assets	2.9%	4.1%	1.8%	1.2%	17.1%
Experience adjustments on schemes' liabilities (£m)	(0.4)	(5.4)	0.8	(0.7)	(9.5)
Percentage of schemes' liabilities	0.1%	1.6%	0.2%	0.2%	2.5%
Total amount recognised in statement of other comprehensive income (£m)	(46.2)	31.4	(25.2)	12.9	(14.8)
Percentage of schemes' liabilities	12.4%	9.2%	7.0%	3.6%	4.0%

Sensitivity analysis

The sensitivity of the present value of scheme liabilities to changes in the principle assumptions used at 31 March 2021 is set out below:

Assumption	Sensitivity	Financial impact on overall liability Year to 31 March 2021	Financial impact on overall liability Year to 31 March 2020
Discount rate	+/- 0.5%	Decrease/increase by £36.0m	Decrease/increase by £32.4m
Discount rate	+/- 1%	Decrease/increase by £74.3m	Decrease/increase by £67.9m
Mortality – increase in life expectancy	+/- 1 year	Increase/decrease by £13.9m	Increase/decrease by £14.9m
Increase in inflation	+/- 0.5%	Decrease/increase by £13.7m	Decrease/increase by £12.8m

Methods and assumptions used in preparing the sensitivity analysis

During the year there was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Mortality Assumptions	31 March 2021		31 March 2020	
	Males	Females	Males	Females
Average future life expectancy (in years) for a member aged 65 at 31 March	22.8	24.6	22.2	24.5
Average future life expectancy (in years) at age 65 for a member aged 45 at 31 March	24.5	26.4	24.0	26.3



Notes to the Financial Statements (continued)

27 Retirement benefits (continued)

Defined benefit schemes

The Group paid deficit reduction payments of £5.6m (2020: £14.1m) to the pension schemes during 2021. As at the 31 March 2021, the actuarial valuation of the deficit was £48.9m (2020: £54.5m). The Group has agreed to catch up on the deferred deficit repair payments from the 12 months to March 2021 (£8.7m) during the 12 months to 31 March 2022.

In addition to the Group defined benefit schemes, Edrington Beam Suntory UK Distribution 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 £7.5m (2020: £6.4m).

Defined contribution schemes

The Group operates a number of defined contribution schemes for employees in the UK and overseas. The pension cost for the year in respect of the Group's defined contribution schemes amounted to £6.8m (2020: £6.8m). As at 31 March 2021, contributions of £0.6m (2020: £0.6m) due in respect of the current reporting period had not been paid over to the scheme.

Other post-retirement benefits

	2021 £m	2020 £m
Liability for discretionary post-retirement benefits	(2.1)	(2.1)

28 Other contractual obligations

	2021 £m	2020 £m
Contracted but not provided for		
- material purchase commitments	49.0	55.7
- capital commitments	148.7	110.3
	197.7	166.0

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

Material purchase obligations include various long term purchase contracts entered into for the supply of certain materials, principally malted 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 buildings, plant and machinery and casks inclusive of a £14.0m commitment in respect of the construction of new warehouses to support the developing Macallan site.



Notes to the Financial Statements (continued)

29 Leases

	2021 £m	2020 £m
Amounts recognised in income statement		
Depreciation expense on right-of-use assets	5.6	6.0
Interest expense on lease liabilities	0.7	0.9
Expense related to short-term and low value leases	0.3	0.1
	6.6	7.0

At 31 March 2021, the Group is committed to £0.3m (2020: £0.1m) for short-term leases.

30 Lease liabilities

	2021 £m	2020 £m
Amounts due for settlement within 12 months	5.9	6.2
Amounts due to settlement after 12 months	19.4	24.1
	25.3	30.3

Maturity analysis

	2021 £m	2020 £m
Less than one year	6.5	6.8
One to two years	5.9	5.6
Two to three years	5.3	5.0
Three to four years	4.0	4.8
Four to five years	2.9	4.2
Later than five years	2.3	6.1
	26.9	32.5
Less unearned interest	(1.6)	(2.2)
	25.3	30.3

The Group does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.



Notes to the Financial Statements (continued)

31 Transactions with related parties

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its joint ventures and associates are disclosed below.

The Group made purchases of £6.6m (2020: £9.3m) and received services to the value of £4.5m (2020: £4.8m) from Lothian Distillers Limited a joint venture of the Group. The Group also made purchases of £0.4m (2020: £3.8m) from its joint venture Row & Company Limited and made sales to that company of £1.2m (2020: £4.5m). The Group made sales to other joint ventures amounting to £104.2m (2020: £116.3m) and received services to the value of £72.6m (2020: £58.1m). The balances due to/from joint ventures in respect of these transactions are as disclosed in the table below.

The Group made sales amounting to £18.5m (2020: £20.5m) to and made no purchases from Suntory Spirits Limited, a related party, in the current or prior year.

The Group has an interest-free loan from Lothian Distillers Limited for £6.0m (2020: £6.0m) included in note 16.

The Group has a loan from William Grants & Sons Limited repayable April 2024 for £6.0m (2020: £nil) included in note 16. The interest charged on the loan is 1.6%.

The Edrington Group Limited received no dividends (2020: £14.0m) from its subsidiary, The 1887 Company Limited. The Edrington Group Limited received dividends of £23.4m (2020: £19.8m) from its subsidiary, Brugal & Co., S.A.. The directors of The Edrington Group Limited received no dividends from the Group in the year (2020: £0.1m).

The financial position with associates and joint ventures are set out in the table below:

	2021 £m	2020 £m
Balance Sheet Items		
Group Payables (note 16)	(6.8)	(22.5)
Group Receivables (note 15)	18.0	33.6
	11.2	11.1



Notes to the Financial Statements (continued)

32 Acquisition of subsidiary

On 30 March 2021, the Group purchased the remaining 50% of the issued share capital of Row & Company Limited from the joint venture partner obtaining full control of the company. Row & Company Limited is involved in the blending, bottling and supply of Scotch whisky.

The amount recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

	2021 £m
Property, plant and equipment	0.3
Inventory	13.1
Trade and other receivables	1.8
Cash and cash equivalents	0.1
Trade and other payables	(0.6)
Total identifiable assets	14.7
Less amounts already owned	(7.2)
Goodwill, written off in the period	(0.3)
Total consideration	7.2
Satisfied by:	
Cash	7.2
Total consideration transferred	7.2
Net Cash outflow arising on acquisition	
Cash consideration	(7.2)
Less cash acquired	0.1
	(7.1)

33 Control

The Company's principal shareholder is The Robertson Trust, a charitable organisation.



Notes to the Financial Statements (continued)

34 Reconciliation of constant currency measures

	2021 £m	2020 £m
Core Revenue		
As reported	576.2	699.6
Foreign exchange	-	(25.0)
Retail sales, reclassified from Other Income in 2021 to ensure comparability	-	5.7
Core Revenue (constant currency)	576.2	680.3
Brand Investment		
As reported	118.9	133.2
Foreign exchange	-	(3.7)
Brand Investment (constant currency)	118.9	129.5
Core Contribution		
As reported	196.5	248.2
Foreign exchange	-	(5.7)
Core Contribution (constant currency)	196.5	242.5
Free cashflow		
Net cash from operating	166.1	148.1
Add dividends from Joint Ventures	3.1	5.6
Add interest received	6.5	5.0
Less interest paid	(26.4)	(25.5)
Include capital expenditure deemed routine and warehouse/cask expenditure	(50.8)	(68.0)
Include working capital and FX differences	24.0	(0.4)
Free cashflow	122.5	64.8



Notes to the Financial Statements (continued)

35. Post balance sheet event

On 11 May the Group announced an agreement between 1887 Group and Beam Suntory to transfer their joint venture stakes in Edrington-Beam Suntory UK (E-BSUK) and Maxxium Spain into wholly owned companies. Subject to regulatory approval, Edrington will assume full ownership of E-BSUK from 2 August 2021. On this date, Maxxium Spain will become part of Beam Suntory's global business.



EDRINGTON

The
MACALLAN


**THE FAMOUS
GROUSE**

BRUGAL 


**HIGHLAND
PARK**

**THE
GLENROTHES**
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