



EDRINGTON

## The Edrington Group Limited

### Annual Report and Financial Statements

for the year ended 31 March 2022

Company Registration No. SC036374

The MACALLAN

HIGHLAND  
PARK

THE  
GLENROTHES  
ESTD 1879  
SPEYSIDE SINGLE MALT  
SCOTCH WHISKY

BRUGAL

THE  
FAMOUS  
GROUSE

Naked  
Malt

NOBLE OAK

WYOMING  
WHISKY

NO  
3  
LONDON DISTILLERS



The MACALLAN

  
HIGHLAND  
PARK

THE  
GLENROTHES  
ESTD 1879  
SPEYSIDE SINGLE MALT  
SCOTCH WHISKY

BRUGAL 

  
THE FAMOUS  
GROUSE

Naked  
Malt

  
NOBLE OAK

WYOMING  
WHISKY

NO 3  
LONDON DRY GIN



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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 £M



#### DESCRIPTION

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

#### ANALYSIS

Core revenue grew by 45% to £821.2m, with strong growth across all our business units as we benefited from the reopening of the on-trade and travel retail.

### BRAND INVESTMENT £M



#### DESCRIPTION

Marketing expenditure on our core brands, on a constant currency basis.

#### ANALYSIS

During the year our brand teams executed a record level of investment of £170.7m, up 46% on the previous year, representing a re-investment level of 21% which is up from 19% in 2020.

### CORE CONTRIBUTION £M



#### DESCRIPTION

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

#### ANALYSIS

Core contribution grew at 53%, faster than our core revenue, reflecting strong growth in our higher margin products. We also benefited from a continued partial suppression of our normal level of operating costs as Covid restrictions resulted in a lower level of business travel than normal. Our core contribution is now 28% higher than our pre-covid performance.

### EARNINGS BEFORE INTEREST AND TAX\* (EBIT) £M



#### DESCRIPTION

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

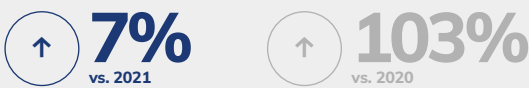
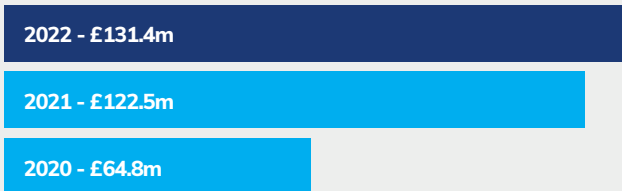
EBIT grew by 54%, in line with the increase in core contribution.

\* before exceptionals



## Key Financial Highlights

### FREE CASH FLOW



#### DESCRIPTION

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 reflects the underlying strong performance of the business allowing for the reinstatement of normalised cash outflows including pension deficit repair contributions and investment in capital expenditure.

### RETAINED PROFIT\* £M



#### DESCRIPTION

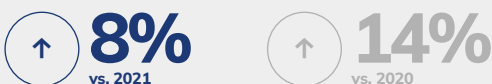
Earnings after tax and minority interests excluding exceptional items.

#### ANALYSIS

Retained profit grew by 18%, a reduction in the growth of EBIT which reflects additional deferred tax charges of £26.6m (after the deduction of minority interests) resulting from a change in the UK corporation tax rate. Growth excluding this change is 53%.

\* before exceptionals

### STRATEGIC INVENTORIES £M



#### DESCRIPTION

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

#### ANALYSIS

The 8% growth in strategic inventories results from the production volume of malt whisky being higher than current sales to support our projected growth over the next 12 years and beyond. This also reflects an annual uplift for the cost of warehousing and insurance. The insurance value of our maturing whisky and rum is significantly higher than cost which is the basis for our carrying value.

### NET DEBT/EBITDA



#### DESCRIPTION

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

#### ANALYSIS

The 35% reduction in the ratio is driven by our higher EBITDA.



## 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

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### **Secretary**

G J Murray

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### **Registered Office**

100 Queen Street  
Glasgow  
G1 3DN

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### **Independent Auditor**

Deloitte LLP  
Statutory Auditor  
110 Queen Street  
Glasgow  
G1 3BX

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### **Solicitors**

Dentons  
1 George Square  
Glasgow  
G2 1AL

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# Chairman's Statement

## Dear Shareholder

Welcome to our Annual Report 2022.

When I wrote the introduction to our Annual Report last year, we had just completed the first full year of the Covid pandemic. I wrote of the resilience demonstrated by the business and the creditable performance delivered in difficult circumstances.

This year, in the face of continuing challenging headwinds, the Company has delivered outstanding results while continuing to invest for the future.

## 2021/22

The year was once again characterised by the need to respond to Covid measures taken by governments around the globe. In addition, we were faced with the implications of the Ukrainian war including suspending shipments to Russia. The combination of Covid and the war have caused significant disruption in global supply chains, with implications for availability and cost of purchased dry goods.

On a positive note, we were pleased that following pressure from the Scotch Whisky Association and the UK Government, the US Government suspended the additional tariffs imposed on Single Malt Scotch Whisky.

In the face of this turbulence, one might have expected considerations of strategy to have been put on hold. However, the Company has continued to refine its strategy and drive through its implementation. Our focus has been increasingly on ultra-premium spirits, with positive results for The Macallan, The Glenrothes, Highland Park and Brugal.

Our long-term strategy of strengthening our routes to market continued with acquisition of our joint venture partner's stake to create Edrington UK, and the creation of Edrington France and Maxxium BeLux.

The combination of effective responses to the challenging market conditions and the successful implementation of the Company's strategy continues to pay dividends and all the Company's main brands performed well. Similarly, all regions produced results ahead of expectations.

As a consequence, results for the year are at an all-time record high. Sales of our brands increased by 45% on the previous year, and core contribution by 53%. To put this performance into context, when the pandemic struck in early 2020, we expected that it would take us until 2022/23 to get back to our

previous trend line. For Edrington to have bounced back in two years and delivered all-time record results this year is excellent.

## THE YEAR AHEAD

In the year ahead, we will not have to look far to see continuing difficult headwinds. Not only do we face the uncertain consequences from the war in the Ukraine, but we continue to face shutdowns in China.

In addition, economic conditions in most parts of the globe have become more challenging. Slowing growth, commodity and energy-driven inflation, and potentially taxation increases may all impact on the Company either directly or indirectly on our consumers.

Challenging as the external environment is, the resilience and adaptability demonstrated in recent years stands us in good stead. Furthermore, many of the underlying drivers of our growth such as the growing middle classes around the globe and the continuing consumer trend to seek out spirits with quality and provenance have not gone away. We remain cautiously optimistic.

The Company recently adopted a new environmental objective to be net zero by 2045. While achieving this will not be easy, it is the right policy to pursue and will be expected by our consumers and other stakeholders.

## DIVIDEND

We know that the dividends we pay are important to all shareholders. The Company's policy is to grow the dividend at a rate that reflects the underlying growth of the business. The Board has decided to pay a final dividend of 36p, which together with the interim dividend of 12p per share results in a total dividend of 48p per share, up 41% from 2021.

## 60 YEARS OF GIVING MORE

This year we celebrated the 60th anniversary of Edrington and The Robertson Trust. This year the Trust donated £21m to charities in Scotland and has now donated £322m since it was founded by the Robertson sisters in 1961.

The Company's global Giving More commitment goes well beyond what you see in many companies, and is not only the right thing to do, but together with the relationship with the



## Chairman's Statement (continued)

Trust is an important driver of the Company's powerful culture. During the year, we supported more than 300 charities worldwide through individual fundraising and double matching by the Company.

### **CONCLUSION**

Performance like the Company delivered this year does not happen by chance but rather through the talent, dedication and hard work of all our employees, building on the foundations of those who went before us. I would like to take this opportunity to thank and congratulate our Executive Team, my Board colleagues and indeed all employees for their effort over the last year.

While we do not know what the future holds, Edrington can look forward with confidence.

A handwritten signature in black ink, appearing to read 'Crawford Gillies'.

**Crawford Gillies**

Chairman

28 June 2022



# Chief Executive's Review

**This annual report details a highly successful year for Edrington, in which our brands and key markets bounced back from the challenges of last year to deliver excellent results.**

We achieved a 53% year-on-year increase in core contribution in 2021/22, which was 28% above the pre-pandemic levels in 2019/20. Our growth this year comes in the context of a recovery in the global premium spirits market, although our portfolio has been able to outperform the market by a significant margin, benefitting from an early return to investment in our people, brands and capabilities.

## PERFORMANCE HIGHLIGHTS

We have returned to the growth trend we saw in the years before the pandemic, with net sales increasing across all business units. The financial review details further improvement in cash flow and debt ratios, despite record investments across many areas of the business.

The growth in the value of sales outstripped the growth in volume, reflecting the success of our strategy to focus the business on the most premium products, along with positive market and channel mix.

The Macallan is well-established as the world's most valuable Single Malt Scotch Whisky, and it built on that leadership last year with exceptional value growth. The team's single-minded focus on the quality, craft, and sustainability of the brand was evident in remarkable consumer experiences in cities around the world, and in a range of new products that included The Macallan Harmony, Distil Your World New York and The Reach, an 81-year-old that was distilled during the Second World War.

Our Malts business unit, comprising The Glenrothes, Highland Park and Naked Malt, also performed well across their key markets, growing sales value ahead of volume. We see significant potential for these three distinctive malt whiskies.

It was an exceptional year for Brugal in its core markets of the Dominican Republic and Spain. It is now well ahead of its pre-pandemic performance and continues to increase the value of sales ahead of volume growth. Brugal's ultra-premium expression, 1888, is performing well due to focused investment in brand building and dedicated teams in key locations.

Sales of The Famous Grouse are back to pre-pandemic levels, with its strongest results in the core markets of the UK and Sweden. Whilst the blended Scotch category remains under pressure, the appeal of this well-loved brand is enabling it to grow sales and profitability.

## MARKET DEVELOPMENT

During the year we expanded our European footprint with the opening of Edrington France and extended our Maxxium Netherlands joint venture with Lucas-Bols through the creation of Maxxium BeLux, based in Brussels.

In May last year, Edrington and Beam-Suntory agreed to swap their joint venture stakes in the UK and Spanish distribution companies, with Edrington assuming full ownership of Edrington UK. Beam-Suntory continues to represent Edrington's brands in Spain under a new distribution agreement.

We also finalised a strategic partnership with long-term partners Berry Bros. & Rudd, which saw Edrington take a significant minority stake in No.3 London Dry Gin.

In response to the invasion of Ukraine we suspended shipments to Russia and continue to monitor the situation carefully. Our thoughts are with all those displaced and suffering because of this crisis. We are committed to supporting international humanitarian charities through our Giving More Together initiative, double matching funds raised by our employees worldwide.

## STRATEGY AND SUSTAINABILITY

The Board took the opportunity to refresh Edrington's strategy in 2021. It has served the company well during the pandemic, focusing effort and investment in the areas where they make the biggest impact. We have concluded that our focus on crafting exceptional ultra-premium spirits brands remains appropriate and will continue to drive growth for the foreseeable future.

A key part of Edrington's strategy is our sustainability agenda, with a particular focus on reducing our carbon footprint. The sustainability report charts the encouraging progress we have made across target areas. However, the climate emergency requires a more urgent response and so I am pleased that we have made a commitment to work with the Science Based Targets Initiative to achieve Net Zero by 2045.



## Chief Executive's Review (continued)

### PEOPLE AND CULTURE

The results we have reported truly reflect the quality of Edrington's people and our unique culture. We have continued to see a collaborative and agile approach to the many challenges faced by the business during the year as well as a huge effort by our people to deliver excellent outcomes. I thank all our employees around the world for the work they have done and the results they have achieved this year.

I am pleased to note that we have made progress in our Diversity, Equity, and Inclusion (DE&I) efforts, including improving senior leadership gender diversity and narrowing the UK gender pay gap. Led by our Diversity and Inclusion strategy, we continue to strive to become a more diverse organisation across several key areas.

### LOOKING FORWARD

These excellent results show Edrington and our brands recovering well from the effects of the pandemic in markets around the world despite the volatile trading environment. We expect consumer price inflation, input cost pressures and supply chain disruption to continue throughout the new financial year, and Covid-19 remains a threat. In the short term, efforts to suppress the virus are likely to affect our sales in China, and the risk of a more dangerous variant emerging anywhere in the world remains.

However, we have healthy brands, an effective strategy, record levels of investment in the business, great people, and strong momentum.

I am proud of what we have achieved in the past year. Edrington is a strong and very special business, and I am confident that our company is well-positioned to deliver further success in the future.

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

**Scott McCroskie**

Chief Executive

28 June 2022



## Financial Review

<b>STATUTORY KEY PERFORMANCE INDICATORS</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>vs. 2021</b>	<b>vs. 2020</b>
Revenue	<b>£981.0m</b>	£625.6m	£792.2m	57%	24%
Earnings before interest and tax	<b>£296.8m</b>	£196.7m	£250.9m	51%	18%
Profit before tax	<b>£275.9m</b>	£178.4m	£227.0m	55%	22%
Profit for the financial year	<b>£94.9m</b>	£81.5m	£87.7m	16%	8%
Total equity	<b>£1,226.5m</b>	£1,153.8m	£1,105.9m	6%	11%

<b>MANAGEMENT KEY PERFORMANCE INDICATORS</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>vs. 2021</b>	<b>vs. 2020</b>
Volume (case equivalents)	<b>8.6m</b>	7.6m	8.1m	13%	6%

### Presented in constant currency rates:

Core revenue*	<b>£821.2m</b>	£568.0m	£670.6m	45%	22%
Brand investment*	<b>£170.7m</b>	£116.9m	£127.3m	46%	34%
Core contribution*	<b>£295.6m</b>	£192.8m	£230.8m	53%	28%

### Presented in actual currency rates:

EBITDA	<b>£321.1m</b>	£220.9m	£273.5m	45%	17%
Profit before tax (pre-exceptional)	<b>£270.7m</b>	£171.3m	£222.4m	58%	22%
Profit for the year (pre-exceptional)	<b>£91.8m</b>	£77.6m	£90.3m	18%	2%
Free cash flow*	<b>£131.4m</b>	£122.5m	£64.8m	7%	103%
Net debt/EBITDA	<b>1.1</b>	1.7	1.5		
Strategic inventories	<b>£889.7m</b>	£835.3m	£791.0m	8%	14%

#### 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

Marketing expenditure on our core brands, on a constant currency basis.

#### Core contribution

Profits 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, 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 and free cash flow is provided at Note 35 to the accounts.



## Financial Review (continued)

### Group Financial Performance Overview

We faced an unprecedented impact on our results last year and as such we consider comparisons to results before the impact of Covid-19 to be a useful indicator of the underlying performance of the business. This report will therefore show 2019/20 numbers in addition to the customary year-on-year comparisons.

The strength of the rebound in our results this year has surpassed our expectations and has been delivered despite the continuing challenges of Covid restrictions and supply chain interruptions. Our people deserve enormous credit for the part that every one of them have played in delivering these outstanding results.

Our sustained levels of high brand investment, the return of consumers to on-trade settings and the positioning of the majority of our brands in the faster growing ultra-premium category has driven exceptional demand for our brands this year.

Our core revenue grew by 45% and our core contribution by 53% on the previous year but the most important metric is that our core contribution is now 28% higher than our pre-pandemic results for the year to March 2020. This means that our results are now higher than the plan that we set ourselves pre-Covid for the year to March 2022 and we have recovered all of the lost ground from last year.

During the year we returned to normalised levels of distillery production, capital expenditure and pension scheme contributions along with the reinstatement of the annual dividend policies. Despite these additional cash outflows our strong underlying performance resulted in an increased free cashflow and improved debt ratios.

### Group Financial Performance (reported on a constant currency basis)

#### Core revenue

Core revenue grew to £821.2m, up 45% on the prior year, with strong growth across all our business units as we benefited from the reopening of the on-trade and travel retail. It is testament to our premiumisation strategy that our core revenue per case grew by 28% in the year as a result of an improved product and channel mix, excellent commercial execution, and consumer price rises. Our core revenue is now 22% higher than our pre-covid year to March 2020.

#### Brand investment

Brand investment is a critical component in the success of Edrington as it supports our brand equities and the growth in the number of consumers of our brands. During the year our

brand teams executed a record level of investment; £170.7m, up 46% on the previous year, representing a re-investment level of 21% of net sales which is up from 19% in 2020. This investment included a focus on consumer education, high quality and creative marketing campaigns, innovative collaborations and the launch of outstanding new products.

#### Core contribution

Core contribution grew at 53%, faster than our core revenue, reflecting strong growth in our higher margin products. We also benefited from a continued partial suppression of our normal level of operating costs as Covid restrictions resulted in a lower level of business travel than normal. Our core contribution is now 28% higher than our pre-covid performance.

The Macallan performance was particularly strong this year as its reputation for quality and innovation continued to drive growth in consumer demand. The brand delivered a number of exciting new product launches including The Macallan Reach and The Macallan Harmony. The accelerated development of our direct-to-consumer sales channel was a key growth driver in Asia.

The Malt Whiskies business unit contribution growth was driven by Highland Park with strong demand in key markets including the USA. The Glenrothes continued to premiumise with an increased focus on prestige products, driving higher net sales value per case. Naked Malt is showing promising momentum in the on-trade after the relaunch in 2021. We chose to significantly increase the investment in these brands during the year in order to support and accelerate their future growth potential.

The Famous Grouse continued its recent positive performance with growth driven by excellent performance in the UK and Sweden and the reopening of the on-trade in Southern Europe.

The Brugal business unit maintained its recent excellent net sales growth, through outstanding innovation in the Dominican Republic, the bounce back of the on-trade in Spain and the strong growth of Brugal 1888, the brand's ultra-premium expression.

This year saw the reopening of our travel retail business. While results remain understandably below pre-pandemic levels, the channel has made a faster recovery than anticipated with stronger and more sustainable profitability. The Americas has rebounded well from the twin challenges of tariffs and Covid. Our other regions of Europe, The Dominican Republic, Asia and REEMEAT, have delivered outstanding growth to generate profits which are substantially higher than pre-Covid. Strong consumer demand, particularly for our prestige products combined with outstanding innovation and commercial execution have been the key drivers.



## Financial Review (continued)

### Statutory results (reported at actual currency rates)

Statutory group revenue (pre-exceptional) grew by 57% to £981.0m and pre-exceptional profit before tax increased by 58% to £270.7m. The increase in statutory revenue is greater than the increase in core revenue due to the inclusion of non-core revenue on sales of third-party brands following our acquisition of Edrington UK Distribution Limited "Edrington UK".

Profits attributable to Edrington Shareholders (before exceptional items) increased by 18% to £91.8m. This includes the impact of the change in UK corporation tax enacted in the year, which resulted in a non-recurring deferred tax charge of £26.6m (net of minority interests).

### Exceptional items

The gain on acquisition of the remaining 50% of the issued share capital of Edrington UK (formerly Edrington Beam Suntory UK Distribution Limited) and the gain on disposal of

50% of the share capital of Maxxium España SL have been treated as an exceptional item in the year resulting in a gain of £22.2m.

The decision to stop shipping to Russia as a result of the Russia/Ukraine conflict has led to the decision to fully write down the carrying value of our investment in the entities involved in trade in this region. This has resulted in a non-cash impairment charge of £17.7m after tax.

Profits attributable to Edrington Shareholders including exceptional items increased by 16% to £94.9m. We have included a table below which sets out the movement before and after exceptional items in the current and prior years along with the current 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

	2022	2021	2020	vs. 2021	vs. 2020
<b>Profit for the financial year</b>					
- before adjustment for impact on deferred tax of changes to future UK tax rates	<b>£118.4m</b>	£77.6m	£96.8m	53%	22%
Impact of deferred tax rate change					
- net of Minority interest of £19.6m (2020: £5.0m)	<b>(£26.6m)</b>	-	(£6.5m)		
<b>Profit for the financial year</b>					
- pre-exceptional items	<b>£91.8m</b>	£77.6m	£90.3m	18%	2%
Exceptional items	<b>£3.1m</b>	£3.9m	(£2.6m)		
<b>Profit for the financial year</b>	<b>£94.9m</b>	£81.5m	£87.7m	16%	8%

### Interest

Net finance charges, totalling £20.9m, largely comprised interest costs on funding from the Group bank and US private placement debt.

	2022	2021	2020
Interest on defined benefit pension scheme	<b>£0.5m</b>	£1.4m	£0.3m
Other interest receivable	<b>£1.7m</b>	£4.9m	£4.7m
Interest payable on funding	<b>(£15.0m)</b>	(£25.7m)	(£25.5m)
Interest expense on lease liabilities	<b>(£0.7m)</b>	(£0.7m)	(£0.9m)
Non-qualifying cash flow hedge	<b>(£6.0m)</b>	£3.2m	(£1.1m)
Other finance costs	<b>(£1.4m)</b>	(£1.4m)	(£1.4m)
	<b>(£20.9m)</b>	(£18.3m)	(£23.9m)



## Financial Review (continued)

### Cash flow and financial position

Our net debt at 31 March 2022 was £350.5m (excluding the impact of lease liabilities), a decrease of £25.0m from 2021.

The improvement in the operating cashflow reflects the underlying strong performance of the business allowing for the reinstatement of normalised cash outflows including pension deficit repair contributions, investment in capital expenditure and dividends to shareholders.

The Group is financed by both US private placement notes and bank debt. The consolidated group net debt to EBITDA ratio at 31 March 2022 was 1.1 times (2021: 1.7 times) and within the 1887 Group, where the debt is principally held, we finished the year with a ratio of 2.3 times (2021: 2.3 times) which is comfortably within the limit of our debt covenants.

We maintained a robust financial position this year with total equity increasing by £72.7m to £1,226.5m. Total assets increased by £229.8m (10%) to £2,451.0m, primarily as a result of the increase in the defined benefit pension asset together with assets acquired as part of the acquisition of Edrington UK. Property, plant and equipment increased by £37.4m reflecting our cask purchases in the year. Inventories, of which maturing whisky stocks account for the majority of the value, increased by £80.2m. The value of our investments has decreased due to the impairment of our investment in Cyprus and Russia, the disposal of our joint venture Maxxium España and the purchase of the remaining 50% of Edrington UK which moves this out of our joint venture assets. A decrease in our cash and other liquid resources of £14.6m reflects the reinstatement of dividends across the year.

Total liabilities increased by £157.1m to £1,224.5m, primarily reflecting increase in the deferred tax liabilities due to the increase in the deferred tax rate together with the liabilities acquired through our acquisition of Edrington UK.

### Post-employment benefit obligations

The Group has obligations for three main defined benefit pension schemes for employees, two for its existing UK subsidiaries and a third for Edrington UK following its acquisition this year. Two of these have been closed since 2014 and the Edrington UK scheme has been closed since 2015. At the 31 March 2022, the Group had a surplus of £47.9m in relation to the post-employment benefit obligations of these schemes, as calculated in accordance with accounting standards. This is an increase of £34.5m from the £13.4m asset recognised on 31 March 2021, of which £1.0m relates to the acquisition of Edrington UK.

Changes in the mortality and discount rate assumptions decreased the present value of the schemes' liabilities by £38.3m. Deficit repair contributions of £24.5m were made in the year which included the remainder of the postponed 2021 contributions. These postponed contributions were 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 2022, the deficit was valued at £24.4m, £24.5m 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. The fair value of these instruments at 31 March 2022 is included in the Statement of Financial Position.

Assets of £5.0m (2021: £26.1m) principally reflect the fair value of forward and option foreign exchange contracts outstanding as at the 31 March 2022. The year-on-year reduction in the value of these assets is due to cross currency swap hedges which matured during the year. These swaps were used to hedge the value of USD denominated private placement notes which were repaid in April 2021.

Liabilities of £0.7m (2021: £1.9m) principally reflect the fair value of forward foreign exchange contracts outstanding as at the 31 March 2022.

### Summary

The particularly strong rebound in our results this year have returned the Group to our pre-Covid planned profitability for the year to March 2022. The strong demand for our brands, together with the significant investment we have made in our marketing and our assets whilst maintaining a prudent debt position, give us a strong group that is well placed to exploit favourable consumer demand for ultra-premium spirits.

We have started our 2023 financial year with a significant impact on sales from the war in Ukraine and Covid restrictions in China, but we remain confident that we will successfully navigate these new challenges given the track record of our people and our brands over recent years.



## Financial Review (continued)

### 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 impact of the Russia/Ukraine conflict and the continuing impact that Covid-19 will have on performance over the next two years. The underlying assumption is that our operations, both in Scotland and Dominican Republic will remain open, and that our global supply chain continues to support the shipment of product to our markets.

The experience of the Covid-19 driven uncertainty last year has given us the confidence that we have the ability to adapt quickly and decisively. With the support of our multiple stakeholders, we have the potential to flex the level of dividends and investment levels to manage our liquidity.

Our three-year plan shows core contribution continuing to grow with 2022/23 expected to exceed the levels planned for pre the pandemic.

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.

Based on a scenario showing a contribution decline of 10% from our plan, the business has the ability to remain within our lenders' covenant conditions through a reduction in the cost base and investment levels.

### 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 2025. 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).

The results of these assessments were reviewed considering the financial position of the Group at 31 March 2022, 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 Risks and Uncertainties

#### Our Approach to Managing Risk

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 September 2021 and reviewed in February 2022. 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 is performed by both the Executive Committee and the Board on an annual basis, and specific risk reviews are carried out on a quarterly basis at both the Audit Committee and the Group Risk Management Committee.

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 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 ongoing impact of the COVID-19 outbreak and the impact of the situation in the Ukraine have resulted in several of the previously identified risks materialising simultaneously. These included increased financial risks, raw material scarcity and disruption to supply chain operations. The Group was able to react promptly and apply the necessary mitigating actions to protect our people and our operations and maintain the supply of our products.



## 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 is embedded in business processes to enable Edrington to continuously manage the relevant business risks.

### Our Principal Risks

The overall level of risk in our operating environment continues to be extensive given the ongoing impact of the Covid-19 pandemic across different geographies, the volatile geopolitical environment, ongoing digital developments and an increased focus on sustainability and climate change.

The table below provides details of our assessment of the principal risks for the business, including key risk drivers, risk outlooks, current mitigating actions. The developments section provides details of actions taken in the last year to manage key risks effectively as they evolve.

Risk & Risk Impact	Risk Mitigating Actions	Developments in 2021-2022
<p><b>Inter-state conflict &amp; Protectionism</b></p> <p><b>Risk Outlook:</b> ↑</p> <p>Economic or political instability restricts market activity, affecting market access, demand or increased costs.</p>	<ul style="list-style-type: none"> <li>&gt; Continuous local and global monitoring of changes in economic, political and operational environments that could impact business performance.</li> <li>&gt; Group level strategic analysis and scenario planning to support strategy delivery and risk management and avoid over-reliance on a single country or region.</li> <li>&gt; Regular pricing, tax and customs reviews to enable a timely reaction to rapid changes.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; We have developed further scenario and contingency planning based on global events, including the war in Ukraine and potential different international responses. This includes ongoing monitoring of changes in sanctioned parties to ensure compliance with international regulations.</li> <li>&gt; Stress test analysis of key market impacted by ongoing lockdowns, specifically China.</li> <li>&gt; Review of operations and funding arrangements of our joint venture in Russia in light of the war in Ukraine and the evolving sanction situation.</li> </ul>
<p><b>Cyber Attack</b></p> <p><b>Risk Outlook:</b> ↑</p> <p>Continued development of cyber threats increases the risk of theft, failure or corruption of digital assets and/or key systems which could lead to business disruption, reputational damage and financial loss.</p>	<ul style="list-style-type: none"> <li>&gt; Group-wide cyber risk management processes and policies.</li> <li>&gt; Regular review of effectiveness measures including vulnerability management monitoring, penetration testing and testing measures.</li> <li>&gt; Annual cyber security review in line with National Cyber Security Principles.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Enhanced digital security monitoring implemented through the introduction of a Security Information &amp; Event Management tool to enable continuous monitoring.</li> <li>&gt; Obtained the Cyber Essentials certification following an extensive external review of our processes and tools.</li> <li>&gt; Updated mandatory cyber awareness training and phishing simulations were launched.</li> </ul>



## Financial Review (continued)

Risk & Risk Impact	Risk Mitigating Actions	Developments in 2021-2022
<p><b>Product Contamination</b></p> <p><b>Risk Outlook:</b> ↔</p> <p>Product contamination due to human error or malicious intent could harm consumers and result in reputational damage and financial loss.</p>	<ul style="list-style-type: none"> <li>&gt; All manufacturing processes are performed in compliance with Hazardous Analysis and Critical Control Point (HACCP), ISO and Food Safety standards.</li> <li>&gt; External audits are performed annually by Lloyds Register Quality Assurance (LRQA).</li> <li>&gt; Appropriate training is given to employees with an internal programme in place to continuously review and ensure compliance with relevant manufacturing standards.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Our product recall procedures are reviewed continuously to monitor effectiveness.</li> </ul>
<p><b>Misuse of Consumer Personal Data</b></p> <p><b>Risk Outlook:</b> ↔</p> <p>Inadequate management of consumer data could lead to reputational damage, penalties and financial loss.</p>	<ul style="list-style-type: none"> <li>&gt; Reviews of consumer data, with safeguards developed to ensure ongoing compliance.</li> <li>&gt; Enhanced data privacy measures were introduced, including brand and market specific data privacy policies, and revised data processing agreements.</li> <li>&gt; IT security measures are regularly reviewed, including data encryption and contractual protections with key third party data processors.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; A data-mapping for record processing and an in-depth review of data retention procedures are being performed to ensure ongoing compliance.</li> <li>&gt; The Group's biennial mandatory data privacy training is being refreshed and issued to all employees.</li> <li>&gt; Our Data Breach Management process is under review alongside initiatives to test effectiveness of the measures in place.</li> </ul>
<p><b>Changing Consumer Behaviours</b></p> <p><b>Risk Outlook:</b> ↔</p> <p>Ongoing changes in consumer behaviours including a shift to low or no-alcohol drinks could impact long-term growth.</p>	<ul style="list-style-type: none"> <li>&gt; Our strategy development process ensures an ongoing review of consumer trends at global and market level.</li> <li>&gt; Our premiumisation strategy allows us to maximise opportunities of our product portfolio that are less impacted by the reduction of alcohol consumption.</li> <li>&gt; Regular monitoring of key performance indicators is in place including brand performance and brand health across key market segments and geographies.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; We are reviewing our route-to-market options and expanding our exposure to markets with new opportunities, investment choices and resource allocation.</li> <li>&gt; We are investing in insight generating tools to ensure we are vigilant and aware of evolving consumer behaviours.</li> </ul>



## Financial Review (continued)

Risk & Risk Impact	Risk Mitigating Actions	Developments in 2021-2022
<p><b>Adverse Political and Social Attitudes to Alcohol</b></p> <p><b>Risk Outlook:</b> ↑</p> <p>Tighter restrictions on alcohol promotion, sales and/or consumption may limit market access resulting in loss of revenue.</p>	<ul style="list-style-type: none"> <li>&gt; Edrington supports a responsible approach to alcohol and considers this a core element of its strategy to grow a sustainable, long-term business.</li> <li>&gt; 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.</li> <li>&gt; Our Company Code of Conduct and Global Marketing Code proactively promote responsible drinking and are reinforced through the Group-wide training programme.</li> <li>&gt; Edrington's policies and campaigns are reviewed annually by the Marketing Code Committee.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Covid-19 evidenced the evolving attitudes towards alcohol and the impact of restrictions imposed by different governments.</li> <li>&gt; We continue to partner with relevant organisations (including the Scotch Whisky Association and other trade organisations) to monitor potential restrictions.</li> </ul>
<p><b>Counterfeit Products &amp; Brand Protection</b></p> <p><b>Risk Outlook:</b> ↑</p> <p>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>	<ul style="list-style-type: none"> <li>&gt; Ongoing monitoring of principal exposures of our brands.</li> <li>&gt; Brand security education, surveillance and enforcement activities are continuously performed to identify and address any potential counterfeit and/or refilling operations.</li> <li>&gt; A review of our globally registered trademarks and introduction of custom notices is ongoing along with a programme of market inspections and raids in key countries.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; The level of sophistication of counterfeit products is ever evolving and increasing in a post-pandemic operating environment.</li> <li>&gt; Product security measures are being reviewed and new technological counterfeit prevention measures are being developed.</li> <li>&gt; A dedicated resource is now in place at Group level coordinating brand protection across all brands.</li> </ul>
<p><b>Scarcity of Sustainable Raw Materials</b></p> <p><b>Risk Outlook:</b> ↑</p> <p>Our ability to secure the appropriate quality and quantity of core raw materials due to environmental concerns, climate change and industry demands.</p>	<ul style="list-style-type: none"> <li>&gt; We have established long term contracts with key raw material suppliers in line with projected manufacturing requirements.</li> <li>&gt; Ongoing audits of the quality of our raw material are performed prior to manufacturing.</li> <li>&gt; We continue to promote a circular economy through our sustainability objectives.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Resource scarcity is accelerating due to constraints in supply chain networks around the world.</li> <li>&gt; Alternative raw material options are being researched to assess alternative materials for the longer term.</li> </ul>



Financial Review (continued)

Risk & Risk Impact	Risk Mitigating Actions	Developments in 2021-2022
<p><b>Supply Chain Disruption</b></p> <p><b>Risk Outlook:</b> ↑</p> <p>Our ability to maintain the continuity of our supply chain is hindered due to constraints in logistic operations and shipment of raw materials or finished goods leading to revenue loss.</p>	<ul style="list-style-type: none"> <li>&gt; Proactive collaborative business forecasting provides insight into demand requirements that allow for real-time management of potential shortages.</li> <li>&gt; Ongoing relationship management of key vendors and continuous review of raw material quality and availability.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Lead times of both raw material and finished goods have increased due to driver and container shortages.</li> <li>&gt; Increased stockholding levels have been introduced to limit the impact of increased delivery lead-times.</li> </ul>
<p><b>Pandemics</b></p> <p><b>Risk Outlook:</b> ↔</p> <p>Ongoing impact of the Covid-19 pandemic or a new global outbreak of a health threat that results in government-imposed restrictions to travel, trading, and human interaction, which could have a negative effect on business operations, trading or logistic activities.</p>	<ul style="list-style-type: none"> <li>&gt; We continuously review and update our business continuity plans and test various scenarios to ensure they remain relevant and supportive of our operations.</li> <li>&gt; Established links with government bodies to enable ongoing visibility around regulatory changes.</li> <li>&gt; A continuous focus on protecting our people, our business and supporting our suppliers, customers and communities.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Although world economies are starting to resume operations and adopt a 'new normal', ongoing health concerns remain in some of the geographies in which we operate.</li> <li>&gt; The Executive working group and local leadership teams continue to monitor and enhance mitigation actions required to adapt to the different operating challenges as they arise.</li> </ul>

Risk Outlook Legend from prior year:

- ↑ Increased
- ↔ Stayed the Same
- ↓ Reduced

Approved and signed on behalf of the Board

**Paul A Hyde**  
Chief Financial Officer

28 June 2022



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

## 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.

## WATES PRINCIPLES

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 its business operations.



The Board fosters effective stakeholder relationships aligned to the Group'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, virtual townhalls led by members of the executive team and 'your voice' meetings with employee representatives. 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.

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



## Corporate Governance (continued)

at Edrington also engages with recognised trade union partners through partnership meetings, held on a quarterly basis. The annual Board evaluation questionnaire also asks 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 organisation's culture.

Edrington believes it has in place workforce policies and practices that are consistent with its values and with the long-term sustainable success of Edrington. The organisation also 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 2022, the Board comprises the Chairman, two executive directors and four non-executive directors, and is supported by the Group Company Secretary. The roles of Chairman and Chief Executive are separated.

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/en/edrington-leadership](http://www.edrington.com/en/edrington-leadership). 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 the overall Board effectiveness reviews, the individual performance of executive directors is monitored in the Group's 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. Emphasis is placed on ensuring that directors are aware of proposed legislative changes in areas such as remuneration, corporate governance (including directors' duties), financial reporting and sector specific issues. All directors are also encouraged to visit the Group's operating locations, although such visits were again 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 Group. 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 systems of internal control, including the financial controls designed to give reasonable assurance against material financial misstatement or loss.

The Board believes the financial controls in place, together with the Edrington values, allow it to meet its responsibility for the integrity and accuracy of the Group's accounting records, and 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,



## Corporate Governance (continued)

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.

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 Group 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 Group by considering and assessing how the Group creates and preserves value over the long-term. The Group 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 Group including those that would impact its business model, future performance, and solvency. To assist with this, the Board carries out annual reviews of key strategic risks, emerging risks and effectiveness of risk mitigating actions, with the most recent being carried out in November 2021. Further details of the most recent review are set out on pages 14-17 of the Strategic Report. 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. These

reviews consider both the likelihood and impact of the relevant risks and ultimately determine which risks will be included on the 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. Internal controls are assessed and reviewed on an annual basis and required action plans to address any control gaps are monitored on a quarterly basis by the Group Risk Management Committee.

### Principle 5 – Remuneration

Details of the Company's remuneration policy are set out in the Remuneration Committee section below on page 28.

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 2022, reflecting the 2021 reference period, the mean gender pay gap of 12.9% represents a decrease of 2.3% (2020: 15.2%) and the median pay gap of 9.7% represents a decrease of 4.2% (2020: 13.9%). Our gender pay report, which explains these results in detail is available on the Edrington website.

### 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 Group's activities may impact both current and future stakeholders, including impacts on the



## Corporate Governance (continued)

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 30-35.

The Group maintains a website ([www.edrington.com](http://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](mailto: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 18-21 |
| (b) | the interests of the company's employees  |               |
|     | <i>Wates Principles</i>   | – pages 18-21 |
|     | <i>Stakeholder Engagement</i>   | – pages 22-26 |
| (c) | the need to foster the company's business relationships with suppliers, customers and others    |               |
|     | <i>Stakeholder Engagement</i>   | – pages 22-26 |
| (d) | the impact of the company's operations on the community and the environment                     |               |
|     | <i>Stakeholder Engagement</i>   | – pages 22-26 |
| (e) | the desirability of the company maintaining a reputation for high standards of business conduct |               |
|     | <i>Corporate Sustainability and Responsibility</i>  | – pages 30-35 |
| (f) | the need to act fairly as between members of the company  |               |
|     | <i>Stakeholder Engagement</i>   | – pages 22-26 |

### Stakeholder Engagement

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

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 strategy and the principal decisions taken during the year. 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
<b>Shareholders</b>	<p>The Company's principal shareholder is The Robertson Trust (the "<b>Trust</b>") 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 "<b>IRC</b>"). 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. The Company has an electronic Share Portal platform which allows shareholders to submit electronic requests to buy or sell Edrington B ordinary shares in the internal market and acts as a communication platform. The Company continues to review opportunities and explore methods of fostering further engagement and communication with shareholders.</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 (particularly some 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>After the uncertainty as a result of the Covid-19 pandemic the Board was pleased to be able to issue an interim dividend during the financial year in December 2021 and to declare a second interim dividend of 36p to be paid in July 2022.</p>



## Corporate Governance (continued)

Key Stakeholder	Principal Methods of Engagement	How this stakeholder group influenced Board / committee discussions and decisions
<b>Employees</b>	<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 was conducted in April 2022, and we are pleased that our overall global engagement score increased from 73% to 74% particularly given the challenges faced since our last full Employee Survey in February 2020.</p> <p>Edrington also surveys its employees on important matters that relate to the Company's culture and values. Currently all employees can 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 have been held virtually, where members of the executive team host an interactive session encouraging questions, thoughts and opinions from the workforce.</p> <p>Executives and senior management at Edrington also undertake breakfast sessions aimed at fostering constructive and trusting relationships between executives and employees. There are also regular video interviews with executives and senior management which provide employees further insight into company performance and priorities.</p> <p>The Company has further developed its diversity, equity and inclusion (DE&amp;I) strategy with a global DE&amp;I working group that meets quarterly to support the design and delivery of this strategy. This working group currently comprises of ten DE&amp;I focal points representing each of our business units and regions and the global co-chairs of our Balance employee network. The working group provides employees at all levels with the organisation and opportunity to input and feedback on our DE&amp;I strategy and actions.</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 to the Board.</p> <p>In 2020/21 we expanded our Your Voice forum globally, from what was initially a UK based forum to take account of the opinions and feedback of employees group wide. Attendees are appointed and represent a cross-section of employees in the business. The Chief Executive and Global HR Director attend each meeting in the UK with the regional leaders attending globally. The purpose is to support meaningful engagement with employees on topics that have a direct impact on employees such as organisational changes, sustainability, ways of working, learning and reward.</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 throughout the pandemic to develop safe systems of work across all our sites. We hold monthly partnership meetings to discuss matters to further improve our places of work and held numerous meetings to help facilitate business changes such as shift working.</p>



## Corporate Governance (continued)

Key Stakeholder	Principal Methods of Engagement	How this stakeholder group influenced Board / committee discussions and decisions
<b>Joint Venture Partners and Co-Investors</b>	<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 &amp; Sons are present. Similarly, there are three Board meetings of The Macallan Distillers Limited per year at which directors appointed by our partner Suntory are present. Board meetings are also held with our partners in respect of our joint venture distribution entities. A Brugal &amp; Co., S.A. annual general meeting is held each year to which the minority holders of Brugal &amp; Co., S.A. are invited and at which they can ask questions of the Brugal &amp; 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 considered in the decision-making of the Board.</p>
<b>Customers</b>	<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>
<b>Suppliers</b>	<p>We have regular engagement with our suppliers through face-to-face or virtual 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 given the current risks highlighted around scarcity of supply and global uncertainty.</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
<b>Trade Associations</b>	<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>
<b>Pension Trustees</b>	<p>Edrington operates two principal pension schemes based on final pensionable salary in respect of Edrington Distillers Group and Highland Distillers. In addition Edrington UK also operates a defined benefit scheme. There are also several 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 Edrington Group and Highland Distillers 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 of the Edrington Group and Highland Distillers defined benefit schemes, including attendance from the Chief Financial Officer among others.</p> <p>In respect of the Edrington UK defined benefit scheme there is regular interaction between the chair of the pension trustees and the Finance Director of Edrington UK.</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 of the Edrington Group and Highland Distillers defined benefit schemes agreed to postpone the deficit repair contributions for 12 months from March 2020 in light of the forecast impact of the pandemic. These have now been fully repaid and the deficit repair contributions are up to date.</p> <p>During the financial year extensive and constructive engagement took place between Edrington UK and the trustees of the Edrington UK scheme as part of Edrington's purchase of the 50% stake in Edrington UK which was previously owned by Beam Suntory.</p>



## Corporate Governance (continued)

Key Stakeholder	Principal Methods of Engagement	How this stakeholder group influenced Board / committee discussions and decisions
<b>Lenders</b>	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.	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.
<b>HM Revenue &amp; Customs</b>	Edrington aims to develop and maintain professional working relationships with HM Revenue & Customs. Regular dialogue is maintained with our relationship manager and every three years the business has a Business Risk Review with HM Revenue & Customs which is attended by the Chief Financial Officer and Group Tax Manager, among others.	The Chief Financial Officer briefs the Board on tax matters.
<b>Government and Regulatory Bodies</b>	Edrington is committed to working constructively with all government and regulatory bodies across its office locations.  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.	The Company aims to comply with all laws and regulations wherever it operates, and we actively monitor changes to these requirements.  The Chief Executive, Chief Financial Officer and Group Company Secretary brief the Board on the impact of relevant regulatory changes; this is assessed and considered when making decisions.

### Board Committees

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

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 Group 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.

### 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.



## Corporate Governance (continued)

### 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. 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 for the committee to discuss matters with the auditors without management present through private sessions annually along with meetings outside of audit committee. 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 for the disposal of Highland Distribution Ventures' interest in Maxxium España and Highland Distribution Ventures Limited's acquisition of Beam Suntory's 50% interest in Edrington Distribution UK Limited (formally Edrington Beam Suntory UK Distribution Limited) as well as a detailed strategic review of the risk management and reporting plan. They also invited key regions and functions of the business to attend to give the committee updates on their respective areas.

The financial statements were reviewed by the committee 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.

### 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 2022 audit in October 2022. 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 an immaterial amount of non-audit fee work completed by Deloitte during the financial year, this included secretarial services and certain government audits in overseas subsidiaries.



## Corporate Governance (continued)

### Shares Committee

The Shares Committee is chaired by Crawford Gillies and meets on an ad hoc basis as required by the chair.

The committee considers and makes recommendations to the Board regarding the appointment of the independent valuers of the B ordinary shares of the Company. The committee is also responsible for a number of matters related to trading in the Company's B ordinary shares, including considering monthly trading requests and the registration of any transfers

pursuant to such requests having regard to the Company's share trading protocol. The committee also considers requests for clearance to deal by restricted persons under the Company's share dealing code, and makes determinations on whether particular facts, matters or circumstances constitute inside information for the purposes of the Company's share dealing code.

Further information on the committees and other advisory sub-committees established by the Board is set out below.

Committee	Members	Remit
<b>Nomination Committee</b>	Crawford Gillies (chair) Alice Avis MBE Stefanie Fitzgerald Angus Cockburn Scott McCroskie	<ul style="list-style-type: none"> <li>&gt; reviews structure, size and composition of Board</li> <li>&gt; recommends appointments and considers succession planning</li> </ul>
<b>Remuneration Committee</b>	Alice Avis MBE (chair) Angus Cockburn Crawford Gillies	<ul style="list-style-type: none"> <li>&gt; sets remuneration policy</li> <li>&gt; sets executive director remuneration and incentives</li> <li>&gt; approves annual performance objectives</li> <li>&gt; approves granting of long-term incentives</li> </ul>
<b>Audit Committee</b>	Angus Cockburn (chair) Stefanie Fitzgerald Shinichiro Hizuka	<ul style="list-style-type: none"> <li>&gt; reviews and monitors financial results and reporting</li> <li>&gt; approves audit planning</li> <li>&gt; monitors internal financial controls</li> <li>&gt; oversees external audit relationships</li> <li>&gt; considers auditor appointment</li> <li>&gt; reviews audit effectiveness</li> <li>&gt; oversees risk management</li> </ul>
<b>Shares Committee</b>	Crawford Gillies (chair) Angus Cockburn Scott McCroskie Paul Hyde	<ul style="list-style-type: none"> <li>&gt; considers and makes recommendations to the Board regarding the appointment and reappointment or dismissal of the independent valuers of the ordinary B shares in the Company</li> <li>&gt; considers and, if thought fit, approves shares trading requests in respect of B ordinary shares and any transfers pursuant to such requests having regard to the Company's share trading protocol</li> <li>&gt; considers and, if thought fit, approves requests for clearance to deal by restricted persons in terms of the Company's share dealing code</li> </ul>



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
<b>Capital Expenditure Committee</b>	Luis Garrido (Managing Director of Global Supply Chain)	<ul style="list-style-type: none"> <li>&gt; develops five-year capital expenditure plan</li> <li>&gt; ensures evaluation of business cases and that resources allocated on an appropriate basis</li> <li>&gt; ensures risks and interdependencies are clearly understood</li> <li>&gt; manages liquidity requirements and post evaluation reviews</li> </ul>
<b>Sustainability and Responsibility Steering Group</b>	Tim Patterson (Head of Sustainability)	<ul style="list-style-type: none"> <li>&gt; ensures Edrington conducts business in a socially responsible and ethical way</li> <li>&gt; setting and adhering to industry standards on responsible consumption of alcohol</li> <li>&gt; identification and monitoring of performance against targets on environmental sustainability</li> <li>&gt; in conjunction with The Trust and Edrington's network of Trust Ambassadors, ensures the business supports local communities in which it operates</li> </ul>
<b>Marketing Code Committee</b>	Alice Avis MBE	<ul style="list-style-type: none"> <li>&gt; sets marketing policy in compliance with industry standards to ensure responsible marketing practice</li> <li>&gt; reviews marketing practice on an annual basis and maintains processes for complying with marketing code prospectively</li> </ul>
<b>Group Risk Management Committee</b>	Lindsay Campbell (Group Finance Director)	<ul style="list-style-type: none"> <li>&gt; identifies and evaluates principal risks</li> <li>&gt; reviews the adequacy of risk management processes</li> <li>&gt; recommends improvements in risk management processes</li> <li>&gt; reports material findings to the Audit Committee</li> </ul>
<b>Treasury Committee</b>	Paul Hyde	<ul style="list-style-type: none"> <li>&gt; ensures compliance with the terms of group borrowing facilities</li> <li>&gt; minimises financial risk arising from exposure to fluctuations in foreign exchange rates, interest rates liquidity and counterparty risk</li> <li>&gt; determines hedging policy on interest rates and currency</li> <li>&gt; approves significant decisions on commercial credit limits</li> <li>&gt; monitors and approves cash signing authority in the Company</li> </ul>
<b>IT Steering Committee</b>	Euan Fraser (Director of Business Technology)	<ul style="list-style-type: none"> <li>&gt; ensures that the technology strategic plan aligns with business priorities and return on investment</li> <li>&gt; approves proposed technology projects, and scrutinises ongoing activity</li> <li>&gt; audits completed projects to ascertain effectiveness</li> <li>&gt; oversees cyber security management and monitors cyber security improvements</li> </ul>



# 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. For over 160 years we have built a responsible and sustainable business that respects the environment around us. Our Sustainability and Responsibility (S&R) strategy is underpinned by a governance structure and key performance indicators for delivery.

Our strategy has four key pillars: Protecting the Environment, Giving More, Engaging Great People and Promoting Responsible Consumption. These are driven by a steering group consisting of senior leaders heading up each of the four focus areas chaired by the Head of Sustainability and reporting directly to the Chief Executive. These pillars ensure that we capture the breadth of the agenda together with our key performance indicators (KPIs) to ensure that we deliver. The KPIs against our commitments form an integral part of the business' Balanced Business Scorecard.



## PROTECTING THE ENVIRONMENT

### Governance and Strategy

Edrington recognises and embraces our responsibility to support and protect the environment around us. Last year, we revisited our environmental strategy and the elements within it to deliver a strategy which significantly increased and sharpened our environmental focus areas.

Our Sustainability Management Team is comprised of leaders who work across our environmental focus areas of; Sustain Wood, Protect Water, Reduce Carbon Emissions, Promote Circular Economy, and Conserve Habitats. This is underpinned

by the support of regional leads and our global network of 'Green Teams' to ensure the strategy is understood and implemented across our global business, driving engagement from all our sites and employees.



The Group signalled a significant shift in our environmental responsibility this year by moving from our existing commitment to be carbon neutral by 2030 in our own operations and travel commitments to making a full Net Zero commitment by 2045.

By committing to the Science-Based Targets initiative (SBTi) Corporate Net Zero Standard, we will make a greater commitment than our existing scopes 1 and 2 emission reductions by adding scope 3 (supply chain) emissions. The commitment is to reduce all emissions by at least 90% by 2045, using a maximum of 10% offsets only if we conclude that we cannot reasonably eliminate all CO<sub>2</sub>e emissions.

## Risk Management

The Group undertook a climate change risk assessment in 2021/22. This identified a number of prioritised risks with existing and future mitigation actions captured, which feed into the broader Group Risk Management Committee.

The more significant sustainability risks identified by the business relate to the scarcity of raw materials from climate related events, driving our focus areas around the sustainability of wood and protecting water.



## Corporate Sustainability and Responsibility (continued)

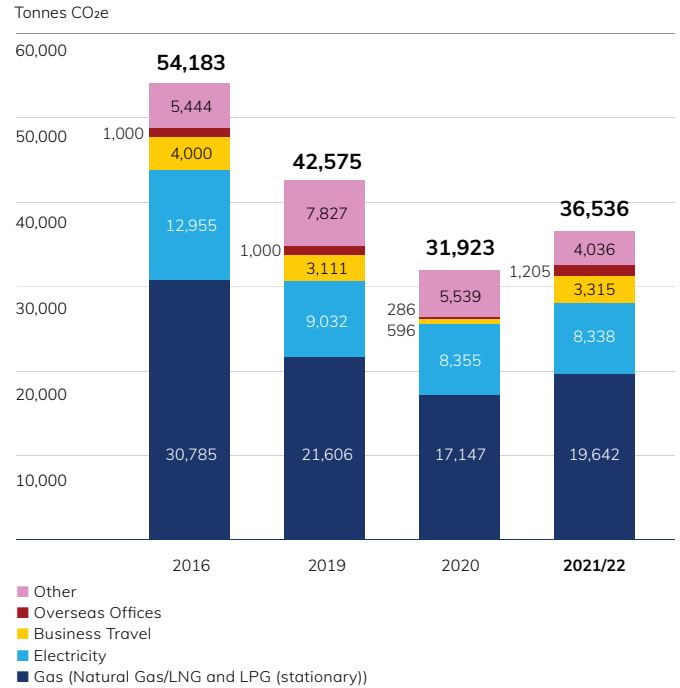
### Key Performance Indicators

Edrington has six primary environmental goals.

**“Become a carbon-neutral business by 2030 for our distilleries, offices (scopes 1 and 2) and travel, reducing greenhouse gas emissions by at least 70% compared to 2016 levels”**

In 2021/22, we reduced our annual CO<sub>2</sub>e emissions for scopes 1 and 2 plus business travel by -21% compared to FY2019, the last non-Covid impacted and audited year. We have been tracking significantly ahead of plan on the existing scopes 1 and 2 plus travel target and have already reduced this number by over 30% versus our 2016 base year. The FY2020 results reflect the impact of Covid measures including periods of distillery shutdown and reductions in business travel.

\* The graph includes emissions relating to the production of grain whisky which are scope 3 emissions but were included to fairly reflect our blended whisky sales.



### Edrington SECR Report for 2021/22

	UK		UK + Global	UK		UK + Global	UK + Global Change vs PY
	2019/20 (MWh)	2019/20 (tCO <sub>2</sub> e)	2019/20 (tCO <sub>2</sub> e)	2021/22 (MWh)	2021/22 (tCO <sub>2</sub> e)	2021/22 (tCO <sub>2</sub> e)	
Scope 1	81,087	16,349	24,053	<b>78,338</b>	<b>11,476</b>	<b>20,199</b>	-16%
Scope 2	60,619	3,798	8,720	<b>59,201</b>	<b>1,663</b>	<b>7,493</b>	-14%
<b>Total Energy</b>	141,706			<b>137,539</b>			
Air Travel	5,287	1,310	3,035	<b>1,019</b>	<b>253</b>	<b>704</b>	-77%
<b>Scope 1, 2 + Air Travel</b>	146,993	21,457	35,807	<b>138,558</b>	<b>13,392</b>	<b>28,396</b>	-21%
Gas	59,338	10,912	15,112	<b>58,539</b>	<b>6,537</b>	<b>12,362</b>	-18%
Electricity	14,859	3,798	8,720	<b>16,360</b>	<b>1,663</b>	<b>7,493</b>	-14%
Company Vehicles	1,473	344	3,110	<b>1,422</b>	<b>315</b>	<b>2,611</b>	-16%
<b>Total (Gas, Electricity + Company Vehicles)<sup>(1)</sup></b>	75,670	15,054	26,942	<b>76,321</b>	<b>8,515</b>	<b>22,467</b>	-17%
Overseas Offices			1,270			<b>1,205</b>	-5%
Grain Spirit		8,145	8,145		<b>8,140</b>	<b>8,140</b>	0%
Other	66,037	5,093	4,560	<b>61,217</b>	<b>4,624</b>	<b>4,020</b>	-12%
Volume of alcohol produced at our distilleries (LOA'000) <sup>(2)</sup>	17,940	17,940	32,715	<b>17,204</b>	<b>17,204</b>	<b>33,487</b>	2%
<b>Intensity Metric* (kgCO<sub>2</sub>e/LOA)</b>		0.839	0.824		<b>0.495</b>	<b>0.671</b>	-19%

\* Calculate as (1)×1000/(2)



## Corporate Sustainability and Responsibility (continued)

We report our emissions in line with the Greenhouse Gas Protocol Corporate Standard. The above table reports scope 1 and 2 emissions from our businesses where Edrington has operational control, including our operations in the Dominican Republic 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 from North British Distillery. Our innovation brands in the USA have been excluded due to de-minimis size or lack of operational control.

Leased offices have been included in the calculation as though they were wholly owned with figures deriving from energy invoices where available and from delivery notes or site readings where not possible. Emissions and conversion factors come from BEIS figures published in 2021, where this is not possible other government or international recognised body factors have been used. Market and location-based figures have been reported as RGGOs and REGOs and have become part of Edrington's energy purchasing strategy.

Natural gas is only used at The Macallan, The Glenrothes and Great Western Road sites. Kerosene is only used at Highland Park and The Glenrothes, LPG is used at Great Western Road and our Cooperage sites with diesel being used at all UK manufacturing sites. All fuels used in the Dominican Republic have been reported, Biogas has been added to the base year and current year reporting but was not included in previous verification. HFCs have been reported at Great Western Road, where two maintenance top-ups were required during the year.

All Edrington flights are booked through a single provider except for the Dominican Republic where there were no flights taken within the period due to travel restrictions. Business travel in rental cars has been excluded as a de-minimis source and the company does not pay for fuel when employees travel in their own vehicles.

From October 2021, Edrington entered into a renewable Power Purchase Agreement (PPA) backed by Renewable Energy Guarantees of Origin (REGOs) to supply all electricity for UK owned sites. This has resulted in an 1,809 tCO<sub>2e</sub> reduction. The head office will transition from April 2022 to a renewable agreement.

At The Glenrothes and The Macallan low carbon biogas, produced locally from distillery co-products, is now being used with Renewable Gas Guarantees of Origin (RGGOs) confirming the source. This has been supporting the decarbonisation of distillery gas supplies from October 2021 and has removed 4,188 tCO<sub>2e</sub> from the two distilleries.

### **“We will replenish 100% of water consumption from production sites in water-stressed areas by 2030”**

We recognise our responsibility as custodians of a scarce natural resource which is an essential ingredient in all our spirits. We have committed to reduce water consumption used to support the production process and replenish 100% of water consumption from production sites in 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 are also pursuing ISO 46001 certification for water efficiency management systems by 2025 in the Dominican Republic.

We have made significant progress in 2021/22 to reduce our process water use in Scotland in line with the Scotch Whisky Association target. 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. In addition, we have invested significantly in biological water treatment plants in both Scotland and the Dominican Republic to ensure high quality water is returned to rivers.

In 2022/23 we plan to address the challenge to replenish water consumption in the Dominican Republic by implementing projects to restore and protect watersheds such as reforestation and rural communities' wastewater treatment and supporting a more efficient water use at our production sites.

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

This reflects our wider commitment to ensure that the business is maximising its ability to reduce, reuse and recycle materials used within its products. We are specifically focusing on repurposing waste from the making of our spirits and reducing the environmental impact of packaging and marketing materials to eliminate sending waste to landfill.

Our commitment includes evolving cardboard to become fully recyclable and sourcing from only Forest Stewardship Council “FSC” accredited suppliers, increasing the content of recyclable glass and reducing packaging weight. We are extending our commitment to 100% sustainable sourcing and recyclability of all marketing materials and point of sale by 2025.

In 2021/22 we have reviewed our use of distillation co-products for opportunities to create greater energy generation value. We are now supplying excess co-products to our biogas supplier to be used in the biogas production process.



## Corporate Sustainability and Responsibility (continued)

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

In 2021/22, we have achieved zero waste to landfill at our main Glasgow bottling and production site and are working in the Dominican Republic to make progress in the same area. There is minimal waste generated at our Scottish distillation sites however we continue to review this to ensure that our recycling rates continue to improve with the aim of achieving zero waste to landfill by 2025.

### **“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 a responsibility to ensure that the environment around us is maintained and that we support and develop the landscapes and wildlife that surround us by introducing nature and biodiversity strategies across all our sites.

In the UK, we are recognised by the ISO14001 Environmental Management certification for our environmental protection in Scotch Whisky distillation operations. We continue to source barley to the highest UK environmental standard and in the Dominican Republic our sugar cane is sourced from local sustainable partners.

In 2021/22, we made significant progress towards improving the overall management of our sites through the development of land management plans that will significantly reduce carbon and improve biodiversity. In Orkney we have reduced our use of peat per litre of distilled spirit and focused on restoration of the peat bogs through an extended regeneration programme.

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

From the management of the forests from which we select our oak to the creation and careful use of our casks wood is at the heart of our business and our brands.

We are working with our wood partners to understand wood origin as we look to source from sustainably managed areas. By 2030 we will obtain over 50% of our oak from PEFC/FSC (Programme for the Endorsement of Forest Certification) suppliers and will continue to responsibly manage the lifecycle of our casks.

Our focus in 2022/23 will be to extend forest health surveys to ensure that all environmental aspects are addressed whilst supporting suppliers and the regions to ensure we are ready for future risks.

## **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*. This ethos was inherited from our principal shareholder – The Robertson Trust – Scotland’s largest independent grant-making trust. Since the incorporation of Edrington in 1961, the Trust has donated £322m to a variety of charities to advance its aims of working for a fairer Scotland, funded by dividends from the Company.

In the UK, Edrington and The Robertson Trust both match the charitable fundraising of employees. In 2021/22 the total donated by Edrington employees to causes in Scotland was more than £545,000. 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.

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 EBIT each year for charitable giving by its employees worldwide, with their fundraising efforts being double matched by The Robertson Trust and Edrington. Last year Edrington empowered its people across the world to make donations valued at £2.5m, bringing the total raised and donated by Edrington’s international employees to £15.5 million since Giving More was rolled out internationally in 2012.



## Corporate Sustainability and Responsibility (continued)

In addition to Giving More through charitable funding, Edrington offers every employee four days' paid leave to volunteer in their local communities and encourages employees to dedicate this time to causes that are important to them.

### ENGAGING GREAT PEOPLE

Edrington aims to cultivate an inclusive environment that celebrates diversity of thought and enables everyone to make meaningful contributions. To achieve an inclusive and high-performance culture we have introduced progressive initiatives and policies focussing on diversity, equity and inclusion (DE&I), development of our great people, engagement and wellbeing.

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.*

### Diversity, Equity and Inclusion

Over the past five years, we have made consistent progress on gender DE&I, through targets and a clear action plan. We now have 37% female leaders in the business, which exceeds our target of 33% by 2022. We continue to make progress towards our recruitment target of having 50% female candidates for every first-round interview (currently 46%) and we have narrowed our gender pay gap in the UK.

To support the widening our DE&I agenda, we revised our strategy last year and now have a comprehensive plan which focuses on three areas: culture and engagement; awareness and education; and impactful interventions. We have DE&I focal points for each business unit and region, who along with the chairs of our employee network Balance, form our global DE&I working group.

### Development

Developing our people by building the skills and capabilities needed to deliver our vision is a key area of our business strategy, which is supported by focused development plans for each employee.

We continued to build on the on-line Edrington Academy offering through learning sprints, pathways, and skill frameworks in key areas such as Marketing, DE&I, and Cybersecurity. We also delivered a successful Learning at Work festival with around 150 learning sessions delivered.

### Employee Engagement

The Group increased its global engagement score by 1% to 74% in our recent employee survey. This is a great result and is a testament to our teams across the business who successfully implemented their action plans following the previous survey in February 2020.

### Wellbeing

We continue to actively promote our Employee Assistance Programme which all employees and their immediate families can access to get support when they need it. Many of our employees benefited from the resources and counselling sessions available through this service last year.

Our wellbeing activities focused on building resilience last year which was particularly important as we continued to live with the challenges of the pandemic.

### 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 be 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.*



## Corporate Sustainability and Responsibility (continued)

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.

As part of our year-round package of education and training on promoting responsible consumption, Edrington runs Alcohol Responsibility Month, a global event with a schedule of activities to help our people enjoy and promote our brands responsibly. During the year Edrington worked with UK alcohol responsibility charity Drinkaware to create an online training programme, Drinkaware at Work, which will support the health, safety and wellbeing agenda at Edrington.

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



## Directors' Report

The directors present the audited financial statements for the year ended 31 March 2022.

### Results for the year

The Company's financial results, which are detailed in the income statement, cover the year to 31 March 2022.

An interim dividend of 12.0p per share was declared and paid in December 2021. (2021: 7.0p per share). The directors have agreed a final dividend of 36.0p (2021: 27.0p per share). The aggregate dividends recognised in the year amounted to £27.9m (2021: nil).

Revenue (pre-exceptional) for the year amounted to £981.0m (2021: £625.6m) resulting in a profit before tax (pre-exceptional) of £270.7m (2021: £171.3m) and overall profit for the financial year (pre-exceptional) of £172.8m (2021: £140.5m). Exceptional items totalling £3.1m (2021: £3.9m) (after taxation and minority interest), leading to a profit for the year, attributable to Edrington shareholders, of £94.9m (2021: £81.5m).

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 13 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  
P A Hyde  
A G Cockburn  
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 have elected to prepare the Group financial statements in accordance with United Kingdom adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. The directors have chosen to prepare the parent company financial statement in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including (IFRS 101 "Reduced Disclosure Framework" applicable in the UK and Republic of Ireland). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period.

In preparing the parent company financial statements, the directors are required to:

- > Select suitable accounting policies and then apply them consistently;
- > Make judgements and accounting estimates that are reasonable and prudent;
- > State where applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- > Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, 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 the specific requirements of the financial reporting framework 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.



## Directors' Report (continued)

### Directors' responsibilities for the financial statements (continued)

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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

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

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

This information is given and should be interpreted in accordance with the provision of S418 of the Companies Act 2006. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Employee share schemes

The Company operates two share schemes for eligible employees.

The ShareSave Scheme is an annual scheme enabling eligible employees to save for a three-year period to buy Edrington 'B' Ordinary Shares at 80% of the market price. The scheme has been approved by HM Revenue and Customs. The Company charges the fair value of the option at the date of grant to the 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 however was active in the year to 31 March 2022.

### 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 were included within the income statement. In the year ended 31 March 2022 the scheme has been reinstated with further details within Note 6 of the financial statements.

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, partially meet threshold performance in respect of the three-year period ended 31 March 2022.

### Energy and Carbon Reporting

Reporting of the Group's energy consumption is detailed within the Corporate Sustainability and Responsibilities report on pages 30-33.

### 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.



## Directors' Report (continued)

### 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 voluntarily adopted and is complying with the Wates Corporate Governance principles for Large Private Companies. Further detail on the compliance with each of the principles is detailed within the Corporate Governance report on pages 18-21.

### 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 13 of the Strategic Report. The results of these assessments were reviewed considering the financial position of the Group at 31 March 2022, 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.

### 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

**Gavin Murray**  
Group Company Secretary

28 June 2022



# Independent Auditor's Report

to the members of The Edrington Group Limited

## 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 2022 and of the group's profit for the year then ended;
- > the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- > the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- > the financial statements 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 the preparation of the group financial statements is applicable law, and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### 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.



## Independent Auditor's Report (continued)

### 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, 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](http://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 and internal audit 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 UK Companies Act, 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.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- > Revenue recognition, specifically in relation to the recording of sales around the year end, the elimination of intra Group trading and the consistency and accuracy of the treatment of price promotions. Our audit procedures to address these risks included, but were not limited to, substantive detailed testing on pre and post year end revenue transactions, intra Group eliminations on consolidation and on price promotions and their application and treatment across the Group.
- > Accruals, specifically in relation to the completeness, existence, valuation and allocation of advertising & promotion and selling cost accruals. Our audit procedures to address this risk included, but were not limited to, substantive detailed testing, including testing historical accuracy of accruals, recalculation of the year-end accruals balances with agreement to contracts and post year end invoices.
- > Maturing inventory, specifically in relation to existence of inventory. Our audit procedures to address this risk included, but were not limited to, attendance at and re-performance of inventory counts.

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;



## Independent Auditor's Report (continued)

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, internal audit 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 and reviewing internal audit reports.

### 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.

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

28 June 2022



# Group Consolidated Income Statement

year ended 31 March 2022

	Note	Pre- Exceptional 2022 £m	Exceptional (Note 2) 2022 £m	Total 2022 £m	Pre- Exceptional 2021 £m	Exceptional (Note 2) 2021 £m	Total 2021 £m
<b>Revenue</b>	1	<b>981.0</b>	-	<b>981.0</b>	625.6	-	625.6
Cost of sales		<b>(672.5)</b>	-	<b>(672.5)</b>	(421.6)	-	(421.6)
<b>Gross profit</b>		<b>308.5</b>	-	<b>308.5</b>	204.0	-	204.0
Other administration costs		<b>(25.8)</b>	-	<b>(25.8)</b>	(22.5)	-	(22.5)
<b>Group operating profit</b>		<b>282.7</b>	-	<b>282.7</b>	181.5	-	181.5
Share of profit in joint ventures	12	<b>7.2</b>	-	<b>7.2</b>	8.0	-	8.0
Impairment of share in joint venture		-	<b>(17.0)</b>	<b>(17.0)</b>	-	-	-
Income from other investments	3	<b>0.6</b>	-	<b>0.6</b>	0.1	-	0.1
Gain on acquisition of investment		-	<b>21.1</b>	<b>21.1</b>	-	-	-
Gain on sale of investment		<b>1.1</b>	<b>1.1</b>	<b>2.2</b>	-	7.1	7.1
<b>Earnings before interest and tax</b>		<b>291.6</b>	<b>5.2</b>	<b>296.8</b>	189.6	7.1	196.7
Finance income	4	<b>2.2</b>	-	<b>2.2</b>	6.3	-	6.3
Finance costs	4	<b>(15.7)</b>	-	<b>(15.7)</b>	(26.4)	-	(26.4)
Other finance (costs)/income	4	<b>(7.4)</b>	-	<b>(7.4)</b>	1.8	-	1.8
<b>Profit before taxation</b>	5	<b>270.7</b>	<b>5.2</b>	<b>275.9</b>	171.3	7.1	178.4
Taxation	7	<b>(97.9)</b>	<b>(0.7)</b>	<b>(98.6)</b>	(30.8)	(1.4)	(32.2)
<b>Profit for the financial year</b>		<b>172.8</b>	<b>4.5</b>	<b>177.3</b>	140.5	5.7	146.2
Attributable to non-controlling interests		<b>(81.0)</b>	<b>(1.4)</b>	<b>(82.4)</b>	(62.9)	(1.8)	(64.7)
<b>Profit for the financial year attributable to owner</b>		<b>91.8</b>	<b>3.1</b>	<b>94.9</b>	77.6	3.9	81.5

All the activities of the Group are classed as continuing.

The notes and accounting policies on pages 50 to 104 form an integral part of these financial statements.



# Group Statement of Comprehensive Income

year ended 31 March 2022

	2022 £m	2021 £m
Profit for the year attributable to owner	94.9	81.5
Profit for the year attributable to non-controlling interests	82.4	64.7
	<b>177.3</b>	146.2
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Actuarial gain/(loss) on pension schemes net of non-controlling interests		
Group	9.8	(35.7)
Associates and joint ventures	(6.6)	(5.5)
Non-controlling interests	2.3	(9.4)
Movement in deferred tax on pension schemes		
Group	0.8	7.3
Associates and joint ventures	1.0	1.0
Non-controlling interests	(0.2)	1.5
Pension fees paid direct to Pension Fund	(0.1)	(0.1)
Revaluation reserve movement	0.2	0.2
Movement in financial instruments taken straight to reserves		
Group	(1.0)	1.9
Non-controlling interests	1.0	(1.9)
Cost of hedging reserve movement	-	(0.1)
<b>Items that will be or have been reclassified to profit or loss</b>		
Exchange differences on foreign operations		
Subsidiaries and associates	(3.1)	(9.5)
Joint ventures	(0.5)	(1.2)
Non-controlling interests	4.5	(6.1)
Exchange difference on foreign dividend	3.0	(1.9)
Movement on deferred tax taken straight to reserves		
Group	0.5	(3.3)
Non-controlling interests	0.4	2.7
Share based payment movements	(3.9)	(2.0)
Non-controlling interest share of Share based payment movements	-	(2.3)
Cash flow hedge reserve movement	(2.9)	5.8
Cash flow hedge amounts recycled	-	0.2
Other comprehensive loss attributable to parent	(2.8)	(42.9)
Other comprehensive income/(loss) attributable to non-controlling interest	8.0	(15.5)
<b>Total other comprehensive income/(loss) for the year</b>	<b>5.2</b>	<b>(58.4)</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>182.5</b>	<b>87.8</b>
<b>Attributable to parent</b>	<b>92.1</b>	<b>38.6</b>
<b>Attributable to non-controlling interest</b>	<b>90.4</b>	<b>49.2</b>
<b>Total</b>	<b>182.5</b>	<b>87.8</b>

The notes and accounting policies on pages 50 to 104 form an integral part of these financial statements.



# Statement of Financial Position

as at 31 March 2022

	Note	Company		Group	
		2022 £m	2021 £m	2022 £m	2021 £m
<b>Non-current assets</b>					
Intangible assets	9	-	-	405.7	404.6
Property, plant and equipment	10	-	-	593.5	556.1
Right-of-use assets	11	-	-	20.7	21.9
Investment in subsidiary undertakings	12	312.0	308.9	-	-
Investment in joint ventures	12	-	-	30.1	63.7
Investments in other interests	12	-	-	6.7	5.6
Derivative financial instruments	20	-	-	3.2	0.6
Deferred tax asset	21	-	-	53.0	43.8
Pension and other employment assets	27	-	-	44.5	10.2
<b>Non-current assets</b>		<b>312.0</b>	308.9	<b>1,157.4</b>	1,106.5
<b>Current assets</b>					
Inventories	13	-	-	747.6	667.4
Trade and other receivables	15	0.3	0.6	235.4	96.2
Assets held for sale	14	-	-	0.6	0.7
Derivative financial instruments	20	-	-	1.8	25.5
Cash and liquid resources		203.5	59.5	305.4	320.0
Current tax asset	15	0.2	0.2	2.8	4.9
<b>Current assets</b>		<b>204.0</b>	60.3	<b>1,293.6</b>	1,114.7
<b>Total assets</b>		<b>516.0</b>	369.2	<b>2,451.0</b>	2,221.2

The notes and accounting policies on pages 50 to 104 form an integral part of these financial statements.



Statement of Financial Position (continued)

	Note	Company 2022 £m	2021 £m	Group 2022 £m	2021 £m
<b>Equity and liabilities</b>					
<b>Equity</b>					
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		-	-	6.1	6.3
Liability for share-based payments		4.8	0.9	4.8	0.9
Retained earnings		437.9	269.6	678.2	592.4
Cash flow hedge reserve	24	-	-	(0.7)	2.2
Equity attributable to owners of the parent		450.8	278.6	761.8	675.2
Non-controlling interests	12	-	-	464.7	478.6
<b>Equity</b>		<b>450.8</b>	<b>278.6</b>	<b>1,226.5</b>	<b>1,153.8</b>
<i>Non-current liabilities</i>					
Borrowings	17	-	-	598.4	480.7
Lease liabilities	30	-	-	17.6	19.4
Deferred tax liabilities	21	1.9	1.8	200.2	147.0
Derivative financial instruments	20	-	-	0.1	0.1
Other liabilities	16	-	-	0.3	0.3
<b>Non-current liabilities</b>		<b>1.9</b>	<b>1.8</b>	<b>816.6</b>	<b>647.5</b>
<i>Current liabilities</i>					
Trade and other payables	16	63.3	88.8	78.3	46.3
Borrowings	17	-	-	58.1	215.5
Lease liabilities	30	-	-	6.6	5.9
Derivative financial instruments	20	-	-	0.6	1.8
Current tax liabilities	16	-	-	10.2	12.1
Other liabilities and provisions	16	-	-	254.1	138.3
<b>Current liabilities</b>		<b>63.3</b>	<b>88.8</b>	<b>407.9</b>	<b>419.9</b>
<b>Total liabilities</b>		<b>65.2</b>	<b>90.6</b>	<b>1,224.5</b>	<b>1,067.4</b>
<b>Total equity and liabilities</b>		<b>516.0</b>	<b>369.2</b>	<b>2,451.0</b>	<b>2,221.2</b>

In the year to 31 March 2022, The Edrington Group Company made a profit of £197.3m (2021: £13.1m). The Group has taken the exemption 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 50 to 104 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

28 June 2022

**P A Hyde**

Director

28 June 2022



## Consolidated Statement of Changes in Equity

year ended 31 March 2022

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
<b>Balance at 1 April 2021</b>	<b>6.3</b>	<b>0.5</b>	<b>29.5</b>	<b>35.8</b>	<b>1.3</b>	<b>6.3</b>	<b>0.9</b>	<b>592.4</b>	<b>2.2</b>	<b>-</b>	<b>675.2</b>	<b>478.6</b>	<b>1,153.8</b>
Adjustments from other reserves	-	-	-	-	-	-	-	3.6	-	-	3.6	-	3.6
Adjusted balance at 1 April 2021	6.3	0.5	29.5	35.8	1.3	6.3	0.9	596.0	2.2	-	678.8	478.6	1,157.4
Dividends	-	-	-	-	-	-	-	(29.0)	-	-	(29.0)	(110.1)	(139.1)
Share based payments (note 26)	-	-	-	-	-	-	3.9	-	-	-	3.9	-	3.9
Buy back of shares	-	-	-	-	-	-	-	16.2	-	-	16.2	5.8	22.0
<b>Transaction with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.9</b>	<b>(12.8)</b>	<b>-</b>	<b>-</b>	<b>(8.9)</b>	<b>(104.3)</b>	<b>(113.2)</b>
Profit for the year	-	-	-	-	-	-	-	94.9	-	-	94.9	82.4	177.3
Other comprehensive income	-	-	-	-	-	-	-	0.1	-	-	0.1	8.0	8.1
Cash flow hedge reserve (note 24)	-	-	-	-	-	-	-	-	(2.9)	-	(2.9)	-	(2.9)
Revaluation reserve	-	-	-	-	-	(0.2)	-	-	-	-	(0.2)	-	(0.2)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.2)</b>	<b>-</b>	<b>95.0</b>	<b>(2.9)</b>	<b>-</b>	<b>91.9</b>	<b>90.4</b>	<b>182.3</b>
<b>Balance at 31 March 2022</b>	<b>6.3</b>	<b>0.5</b>	<b>29.5</b>	<b>35.8</b>	<b>1.3</b>	<b>6.1</b>	<b>4.8</b>	<b>678.2</b>	<b>(0.7)</b>	<b>-</b>	<b>761.8</b>	<b>464.7</b>	<b>1,226.5</b>
<b>Balance at 1 April 2020</b>	<b>6.3</b>	<b>0.5</b>	<b>29.5</b>	<b>35.8</b>	<b>1.3</b>	<b>6.5</b>	<b>4.6</b>	<b>571.4</b>	<b>(3.8)</b>	<b>0.1</b>	<b>652.2</b>	<b>453.7</b>	<b>1,105.9</b>
Adjustments from other reserves	-	-	-	-	-	-	-	(0.5)	-	-	(0.5)	-	(0.5)
Adjusted balance 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)
<b>Transaction with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3.7)</b>	<b>(11.2)</b>	<b>-</b>	<b>-</b>	<b>(14.9)</b>	<b>(24.3)</b>	<b>(39.2)</b>
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	-	-	-	-	-	-	-	-	6.0	(0.1)	5.9	-	5.9
Revaluation reserve	-	-	-	-	-	(0.2)	-	-	-	-	(0.2)	-	(0.2)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.2)</b>	<b>-</b>	<b>32.7</b>	<b>6.0</b>	<b>(0.1)</b>	<b>38.4</b>	<b>49.2</b>	<b>87.6</b>
<b>Balance at 31 March 2021</b>	<b>6.3</b>	<b>0.5</b>	<b>29.5</b>	<b>35.8</b>	<b>1.3</b>	<b>6.3</b>	<b>0.9</b>	<b>592.4</b>	<b>2.2</b>	<b>-</b>	<b>675.2</b>	<b>478.6</b>	<b>1,153.8</b>

The notes and accounting policies on pages 50 to 104 form an integral part of these financial statements.



## Company Statement of Changes in Equity

year ended 31 March 2022

Company	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Liability for share-based payments £m	Retained earnings £m	Total equity £m
<b>Balance at 1 April 2021</b>		<b>6.3</b>	<b>0.5</b>	<b>1.3</b>	<b>0.9</b>	<b>269.6</b>	<b>278.6</b>
Dividends		-	-	-	-	(29.0)	(29.0)
Share based payments	26	-	-	-	3.9	-	3.9
<b>Transactions with owners</b>		-	-	-	3.9	(29.0)	(25.1)
Profit for the period		-	-	-	-	197.3	197.3
<b>Total comprehensive income for the year</b>		-	-	-	-	197.3	197.3
<b>Balance at 31 March 2022</b>		<b>6.3</b>	<b>0.5</b>	<b>1.3</b>	<b>4.8</b>	<b>437.9</b>	<b>450.8</b>
<b>Balance at 1 April 2020</b>		6.3	0.5	1.3	4.6	256.5	269.2
Share based payments	26	-	-	-	(3.7)	-	(3.7)
<b>Transactions with owners</b>		-	-	-	(3.7)	-	(3.7)
Profit for the period		-	-	-	-	13.1	13.1
<b>Total comprehensive income for the year</b>		-	-	-	-	13.1	13.1
<b>Balance at 31 March 2021</b>		<b>6.3</b>	<b>0.5</b>	<b>1.3</b>	<b>0.9</b>	<b>269.6</b>	<b>278.6</b>

The notes and accounting policies on pages 50 to 104 form an integral part of these financial statements.



# Group Cash Flow Statement

year ended 31 March 2022

	2022 £m	2021 £m
<b>Operating activities</b>		
Operating profit	<b>282.7</b>	181.5
Adjustments for:		
Depreciation	<b>26.5</b>	28.3
Amortisation of intangible assets	<b>3.0</b>	3.2
(Loss)/gain on sale of fixed assets	<b>(3.1)</b>	3.9
Non-cash impact of gain on pension curtailment	<b>(0.2)</b>	-
Non-cash derivative movement	<b>(4.2)</b>	-
<b>Operating cash flows before movements in working capital</b>	<b>304.7</b>	216.9
Increase in inventories	<b>(22.7)</b>	(32.9)
(Increase)/decrease in receivables	<b>(35.9)</b>	57.9
Increase/(decrease) in payables	<b>55.3</b>	(25.1)
Employer pension contributions paid	<b>(23.8)</b>	(5.6)
Other non-cash movements	<b>(13.5)</b>	(15.3)
<b>Cash generated by operations</b>	<b>264.1</b>	195.9
Tax on profit paid	<b>(49.3)</b>	(29.8)
<b>Net cash from operating activities</b>	<b>214.8</b>	166.1
<b>Investing activities</b>		
Dividends received	<b>0.8</b>	-
Dividends received from joint ventures undertakings	<b>2.1</b>	3.1
Interest received	<b>2.2</b>	6.5
Purchase of property, plant and equipment	<b>(66.6)</b>	(56.2)
Purchase of intangible assets	<b>(3.6)</b>	(1.1)
Sale of property, plant and equipment	<b>3.7</b>	6.2
Capital injection in joint venture	<b>(0.2)</b>	-
Disposal of investment	<b>2.1</b>	2.9
Acquisition of subsidiary	<b>-</b>	(12.2)
Net cash acquired on acquisition	<b>3.2</b>	0.1
<b>Net cash used in investing activities</b>	<b>(56.3)</b>	(50.7)
<b>Financing activities</b>		
Interest paid	<b>(19.8)</b>	(26.4)
Net proceeds from EBT share transactions	<b>-</b>	(3.6)
Sale of Brugal treasury shares	<b>13.8</b>	-
Repayment of lease liabilities	<b>(7.2)</b>	(9.4)
Equity dividends paid	<b>(29.0)</b>	-
Dividends paid to non-controlling interests in subsidiaries	<b>(110.1)</b>	(20.1)
Drawdown of revolving credit facilities	<b>1,361.1</b>	230.0
Repayment of revolving credit facilities	<b>(1,316.8)</b>	(276.0)
Repayment of private placement debt	<b>(141.8)</b>	-
Drawdown of other loans	<b>104.0</b>	62.0
Repayment of other loans	<b>(2.9)</b>	(25.7)
<b>Net cash used in financing activities</b>	<b>(148.7)</b>	(69.2)
<b>Net increase in cash and liquid resources</b>	<b>9.8</b>	46.2
<b>Cash and liquid resources at beginning of year</b>	<b>293.6</b>	247.2
Effect of foreign exchange rate changes	<b>(0.5)</b>	0.2
<b>Cash and liquid resources at end of year (note 25)</b>	<b>302.9</b>	293.6

The notes and accounting policies on pages 50 to 104 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 principal activities and nature of the operations of the Company and its subsidiaries (the Group) are set out in the Strategic 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 international accounting standards in conformity with the requirements of the Companies Act 2006. The Group report under IFRS with the 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:

- > IFRS 17 (Including the June 2020 amendment)  
*Insurance contracts.*
- > Amendments to IFRS 10 and IAS 28  
*Sale or contribution of assets between an investor and its associate or joint venture.*
- > Amendment to IAS1  
*Classification of liabilities as current or non-current.*
- > Amendment to IFRS 3  
*Reference to the Conceptual Framework.*
- > Amendment to IAS 16  
*Property, plant and equipment – proceeds before intended use.*
- > Amendment to IAS 37  
*Onerous Contracts – cost of fulfilling a contract.*
- Annual improvements to IFRS Standards (2018-20)  
*Amendment to IFRS 1 First-time adoption of international financial reporting standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture.*
- > Amendments to IAS 1 and IFRS Practical Statement 2  
*Disclosure of accounting policies.*
- > Amendments to IAS 8  
*Definition of accounting estimates.*
- > Amendments to IAS 12  
*Deferred tax related to assets and liabilities arising from a single Transaction.*

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.



## Accounting Policies (continued)

### 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.

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.



## Accounting Policies (continued)

### Leases (continued)

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.
- > 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 not 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.



## Accounting Policies (continued)

### 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%.

### 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 statement of financial position 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.



## Accounting Policies (continued)

### Acquisitions (continued)

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 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 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 as 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



## Accounting Policies (continued)

### Taxation (continued)

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 can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 way 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 and provisions

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. An equity instrument is any contract that evidences



## Accounting Policies (continued)

### Financial instruments (continued)

a residual interest in the assets of the entity after deducting all 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 statement of financial position. Finance costs and gains or losses relating to financial liabilities are included in the income statement. Finance costs are calculated 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.

#### 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. After 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



## Accounting Policies (continued)

### Hedge accounting (continued)

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.

### 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 three 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 statement of financial position. 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.



## Accounting Policies (continued)

### **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:

#### *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:

	2022 £m	2021 £m
Core revenue	<b>821.5</b>	576.2
Revenue from distribution of 3rd party products	<b>133.7</b>	34.5
Sale of non-cased goods	<b>23.3</b>	13.6
Other income	<b>2.5</b>	1.3
<b>Group revenue</b>	<b>981.0</b>	625.6

### 2 Exceptional items

	2022 £m	2021 £m
Gain on disposal of investment	<b>1.1</b>	7.1
Gain on acquisition of subsidiary	<b>21.1</b>	-
Impairment of investment in joint venture	<b>(17.0)</b>	-
Total of exceptional items before taxation and non-controlling interest	<b>5.2</b>	7.1
Taxation	<b>(0.7)</b>	(1.4)
Total of exceptional items after taxation	<b>4.5</b>	5.7
Non-controlling interest	<b>(1.4)</b>	(1.8)
Net impact on retained earnings	<b>3.1</b>	3.9

The gain on disposal of investment relates to the disposal of 50% of the share capital of Maxxium España SL on the 2 August 2021, further details of the disposals are disclosed in note 33.

The gain on acquisition of subsidiary relates to the acquisition of the remaining 50% of the share capital of Edrington UK Distribution Limited (formerly Edrington Beam Suntory UK Distribution Limited) on the 2 August 2021, further details of the acquisition are disclosed in note 32.

The impairment of investment in joint venture relates to the decision to review the position of the investment in Maxxium Cyprus Limited, including Maxxium Rus and Denview Limited, following the decision to stop shipping to Russia as a result of the Russia/Ukraine conflict. This has resulted in a non-cash write down of the carrying value of the investment.

The prior year gain on disposal of investment related to the disposal of shares in Vinicola del Norte, a drinks manufacturer in the Dominican Republic.



Notes to the Financial Statements (continued)

**3 Income from other investments**

	2022 £m	2021 £m
Impairment of other fixed asset investments	<b>(0.2)</b>	-
Share of profits from other fixed asset investments	<b>0.8</b>	0.1
	<b>0.6</b>	0.1

**4 Finance income and finance costs**

	2022 £m	2021 £m
<b>Finance income</b>		
Interest on defined benefit pension scheme (note 27)	<b>0.5</b>	1.4
Other interest receivable	<b>1.7</b>	4.9
	<b>2.2</b>	6.3
<b>Finance costs</b>		
Interest payable - bank loans & overdrafts	<b>(4.8)</b>	(6.5)
Interest payable - US private placement	<b>(10.2)</b>	(19.2)
Interest expense on lease liabilities	<b>(0.7)</b>	(0.7)
	<b>(15.7)</b>	(26.4)
<b>Other finance (costs)/income</b>		
Non-qualifying hedge accounting including fair value of currency options	<b>(6.0)</b>	3.2
Other finance costs	<b>(1.4)</b>	(1.4)
	<b>(7.4)</b>	1.8



Notes to the Financial Statements (continued)

**5 Profit before taxation**

	2022 £m	2021 £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	<b>0.1</b>	0.1
<i>Fees payable to the Company's auditor for other services:</i>		
-audit of the accounts of subsidiaries	<b>0.8</b>	0.6
Depreciation of property, plant and equipment	<b>20.5</b>	22.7
Depreciation of right-of-use assets (note 11)	<b>6.0</b>	5.6
Staff costs (note 6)	<b>173.4</b>	117.4
Trade receivable impairment (note 15)	<b>(1.4)</b>	(4.6)
Inventory charged to income statement	<b>55.7</b>	53.3
(Gain)/ Loss on disposal of property, plant and equipment	<b>(3.1)</b>	3.9
Amortisation of intangible assets (note 9)	<b>3.0</b>	3.2

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**

	2022 Number	2021 Number
The average number of employees was as follows:		
Engaged in distilling, coopering, blending, bottling and marketing of Scotch whisky & rum	<b>2,671</b>	2,384

	2022 £m	2021 £m
Employment costs during the year amounted to:		
Wages and salaries	<b>110.2</b>	95.9
Social security costs	<b>11.3</b>	8.3
Pension costs	<b>10.3</b>	9.1
Employee share schemes	<b>4.4</b>	0.3
Long term incentive plans	<b>14.9</b>	3.8
Annual employee incentive schemes	<b>22.3</b>	-
	<b>173.4</b>	117.4

In the prior 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, no such funding was received in the year to 31 March 2022. The figures above do not include the impact of these payments.



Notes to the Financial Statements (continued)

**6 Employees (continued)**

	2022 £m	2021 £m
Remuneration in respect of the Board of directors was as follows:		
Emoluments (excluding pension contributions)	<b>1.5</b>	1.6
Benefits	<b>0.2</b>	0.2
Employee share schemes	<b>0.1</b>	-
Performance related Annual Incentive Plan	<b>1.3</b>	-
Performance related Long-Term Incentive Plan	<b>3.0</b>	0.3
	<b>6.1</b>	2.1

	2022 £m	2021 £m
The amounts set out above include remuneration in respect of the highest paid director each year as follows:		
Emoluments (excluding pension contributions)	<b>0.6</b>	0.5
Benefits	<b>0.1</b>	0.1
Employee share schemes	<b>0.1</b>	-
Performance related Annual Incentive Plan	<b>0.8</b>	-
Performance related Long-Term Incentive Plan	<b>2.0</b>	0.1
	<b>3.6</b>	0.7

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 partially triggered in the current year but were not triggered in the prior year.

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 and prior years.

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 £1.9m (2021: £0.1m) and for the highest paid director was £1.2m (2021: £0.0m).



## Notes to the Financial Statements (continued)

### 6 Employees (continued)

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

During the year, no directors (2021: 3 directors) exercised share rights under the ShareSave Scheme. The aggregate of gains by directors exercising share rights during the year was £nil (2021: £73,000). During the year, no directors (2021: no directors) participated in defined benefit pension schemes and 2 directors participated in the defined contribution scheme (2021: 2 directors). No other directors participated in any other Company pension schemes during the year.

The highest paid director did not exercise share rights under the ShareSave Scheme this year but did 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% (2021: 19%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

	2022 £m	2021 £m
The tax charge represents:		
<i>Current tax:</i>		
UK Corporation tax at 19% (2021: 19%)	19.1	9.3
Foreign tax	30.8	21.1
Tax on exceptional items	-	1.4
<b>Total current tax</b>	<b>49.9</b>	<b>31.8</b>
<i>Deferred tax:</i>		
Deferred tax charge/(credit) for the year	2.8	(0.6)
Adjustment to deferred tax attributable to changes in tax rates and laws	45.4	-
Tax on exceptional items	0.7	-
Adjustment in respect of prior periods	(0.2)	1.0
<b>Total deferred tax</b>	<b>48.7</b>	<b>0.4</b>
<b>Total tax</b>	<b>98.6</b>	<b>32.2</b>



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% (2021: 19%).

The differences are explained below:

	2022 £m	2021 £m
Profit before tax from continuing operations	<b>275.9</b>	178.4
Income tax expense calculated at 19% (2021: 19%)	<b>52.4</b>	33.9
Effect of expenses that are not deductible in determining taxable profit	<b>11.2</b>	1.5
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>2.9</b>	3.2
Non-taxable income	<b>(9.4)</b>	(3.9)
Other differences	<b>(3.6)</b>	(1.3)
Adjustment in respect of prior periods	<b>(0.2)</b>	1.0
Effect on deferred tax balances due to changes in future tax rates	<b>45.4</b>	-
Deferred tax assets previously unrecognised	<b>0.1</b>	0.7
Share of results of associates and joint ventures	<b>(1.3)</b>	(1.5)
Deferred tax on distributable reserves	<b>1.1</b>	(1.4)
	<b>98.6</b>	32.2

The OECD and EU continue to develop new policies which will not only lead to a substantially increased tax compliance burden but may set a new minimum global corporate tax rate of 15%. The detailed rules are still under discussion and it is not therefore possible to accurately forecast the impact for The Edrington Group at this stage.

**8 Dividends**

	2022 £m	2021 £m
Dividends paid during the year:		
- First interim prior year of 7.0p (2021: 0.0p)	<b>4.4</b>	-
- Second interim prior year of 27.0p (2021: 0.0p)	<b>17.1</b>	-
- First interim current year of 12.0p (2021: 0.0p)	<b>7.5</b>	-
Less: dividends paid to the Employee Benefit Trust	<b>(1.1)</b>	-
	<b>27.9</b>	-
Proposed not paid (not recognised as a liability):		
First interim of 0.0p (2021: 7.0p)	-	4.4
Proposed after the year-end (not recognised as a liability):		
Second interim of 36.0p (2021 second interim: 27.0p)	<b>22.8</b>	17.1



Notes to the Financial Statements (continued)

**9 Intangible assets**

Group	Brands £m	Software £m	Total £m
<b>Cost or valuation</b>			
At 1 April 2021	902.4	32.0	934.4
Additions	-	3.6	3.6
Acquisition of Subsidiary	-	2.7	2.7
Disposals	-	(3.6)	(3.6)
<b>At 31 March 2022</b>	<b>902.4</b>	<b>34.7</b>	<b>937.1</b>
<b>Amortisation</b>			
At 1 April 2021	513.4	16.4	529.8
Charge for the year	-	3.0	3.0
Acquisition of Subsidiary	-	2.6	2.6
Disposals	-	(3.4)	(3.4)
Exchange adjustment	-	(0.6)	(0.6)
<b>At 31 March 2022</b>	<b>513.4</b>	<b>18.0</b>	<b>531.4</b>
<b>Net book value at 31 March 2022</b>	<b>389.0</b>	<b>16.7</b>	<b>405.7</b>
<b>Net book value at 31 March 2021</b>	<b>389.0</b>	<b>15.6</b>	<b>404.6</b>

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 2022, the carrying amounts of the principal brands acquired by the Group are as follows:

	2022 £m
<b>Cash generating unit</b>	
Famous Grouse Family	32.0
The Macallan	324.1
Highland Park	13.9
The Glenrothes	19.0
	<b>389.0</b>

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% (2021: 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 2022, 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**

<b>Group</b>	Freehold land & buildings £m	Plant, vehicles & equipment £m	Casks £m	Assets under construction £m	Total £m
<b>Cost or valuation</b>					
At 1 April 2021	231.1	250.2	373.4	9.3	864.0
Additions	1.0	3.1	36.9	29.6	70.6
Acquisition of subsidiary	-	1.7	-	-	1.7
Disposals	(0.4)	(12.0)	(3.6)	-	(16.0)
Transfers	22.9	0.1	0.8	(23.8)	-
Exchange adjustment	0.9	3.0	0.8	0.2	4.9
<b>At 31 March 2022</b>	<b>255.5</b>	<b>246.1</b>	<b>408.3</b>	<b>15.3</b>	<b>925.2</b>
<b>Depreciation</b>					
At 1 April 2021	55.2	139.3	113.4	-	307.9
Charge for the year	5.9	13.3	16.8	-	36.0
Acquisition of subsidiary	-	0.7	-	-	0.7
Disposals	(0.3)	(12.0)	(3.3)	-	(15.6)
Exchange adjustment	0.4	1.8	0.5	-	2.7
<b>At 31 March 2022</b>	<b>61.2</b>	<b>143.1</b>	<b>127.4</b>	<b>-</b>	<b>331.7</b>
<b>Net book value</b>					
<b>At 31 March 2022</b>	<b>194.3</b>	<b>103.0</b>	<b>280.9</b>	<b>15.3</b>	<b>593.5</b>
<b>At 31 March 2021</b>	<b>175.9</b>	<b>110.9</b>	<b>260.0</b>	<b>9.3</b>	<b>556.1</b>

Included in freehold land and buildings is £1.5m (2021: £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, vehicles, and IT equipment. The average lease term is 3 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.

<b>Group</b>	Freehold land & buildings £m	Plant, vehicles & equipment £m	Total £m
<b>Cost or valuation</b>			
At 1 April 2021	31.4	1.4	32.8
Acquisition of subsidiary	3.1	0.7	3.8
Additions	0.9	0.5	1.4
Disposals	(0.3)	(0.1)	(0.4)
Exchange adjustment	1.8	(0.4)	1.4
<b>At 31 March 2022</b>	<b>36.9</b>	<b>2.1</b>	<b>39.0</b>
<b>Depreciation</b>			
At 1 April 2021	10.1	0.8	10.9
Charge for the year	5.5	0.5	6.0
Acquisition of subsidiary	0.8	0.6	1.4
Disposals	(0.2)	(0.1)	(0.3)
Exchange adjustment	0.7	(0.4)	0.3
<b>At 31 March 2022</b>	<b>16.9</b>	<b>1.4</b>	<b>18.3</b>
<b>Net book value</b>			
<b>At 31 March 2022</b>	<b>20.0</b>	<b>0.7</b>	<b>20.7</b>
<b>At 31 March 2021</b>	<b>21.3</b>	<b>0.6</b>	<b>21.9</b>

Approximately 93 (2021: 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 £1.4m in 2022 (2021: £3.0m).



Notes to the Financial Statements (continued)

**12 Investments**

<b>Group</b>	Joint ventures £m	Associates and other investments £m	Total investments £m
At 1 April 2021	63.7	5.6	69.3
Share of retained profits less dividends received	5.1	2.1	7.2
Actuarial loss on pension scheme	(7.0)	-	(7.0)
Movement on deferred tax relating to pension scheme	1.4	-	1.4
Transfer from JV to subsidiary*	(17.5)	-	(17.5)
Disposal of investment**	(3.7)	(1.1)	(4.8)
Exchange adjustments	(0.6)	0.1	(0.5)
Impairment of investment***	(12.3)	-	(12.3)
Additional investment	0.2	-	0.2
Other movements	0.8	-	0.8
<b>At 31 March 2022</b>	<b>30.1</b>	<b>6.7</b>	<b>36.8</b>

\* In the year the Group purchased the remaining 50% of the share capital of Edrington UK Distribution Limited obtaining full ownership.

\*\* In the year the Group disposed of its investment in the joint venture partnership Maxxium España SL and its investment in Tequila Partida LLC.

\*\*\* We have recorded a full impairment of our investments in Maxxium Cyprus, Maxxium Rus and Denview as a result of the Russia/Ukraine conflict.

<b>Company</b>	Investments in subsidiaries £m
Cost or valuation at 1 April 2021	308.9
Other movements	3.7
Impairment of subsidiary investment	(0.6)
<b>Cost or valuation at 31 March 2022</b>	<b>312.0</b>

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 2022 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 2022	Nature of business
<b>Subsidiary undertakings:</b>			
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	61%*	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	61%	Distilling, bottling, sales and marketing of Dominican rum
Brugal Subsidiaria España, SLU (Calle Mahonia No.2, Edificio Portico, 1ra planta, Campo de las Naciones, 28043, Madrid, España)	Ordinary shares	61%	Sales and marketing of Dominican rum
SLV (Edrington) 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



## Notes to the Financial Statements (continued)

### 12 Investments (continued)

Name of Company/(registered address)	Holding	Proportion held at 31 March 2022	Nature of business
<b>Subsidiary undertakings:</b>			
Robertson & Baxter Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%	Dormant
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
<b>Joint venture and associated undertakings:</b>			
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
Wyoming Whiskey, Inc. (100 South Nelson Street, Kirby, Wyoming 82430)	Ordinary shares	47%	Distilling, bottling, sales and marketing of American craft whiskey
No.3 London Dry Gin Limited (3 St.James's Street, London, SW1A 1EG)	Ordinary shares	25%***	Sale and distribution of alcoholic beverages

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.

\*\*\* Company was incorporated during the current financial year.



## Notes to the Financial Statements (continued)

### 12 Investments (continued)

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

Name of Company/(registered address)	Holding	Proportion held at 31 March 2022	Nature of business
<b>Subsidiary undertakings:</b>			
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 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



Notes to the Financial Statements (continued)

**12 Investments (continued)**

Name of Company/(registered address)	Holding	Proportion held at 31 March 2022	Nature of business
<b>Subsidiary undertakings:</b>			
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 (Magalou Alexandrou 4 Street, Aglantzia, 2121 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
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



## Notes to the Financial Statements (continued)

### 12 Investments (continued)

Name of Company/(registered address)	Holding	Proportion held at 31 March 2022	Nature of business
<b>Subsidiary undertakings:</b>			
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
Edrington Distribution UK Limited (formally Edrington Beam-Suntory UK Distribution Limited) (191 West George Street, Glasgow, Scotland, G2 2LD)	Ordinary shares	100%*	Sale and distribution of alcoholic beverages
Edrington France SAS (37 Rue Des Mathurins, 75008, Paris)	Ordinary shares	100%**	Sale and distribution of alcoholic beverages

\* In the year the Group purchased the remaining 50% of the share capital of Edrington UK Distribution Limited obtaining full ownership.

\*\* Company was incorporated during the current financial year.

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	
			2022 £m	2021 £m	2022 £m	2021 £m
The Macallan Distillers Limited	UK	25%	<b>36.8</b>	24.0	<b>239.6</b>	232.6
1887 Company Limited	UK	30%	<b>33.8</b>	28.0	<b>192.6</b>	223.6
Brugal & Co., S.A.	Dominican Republic	39%*	<b>11.7</b>	12.6	<b>31.8</b>	21.8
Edrington Taiwan	Taiwan	12.5%	<b>0.1</b>	0.1	<b>0.7</b>	0.6
			<b>82.4</b>	64.7	<b>464.7</b>	478.6

\* During the year a number of treasury shares were sold resulting in an increase in the non-controlling interest.



## Notes to the Financial Statements (continued)

### 12 Investments (continued)

Name of Company/(registered address)	Holding	Proportion held at 31 March 2022	Nature of business
<b>Joint venture undertakings:</b>			
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 (Koivistokade 62,1013 BB Amsterdam)	Ordinary shares	50%	Sale and distribution of alcoholic beverages
Maxxium Belux NV (NV Leuvensesteenweg 643-16, 1930, Zaventem)	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

\*\* Company was incorporated during the financial year.



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:

	2022 £m	2021 £m
<b>Income Statement</b>		
Revenue (before elimination of group transactions with joint ventures)	<b>182.1</b>	279.0
Profit before interest and taxation	<b>10.5</b>	9.7
Interest and other finance costs	<b>(1.0)</b>	0.2
Taxation	<b>(2.3)</b>	(1.9)
<b>Group's share of profit for the year</b>	<b>7.2</b>	8.0
Less dividends paid	<b>(2.1)</b>	(3.1)
	<b>5.1</b>	4.9
<b>Statement of Financial Position</b>		
Non-current assets	<b>16.3</b>	18.5
Current assets	<b>74.6</b>	207.2
	<b>90.9</b>	225.7
Current liabilities	<b>(41.7)</b>	(155.1)
Non-current liabilities	<b>(19.1)</b>	(6.9)
	<b>(60.8)</b>	(162.0)
<b>Group's share of net assets</b>	<b>30.1</b>	63.7

**13 Inventories**

<b>Group</b>	2022 £m	2021 £m
Raw materials	<b>7.2</b>	5.1
Scotch whisky	<b>694.0</b>	622.4
Rum	<b>14.2</b>	17.4
Packaging materials	<b>30.4</b>	21.1
Other inventory	<b>1.8</b>	1.4
	<b>747.6</b>	667.4

Within total inventory £549.7m relates to inventory which will be realised in greater than one year (2021: £510.2m).



Notes to the Financial Statements (continued)

**14 Assets held for sale**

<b>Group</b>	<b>2022 £m</b>	<b>2021 £m</b>
Maxxium Worldwide BV	<b>0.6</b>	0.7

**15 Trade and other receivables**

	<b>Company</b>		<b>Group</b>	
	<b>2022 £m</b>	<b>2021 £m</b>	<b>2022 £m</b>	<b>2021 £m</b>
Amounts falling due within one year:				
Trade receivables	-	-	<b>181.5</b>	59.6
Less: Expected credit loss	-	-	<b>(2.4)</b>	(3.8)
Trade receivables – net	-	-	<b>179.1</b>	55.8
Amounts due from group undertakings	<b>0.3</b>	0.2	-	-
Amounts due from joint ventures (note 31)	-	-	<b>2.6</b>	18.0
Amounts due from associates	-	-	<b>0.2</b>	-
Prepayments and accrued income	-	0.4	<b>53.5</b>	22.4
	<b>0.3</b>	0.6	<b>235.4</b>	96.2
Corporation tax and group relief receivable	<b>0.2</b>	0.2	<b>2.8</b>	4.9
	<b>0.5</b>	0.8	<b>238.2</b>	101.1

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 1.3% in the year and 6.3% 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	
<b>31 March 2022</b>						
Expected credit loss rate	<b>0.5%</b>	<b>1.4%</b>	<b>10.0%</b>	<b>17.7%</b>	<b>23.1%</b>	<b>1.3%</b>
Expected total gross carrying amount at default	<b>162.8</b>	<b>10.0</b>	<b>3.2</b>	<b>1.3</b>	<b>4.2</b>	<b>181.5</b>
Lifetime ECL	<b>0.8</b>	<b>0.1</b>	<b>0.3</b>	<b>0.2</b>	<b>1.0</b>	<b>2.4</b>
<b>31 March 2021</b>						
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

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	
	2022 £m	2021 £m	2022 £m	2021 £m
<b>Current</b>				
Accruals and other payables	-	-	<b>214.3</b>	124.3
Provisions	-	-	<b>1.8</b>	-
Other taxes and social security costs	-	-	<b>38.0</b>	14.0
Other liabilities and provisions	-	-	<b>254.1</b>	138.3
Trade payables	-	-	<b>71.6</b>	39.5
Amounts due to group undertakings	<b>63.3</b>	88.8	-	-
Amounts due to joint ventures (note 31)	-	-	<b>6.7</b>	6.8
Trade and other payables	<b>63.3</b>	88.8	<b>78.3</b>	46.3
Corporation tax payable	-	-	<b>10.2</b>	12.1
	<b>63.3</b>	88.8	<b>342.6</b>	196.7
<b>Non-Current</b>				
Accruals and other payables	-	-	<b>0.3</b>	0.3
	-	-	<b>0.3</b>	0.3

The tables in Note 19 analyse the Group and Company's financial liabilities into the relevant maturity.



Notes to the Financial Statements (continued)

**17 Borrowings**

	Group	
	2022 £m	2021 £m
<b>Current</b>		
Bank overdraft	2.5	26.4
Bank borrowings	45.6	20.0
Other external borrowings	10.0	6.0
Private placements	-	163.1
<b>Total Current Borrowings</b>	<b>58.1</b>	215.5
<b>Non-current</b>		
Bank borrowings	259.7	142.3
Private placements	338.7	338.4
<b>Total Non-current Borrowings</b>	<b>598.4</b>	480.7
<b>Total Borrowings</b>	<b>656.5</b>	696.2

Bank overdrafts are on demand facilities or committed facilities with a maturity date to March 2023. Interest on bank overdrafts is linked to SONIA the currency equivalent of SONIA 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 2022 The 1887 Company Limited had four sterling denominated private placements totalling £340.0m (2021: £340.0m) with maturities ranging from 2025 to 2034 at fixed interest rates of 2.84%, 2.91%, 2.96% and 3.21% respectively. In the prior year 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%

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 2022 was £380.8m (2021: £581.1m).

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 £16.7m (2021: £17.2m).

	2022 £m	2021 £m
The Group had available undrawn committed bank facilities as follows:		
Expiring between one and two years	-	50.0
Expiring after two years	181.0	215.0
	<b>181.0</b>	265.0



## 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 2022.

	Bank Debt	Private Placement Debt
Net Debt: EBITDA	< 3.5 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.

	Group	
	2022 £m	2021 £m
Borrowings will mature as follows:		
Within one year	<b>58.1</b>	215.5
Between one and two years	<b>247.3</b>	16.1
Between two and five years	<b>111.3</b>	224.8
Beyond five years	<b>239.8</b>	239.8
	<b>656.5</b>	696.2

### 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 2022.



## 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 2025 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.

	2022 £m	2021 £m
Fixed rate debt	<b>358.0</b>	531.8
Floating rate debt	<b>298.5</b>	164.4
	<b>656.5</b>	696.2

The average interest rate across the portfolio of debt including the impact of derivatives is 2.46% (2021: 3.14%).

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 2022, 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)	
	2022 £m	2021 £m	2022 £m	2021 £m
10% weakening of sterling	<b>8.3</b>	7.9	<b>13.6</b>	1.0
10% strengthening of sterling	<b>(6.8)</b>	(6.2)	<b>(11.1)</b>	(0.8)
10bps increase in interest rates	<b>(0.3)</b>	(0.2)	-	-
10bps decrease in interest rates	<b>0.3</b>	0.2	-	-

#### 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 2021.

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 2022 of 1.1 was within the target range.



## Notes to the Financial Statements (continued)

### 18 Risk management (continued)

#### 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.

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
<b>31 March 2022</b>					
<b>Financial assets</b>					
Trade and other receivables	-	235.4	235.4	235.4	-
Cash and liquid resources	-	305.4	305.4	305.4	-
Derivatives in a hedge relationship	0.1	-	0.1	0.1	-
Derivatives not classified as hedges	4.9	-	4.9	1.7	3.2
	5.0	540.8	545.8	542.6	3.2
<b>Financial liabilities</b>					
Trade and other payables	-	(294.7)	(294.7)	(294.4)	(0.3)
Borrowings	-	(656.5)	(656.5)	(58.1)	(598.4)
Derivatives in a hedge relationship	(0.7)	-	(0.7)	(0.6)	(0.1)
	(0.7)	(951.2)	(951.9)	(353.1)	(598.8)
	<b>4.3</b>	<b>(410.4)</b>	<b>(406.1)</b>	<b>189.5</b>	<b>(595.6)</b>



Notes to the Financial Statements (continued)

**18 Risk management (continued)**

<b>31 March 2021</b>	Fair value through Profit or loss £m	Amortised cost £m	Total £m	Current £m	Non- Current £m
<b>Financial assets</b>					
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
<b>Financial liabilities</b>					
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)
	<b>94.2</b>	<b>(520.9)</b>	<b>(426.7)</b>	<b>53.8</b>	<b>(480.5)</b>

**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 2022 and 31 March 2021.

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**

<b>31 March 2022</b>	Notes	2023 £m	2024 £m	2025 £m	2026 £m	2027 £m	2028 and thereafter £m	Total £m
Loans and other borrowings	(i)	(58.9)	(103.6)	(147.6)	(108.5)	-	(240.0)	(658.6)
Interest on borrowings	(ii)	(18.6)	(16.4)	(10.7)	(10.4)	(7.3)	(29.9)	(93.3)
Payables		(294.4)	(0.3)	-	-	-	-	(294.7)
<b>Non-derivative financial liabilities</b>		<b>(371.9)</b>	<b>(120.3)</b>	<b>(158.3)</b>	<b>(118.9)</b>	<b>(7.3)</b>	<b>(269.9)</b>	<b>(1,046.6)</b>
Amounts payable under foreign exchange contracts		(35.2)	(12.6)	-	-	-	-	(47.8)
<b>Derivative instruments</b>		<b>(35.2)</b>	<b>(12.6)</b>	-	-	-	-	<b>(47.8)</b>

<b>31 March 2021</b>	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)
<b>Non-derivative financial liabilities</b>		<b>(401.0)</b>	<b>(27.4)</b>	<b>(13.1)</b>	<b>(123.1)</b>	<b>(118.3)</b>	<b>(277.2)</b>	<b>(960.1)</b>
Amounts payable under foreign exchange contracts		(34.2)	(12.7)	-	-	-	-	(46.9)
<b>Derivative instruments</b>		<b>(34.2)</b>	<b>(12.7)</b>	-	-	-	-	<b>(46.9)</b>

(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

##### *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 Group had no outstanding cross currency swap contracts (2021: £142.0m). Changes in the fair value of derivatives that are designated as and are effective cash flow hedges amounting to £21.5m loss (2021: £18.7m loss) have been recognised in the cash flow hedge reserve. A net gain of £21.3m (2021: £17.5m gain) 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 £63.4m (2021: £142.1m). Changes in the fair value of derivatives that are designated as and are effective cash flow hedges amounting to £1.3m loss (2021: £5.9m gain) have been recognised in the cash flow hedge reserve. A net loss of £1.4m (2021: £0.8m 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 2022 had a net £7.4m loss (2021: £7.2m gain) impact on finance costs.



Notes to the Financial Statements (continued)

20 Derivative financial instruments (continued)

Derivative financial instruments – carrying value

Group	2022		2021	
	Assets	Liabilities	Assets	Liabilities
<b>Current:</b>				
<b>Hedging derivatives - cash flow hedges</b>				
- Foreign exchange rates	0.1	(0.6)	2.4	(0.2)
- Cross currency swaps	-	-	21.5	-
<b>Non-hedging derivatives</b>				
- Foreign exchange rate – at fair value through P&L	1.7	-	1.6	(1.6)
<b>Total current</b>	<b>1.8</b>	<b>(0.6)</b>	25.5	(1.8)
<b>Non-current:</b>				
<b>Hedging derivatives - cash flow hedges</b>				
- Foreign exchange rates	-	(0.1)	0.3	-
<b>Non-hedging derivatives</b>				
- Foreign exchange rate – at fair value through P&L	3.2	-	0.3	(0.1)
<b>Total non-current</b>	<b>3.2</b>	<b>(0.1)</b>	0.6	(0.1)
	<b>5.0</b>	<b>(0.7)</b>	26.1	(1.9)

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.

<b>31 March 2022</b>	Up to one year	<b>Maturity</b> One to five years	More than five years
<b>Cash flow hedges</b>			
<i>Foreign exchange risk</i>			
Foreign exchange forward contracts (GBP: USD)			
- Notional amount (£m)	7.50	-	-
- Average exchange rate	1.313	-	-
Foreign exchange forward contracts (GBP: EUR)			
- Notional amount (£m)	4.30	-	-
- Average exchange rate	1.100	-	-
Foreign exchange forward contracts (EUR: GBP)			
- Notional amount (£m)	30.80	14.80	-
- Average exchange rate	1.151	1.150	-

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
<b>At 1 April 2020</b>	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)
<b>At 31 March 2021</b>	<b>(0.6)</b>	<b>(50.9)</b>	<b>(71.5)</b>	<b>(2.1)</b>	<b>(2.2)</b>	<b>25.4</b>	<b>(1.2)</b>	<b>(0.1)</b>	<b>(103.2)</b>
Acquisition	-	(0.1)	-	0.6	-	-	-	-	0.5
Charge to income statement	-	(22.6)	(23.1)	(7.5)	(0.8)	7.1	(0.2)	-	(47.1)
Charge to other comprehensive income	0.8	-	-	0.6	-	1.1	0.1	-	2.6
<b>At 31 March 2022</b>	<b>0.2</b>	<b>(73.6)</b>	<b>(94.6)</b>	<b>(8.4)</b>	<b>(3.0)</b>	<b>33.6</b>	<b>(1.3)</b>	<b>(0.1)</b>	<b>(147.2)</b>

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:

	2022 £m	2021 £m
Deferred tax asset	53.0	43.8
Deferred tax liability	(200.2)	(147.0)
	<b>(147.2)</b>	<b>(103.2)</b>

**Unrecognised deferred tax assets:**

	2022 £m	2021 £m
Tax losses (capital in nature)	3.2	2.5
Tax losses (revenue in nature)	1.6	1.2



Notes to the Financial Statements (continued)

**21 Deferred tax (continued)**

Company	Withholding tax on distributable reserves £m
<b>At 1 April 2020</b>	<b>(3.0)</b>
Charge to income statement	1.2
<b>At 31 March 2021</b>	<b>(1.8)</b>
Charge to income statement	(0.1)
<b>At 31 March 2022</b>	<b>(1.9)</b>

The company has an unrecognised deferred tax asset of £0.8m (2021: £0.4m) which is revenue in nature.

**UK corporation tax rate changes**

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the UK companies' future current tax charge accordingly. The deferred tax asset/liabilities at 31 March 2022 have been calculated based on these rates, reflecting the expected timing reversal of the related temporary difference.

**22 Called up share capital**

Group and Company	2022 No.	2021 No.
<b>Called up, allotted and fully paid:</b>		
'A' ordinary equity shares of 10p each	<b>550,000</b>	550,000
'B' ordinary equity shares of 10p each	<b>62,725,042</b>	62,725,042
	<b>2022 £m</b>	<b>2021 £m</b>
'A' ordinary equity shares of 10p each	<b>0.1</b>	0.1
'B' ordinary equity shares of 10p each	<b>6.2</b>	6.2
	<b>6.3</b>	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 (2021: £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 £75.9m (2021: restated £71.4m). 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 2,560,973 'B' ordinary shares (2021: 2,368,668 shares) with a cost of £53.0m (2021: restated £44.2m).

The charge to the Group consolidated income statement this year in result of share awards by the ShareReward Scheme was £3.8m (2021: £nil).

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 2022 the Employee Benefit Trust held a further 10,674 (2021: 47,363) 'B' ordinary shares in its own name as security against employee loans of £0.0m (2021: £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.



## Notes to the Financial Statements (continued)

### 23 Reserves (continued)

#### Capital redemption reserve

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

#### 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.

### 24 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.

Group	Cashflow hedge reserve £m
<b>Balance at 31 March 2021</b>	2.2
Loss arising on changes in fair value of hedging instruments (cash flow hedges)	
- Forward foreign exchange contracts	(1.3)
- Cross currency swaps	(21.5)
Cumulative gain/(loss) arising on changes in fair value of hedging instruments reclassified to income statement	
- Forward foreign exchange contracts	(1.4)
- Cross currency swaps	21.3
Total movement in cash flow hedge reserve	(2.9)
<b>Balance at 31 March 2022</b>	<b>(0.7)</b>



Notes to the Financial Statements (continued)

**25 Analysis of net debt**

	At 1 April 2021 £m	Net cash flow £m	Non cash movement £m	At 31 March 2022 £m
Cash and liquid resources (net of bank overdraft)	293.6	9.3	-	<b>302.9</b>
Current asset investments	0.7	-	(0.1)	<b>0.6</b>
	294.3	9.3	(0.1)	<b>303.5</b>
Lease liabilities	(25.3)	7.2	(6.1)	<b>(24.2)</b>
Bank loans	(162.3)	(143.0)	-	<b>(305.3)</b>
Private placement debt	(501.5)	162.8	-	<b>(338.7)</b>
Other borrowings	(6.0)	(4.0)	-	<b>(10.0)</b>
Total liabilities from financing activities	(695.1)	23.0	(6.1)	<b>(678.2)</b>
<b>Total net debt</b>	<b>(400.8)</b>	<b>32.3</b>	<b>(6.2)</b>	<b>(374.7)</b>

Included within the Group's cash and liquid resources is £4.1m (2021: £8.0m) 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**

	2022 £m	2021 £m
Increase in cash in hand in the year	<b>9.3</b>	46.4
Cash flow from debt financing	<b>23.0</b>	16.7
Change in net debt resulting from cash flows	<b>32.3</b>	63.1
Non-cash movement in current asset investments	<b>(0.1)</b>	(0.1)
Other non-cash movements	<b>(5.2)</b>	(1.7)
Exchange adjustment	<b>(0.9)</b>	20.0
Movement in net debt in year	<b>26.1</b>	81.3
Net debt at the beginning of the year	<b>(400.8)</b>	(482.1)
Net debt at the end of the year	<b>(374.7)</b>	(400.8)



## 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 £4.4m (2021: £0.3m) relating to equity-settled share-based payment transactions in the year to 31 March 2022.

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:

	2022		2021	
	Number of share options	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)
Outstanding at 1 April	<b>282,675</b>	<b>£18.97</b>	477,629	£17.65
Granted during the year	<b>134,255</b>	<b>£36.56</b>	-	£0.00
Exercised during the year	<b>(137,838)</b>	<b>£18.14</b>	(171,729)	£15.31
Forfeited during the year	<b>(905)</b>	<b>£19.76</b>	(23,225)	£18.94
Outstanding at 31 March	<b>278,187</b>	<b>£27.87</b>	282,675	£18.97

The weighted average share price at the date of exercise for share options exercised during the period was £18.14 (2021: £15.31). The options outstanding at 31 March 2022 had a weighted average exercise price of £27.87 (2021: £18.97), and a weighted average remaining contractual life of 2.0 years (2021: 1.5 years). The fair value of the options granted on 1 April 2021 was £1.1m (on 1 April 2020: £nil).

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 2021	1 April 2020	1 April 2019
Share price at grant date	£45.71	N/a*	£24.70
Exercise price at grant date	£36.56	N/a*	£19.76
Expected volatility	12%	13%	11%
Expected life	3 years	3 years	3 years
Risk free rate	0.14%	0.7%	0.7%
Expected dividend yield	0.82%	0.0%	1.7%

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 prior financial year.



## Notes to the Financial Statements (continued)

### 26 Share based payments (continued)

#### 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 operate in the current year but did not operate in the prior year.

### 27 Retirement benefits

	2022 £m	2021 £m
Retirement benefits comprise:		
Defined benefit surplus in principal subsidiaries	<b>47.9</b>	13.4
Other defined benefit liabilities	<b>(0.6)</b>	(1.1)
Other post-retirement benefits	<b>(2.8)</b>	(2.1)
Total retirement benefit surplus	<b>44.5</b>	10.2

#### Defined benefit schemes

The Group operates three defined benefit pension schemes in the UK providing benefits based on final salary. The Edrington Group and Highland Distillers Limited pension schemes have been closed to future accrual since 2014 and the Edrington UK scheme closed since 2015. 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 Edrington Group and Highland Distillers Limited defined benefit pension schemes and other post-retirement benefits were undertaken at 6 April 2019, whilst the Edrington UK valuation was undertaken at 31 October 2020. 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:

	2022	2021
Rate of increase of pensions in payment	<b>2.30%-3.85%</b>	2.25%-3.65%
Discount rate	<b>2.80%</b>	2.10%
Inflation assumption (RPI/CPI)	<b>3.70%/3.10%</b>	3.30%/2.70%



Notes to the Financial Statements (continued)

**27 Retirement benefits (continued)**

The post retirement mortality assumptions used to value the benefit obligation at 31 March 2022 were those of the S3 series actuarial index, adjusted by 94% (2021: 94%) for both males and females, plus an allowance for 'CMI 2020 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.

Mortality Assumptions	31 March 2022		31 March 2021	
	Males	Females	Males	Females
<b>Edrington Distillers and Highland Distillers</b>				
Average future life expectancy (in years) for a member aged 65 at 31 March	<b>22.8</b>	<b>24.6</b>	22.8	24.6
Average future life expectancy (in years) at age 65 for a member aged 45 at 31 March	<b>24.5</b>	<b>26.4</b>	24.5	26.4
<b>Edrington UK</b>				
Average future life expectancy (in years) for a member aged 65 at 31 March	<b>23.0</b>	<b>25.0</b>	-	-
Average future life expectancy (in years) at age 65 for a member aged 45 at 31 March	<b>24.6</b>	<b>26.8</b>	-	-

The assets in the schemes were:

	2022 £m	2021 £m
Bonds	<b>224.6</b>	160.5
Cash	<b>19.2</b>	10.3
Insured pensions	<b>123.4</b>	133.9
Growth fund	-	11.4
Illiquid debt	<b>70.5</b>	67.6
Equities	<b>34.7</b>	-
Total market value of assets	<b>472.4</b>	383.7
Present value of scheme liabilities	<b>(424.5)</b>	(370.3)
Surplus in pension schemes	<b>47.9</b>	13.4



Notes to the Financial Statements (continued)

**27 Retirement benefits (continued)**

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

	2022 £m	2021 £m
GMP equalisation	<b>0.2</b>	(0.3)

Analysis of net income to finance income/(costs)

	2022 £m	2021 £m
Expected return on pension schemes assets	<b>10.2</b>	9.2
Interest on pension liabilities	<b>(9.7)</b>	(7.8)
Net income to finance income (note 4)	<b>0.5</b>	1.4

Analysis of amount recognised in other comprehensive income (OCI)

	2022 £m	2021 £m
Actual return less expected return on assets	<b>(25.6)</b>	(11.1)
Experience losses on liabilities	<b>(10.2)</b>	(0.4)
Changes in assumptions	<b>48.5</b>	(34.7)
Actuarial gain/(loss) recognised in the OCI	<b>12.7</b>	(46.2)

	2022 £m	2021 £m
<b>Reconciliation of fair value of scheme assets</b>		
Opening fair value of scheme assets	<b>383.7</b>	393.9
Acquisition of subsidiary	<b>97.4</b>	-
Expected return on assets	<b>10.2</b>	9.2
Employers' contributions	<b>24.5</b>	5.6
Actuarial losses	<b>(25.6)</b>	(11.1)
Benefits paid	<b>(17.8)</b>	(13.9)
Closing fair value of scheme assets	<b>472.4</b>	383.7



Notes to the Financial Statements (continued)

**27 Retirement benefits (continued)**

	2022 £m	2021 £m
<b>Reconciliation of defined benefit obligation</b>		
Opening defined benefit obligation	<b>(370.3)</b>	(341.0)
Acquisition of subsidiary	<b>(100.5)</b>	-
Past service cost including curtailment	<b>0.2</b>	(0.3)
Interest cost	<b>(9.7)</b>	(7.8)
Actuarial gains/(losses)	<b>38.3</b>	(35.1)
Benefits paid	<b>17.5</b>	13.9
Closing defined benefit obligation	<b>(424.5)</b>	(370.3)

The actual return on plan assets was £10.2m (2021: £9.2m).

	2022 £m	2021 £m
<b>Movement in surplus during the year</b>		
Opening surplus in scheme	<b>13.4</b>	52.9
Acquisition of subsidiary	<b>(3.1)</b>	-
Past service cost including curtailment	<b>0.2</b>	(0.3)
Contributions	<b>24.5</b>	5.6
Net interest income	<b>0.5</b>	1.4
Actuarial gains/(losses)	<b>12.7</b>	(46.2)
Benefits paid	<b>(0.3)</b>	-
Closing surplus in scheme	<b>47.9</b>	13.4



Notes to the Financial Statements (continued)

**27 Retirement benefits (continued)**

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
<b>Five-year history:</b>					
Total market value of assets	<b>472.4</b>	383.7	393.9	369.5	373.7
Present value of scheme liabilities	<b>(424.5)</b>	(370.3)	(341.0)	(362.4)	(354.3)
Surplus in pension scheme	<b>47.9</b>	13.4	52.9	7.1	19.4

**History of experience gains and losses**

Difference between expected and actual return on schemes' assets (£m)	<b>(15.7)</b>	(11.1)	16.2	(6.8)	4.4
Percentage of schemes' assets	<b>3.3%</b>	2.9%	4.1%	1.8%	1.2%
Experience adjustments on schemes' liabilities (£m)	<b>(10.2)</b>	(0.4)	(5.4)	0.8	(0.7)
Percentage of schemes' liabilities	<b>2.4%</b>	0.1%	1.6%	0.2%	0.2%
Total amount recognised in statement of other comprehensive income (£m)	<b>12.7</b>	(46.2)	31.4	(25.2)	12.9
Percentage of schemes' liabilities	<b>3.0%</b>	12.4%	9.2%	7.0%	3.6%

**Sensitivity analysis**

The sensitivity of the present value of scheme liabilities to changes in the principal assumptions used at 31 March 2022 is set out below:

Assumption	Sensitivity	Financial impact Year to 31 March 2022	Financial impact Year to 31 March 2021
<b>The Edrington Group Schemes</b>			
Discount rate	+/- 0.5%	<b>Decrease/increase by £30.3m</b>	Decrease/increase by £36.0m
Discount rate	+/- 1%	<b>Decrease/increase by £64.4m</b>	Decrease/increase by £74.3m
Mortality – increase in life expectancy	+/- 1 year	<b>Increase/decrease by £12.5m</b>	Increase/decrease by £13.9m
Increase in inflation	+/- 0.5%	<b>Decrease/increase by £11.0m</b>	Decrease/increase by £13.7m
<b>Edrington UK Scheme</b>			
Discount rate	+/- 0.25%	<b>Decrease/increase by £4.9m</b>	-
Mortality – increase in life expectancy	+/- 1 year	<b>Decrease/increase by £3.5m</b>	-
Increase in inflation	+/- 0.25%	<b>Increase/decrease by £3.0m</b>	-



## Notes to the Financial Statements (continued)

### 27 Retirement benefits (continued)

#### Methods and assumptions used in preparing the sensitivity analysis

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

#### Defined benefit schemes

The Group paid deficit reduction payments of £24.5m (2021: £5.6m) to the Edrington Group and Highland Distillers Limited pension schemes during 2022. As at the 31 March 2022, the actuarial valuation of the deficit was £24.4m (2021: £48.9m).

Deficit reduction payments of £2.8m were made to the Edrington UK Distribution Limited scheme during 2022. As at the 31 March 2022, the actuarial valuation of the scheme's deficit was £7.2m.

In addition to the Group defined benefit schemes, Lothian Distillers Limited operate defined benefit schemes. The Group's aggregate share of the net pension deficit of these joint ventures is £nil (2021: £7.5m).

The prior year included the Group shares of the Edrington UK defined benefit scheme and Maxxium Nederlands BV defined benefit scheme (2021: pension liability of £2.0m). As the UK entity was fully acquired by the Group in August 2021 the pensions scheme disclosures now include this scheme. During the year Maxxium Nederlands BV employees transferred out of the scheme in return for a lump sum payment and as such there is no further liability for the Group.

#### 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 £7.6m (2021: £6.8m). As at 31 March 2022, contributions of £0.6m (2021: £0.6m) due in respect of the current reporting period had not been paid over to the scheme.

#### Other post-retirement benefits

	2022 £m	2021 £m
Liability for discretionary post-retirement benefits	<b>(2.8)</b>	(2.1)

### 28 Other contractual obligations

	2022 £m	2021 £m
Contracted but not provided for		
- material purchase commitments	<b>64.8</b>	49.0
- capital commitments	<b>123.0</b>	148.7
	<b>187.8</b>	197.7



## Notes to the Financial Statements (continued)

### 28 Other contractual obligations (continued)

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 malt and 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 cask.

### 29 Leases

	2022 £m	2021 £m
<b>Amounts recognised in income statement</b>		
Depreciation expense on right-of-use assets	<b>6.0</b>	5.6
Interest expense on lease liabilities	<b>0.7</b>	0.7
Expense related to short-term and low value leases	<b>0.2</b>	0.3
	<b>6.9</b>	6.6

At 31 March 2022, the Group is committed to £0.3m (2021: £0.3m) for short-term leases.

### 30 Lease liabilities

	2022 £m	2021 £m
Amounts due for settlement within 12 months	<b>6.6</b>	5.9
Amounts due to settlement after 12 months	<b>17.6</b>	19.4
	<b>24.2</b>	25.3



## Notes to the Financial Statements (continued)

### 30 Lease liabilities (continued)

#### Maturity analysis

	2022 £m	2021 £m
Less than one year	7.2	6.5
One to two years	6.4	5.9
Two to three years	4.7	5.3
Three to four years	3.4	4.0
Four to five years	2.5	2.9
Later than five years	1.3	2.3
	<b>25.5</b>	26.9
Less unearned interest	<b>(1.3)</b>	(1.6)
	<b>24.2</b>	25.3

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.

### 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 £10.3m (2021: £6.6m) and received services to the value of £4.6m (2021: £4.5m) from Lothian Distillers Limited a joint venture of the Group. The Group made sales to other joint ventures amounting to £84.0m (2021: £104.2m) and received services to the value of £30.1m (2021: £72.6m). 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 £12.1m (2021: £18.5m) 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 (2021: £6.0m) included in note 16.

The Group has a loan from William Grants & Sons Limited repayable April 2024 for £10.0m (2021: £6.0m) included in note 17. The interest charged on the loan is 1.6%.

The Edrington Group Limited received dividends of £182.0m (2021: £nil) from its subsidiary, The 1887 Company Limited. The Edrington Group Limited received dividends of £19.1m (2021: £23.4m) from its subsidiary, Brugal & Co., S.A. The directors of The Edrington Group Limited received £0.04m in dividends from the Group in the year (2021: £nil).



## Notes to the Financial Statements (continued)

### 31 Transactions with related parties (continued)

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

	2022 £m	2021 £m
<b>Balance Sheet Items</b>		
Group Payables (note 16)	<b>(6.7)</b>	(6.8)
Group Receivables (note 15)	<b>2.6</b>	18.0
	<b>(4.1)</b>	11.2

### 32 Acquisition of subsidiary

On 2 August 2021, the Group purchased the remaining 50% of the issued share capital of Edrington UK Distribution Limited (formerly Edrington Beam Suntory UK Distribution Limited) from the joint venture partner obtaining full control of the company. Edrington UK Distribution Limited is involved in the sale and distribution of alcoholic beverages.

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

	2022 £m
Intangible assets	<b>0.1</b>
Property, plant and equipment	<b>3.5</b>
Inventory	<b>35.7</b>
Trade and other receivables	<b>97.6</b>
Cash and cash equivalents	<b>3.2</b>
Trade and other payables	<b>(92.7)</b>
Pension deficit	<b>(2.4)</b>
Total identifiable assets	<b>45.0</b>
Less amounts already owned	<b>(21.5)</b>
Less related party gain	<b>(2.4)</b>
Less gain on acquisition	<b>(21.1)</b>
Total consideration	-
Satisfied by:	
Cash	-
Total consideration transferred	-
Net Cash inflow arising on acquisition	
Cash acquired	<b>3.2</b>
Less cash consideration	-
	<b>3.2</b>



## Notes to the Financial Statements (continued)

### 32 Acquisition of subsidiary (continued)

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)
<b>Total identifiable assets</b>	<b>14.7</b>
Less amounts already owned	(7.2)
Goodwill, written off in the period	(0.3)
<b>Total consideration</b>	<b>7.2</b>
Satisfied by:	
Cash	7.2
<b>Total consideration transferred</b>	<b>7.2</b>
Net Cash outflow arising on acquisition	
Cash consideration	(7.2)
Less cash acquired	0.1
	<b>(7.1)</b>

### 33 Disposal of Investment

On the 2 August 2021, the Group disposed of its 50% share of the joint venture Maxxium España SL.

	2022 £m
Consideration received	<b>5.0</b>
Net assets transferred	<b>(3.9)</b>
	<b>1.1</b>



Notes to the Financial Statements (continued)

**34 Control**

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

**35 Reconciliation of management key performance measures to statutory measures**

	2022 £m	2021 £m
<b>Core Revenue</b>		
As reported	<b>821.2</b>	576.2
Foreign exchange	-	(8.2)
<b>Core Revenue (constant currency)</b>	<b>821.2</b>	568.0
<b>Brand Investment</b>		
As reported	<b>170.7</b>	118.9
Foreign exchange	-	(2.0)
<b>Brand Investment (constant currency)</b>	<b>170.7</b>	116.9
<b>Core Contribution</b>		
As reported	<b>295.6</b>	196.5
Foreign exchange	-	(4.3)
Reclassification*	-	0.6
<b>Core Contribution (constant currency)</b>	<b>295.6</b>	192.8
* Annual incentive scheme costs now included within core contribution. Prior year restated for comparability.		
<b>Free cashflow</b>		
Net cash from operating	<b>214.8</b>	166.1
Add dividends from joint ventures	<b>2.1</b>	3.1
Add interest received	<b>2.2</b>	6.5
Less interest paid	<b>(19.8)</b>	(26.4)
Include capital expenditure deemed routine and warehouse/cask expenditure	<b>(70.8)</b>	(50.8)
Include working capital and FX differences	<b>2.9</b>	24.0
<b>Free cashflow</b>	<b>131.4</b>	122.5





EDRINGTON

The MACALLAN

HIGHLAND  
PARK

THE  
GLENROTHES  
ESTD 1879  
SPEYSIDE SINGLE MALT  
SCOTCH WHISKY

BRUGAL

THE  
FAMOUS  
GROUSE

Naked  
Malt

NOBLE OAK

WYOMING  
WHISKEY

NO  
3  
LONDON DRY GIN

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