



EDRINGTON

## The Edrington Group Limited

### Annual Report and Financial Statements

for the year ended 31 March 2018

Company Registration No. SC036374

*The*  
MACALLAN



BRUGAL 



THE  
GLENROTHES  
ESTD 1879





EDRINGTON

*The*  
**MACALLAN**



**BRUGAL** 



**HIGHLAND  
PARK**



**CUTTY SARK**

**THE  
GLENROTHES**  
ESTD 1879



**SNOW  
LEOPARD**



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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.



## Directors and Advisers

### **Directors**

C S Gillies, Chairman  
I B Curle, Chief Executive  
G R Hutcheon  
S J McCroskie  
P A Hyde  
K C O Barton  
D H Richardson  
A M C Avis MBE  
N L Murray (resigned 26.07.2017)  
S Fitzgerald (appointed 01.05.2018)

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### **Secretary**

M A Cooke

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### **Registered Office**

100 Queen Street  
Glasgow  
G1 3DN

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### **Independent Auditor**

Grant Thornton UK LLP  
Statutory Auditor  
110 Queen Street  
Glasgow  
G1 3BX

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### **Solicitors**

Dentons  
1 George Square  
Glasgow  
G2 1AL



## Edrington Business Model and Principal Activities

Edrington owns some of the leading Scotch whisky and rum brands in the world, which the Company produces, markets and distributes.

Its premium brands include The Macallan, The Famous Grouse, Brugal, Highland Park, Cutty Sark, The Glenrothes and Snow Leopard vodka.

The Company's distilling, blending and bottling operations are located in Scotland and The Dominican Republic.

Edrington's brands are distributed by a network of wholly owned subsidiaries, joint venture companies and third party distributors.

The Company's business model revolves around great people, leading brands and an ethos of giving more, underpinned by Edrington's principal shareholder, The Robertson Trust.

Edrington's 2020 strategy centres on:

**PERFECTING THE MACALLAN**  
**ACCELERATING HIGHLAND PARK**  
**ENERGISE REGIONAL POWER BRANDS**  
**TRANSFORM SUPER PREMIUM**  
**RECRUITING MORE CONSUMERS**

Edrington's underlying objective is to drive shareholder value and the Company will achieve this by continuing to build brand equity across the portfolio, thus strengthening the underlying value of the business.

Edrington will continue to invest ahead of performance to recruit more consumers, implementing increased brand activation based on a keen sense of what is relevant to the consumer's life style.



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# EDRINGTON

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## Key Financial Highlights

### CORE REVENUE



↑ **7%**

Core revenue is defined as being total branded sales adjusted for the impact of foreign currency.

#### ANALYSIS

Core revenue growth of 7% was greater than our volume growth of 2% reflecting the improved mix of higher value products and premiumisation of the portfolio.

### BRAND INVESTMENT SPEND



↑ **5%**

Brand investment spend is defined as being the total spend on advertising, global marketing and promotional activities for all brands, excluding discounts and adjusted for the impact of currency.

#### ANALYSIS

The year on year increase is reflective of our strategy, to invest for long term growth and grow our brand equity. The Macallan, in particular, continued to benefit from this increased level of investment in the year with an increase of 8%.

### CORE CONTRIBUTION



↑ **7%**

Core contribution is profits from our branded sales and distribution adjusted for the impact of foreign currency and after the deduction of overheads.

#### ANALYSIS

Core contribution is the key measure of the underlying performance of the business and the increase in the year represents growth across all of our business units.

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



↑ **2%**

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 has grown at a slower rate than core contribution due primarily to the impact of a weaker US dollar compared to last year.

\*before exceptional items



## Key Financial Highlights

### PROFIT FOR YEAR ATTRIBUTABLE TO PARENT\*



↓ 4%

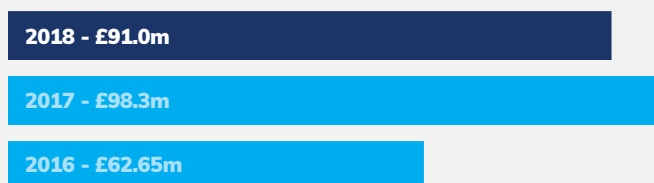
This is defined as the net profit for the year taken to distributable reserves before the impact of any exceptional items which can distort comparability.

#### ANALYSIS

Profit for the year has declined by 4% primarily as a result of a non-recurring deferred tax credit received in the prior year.

\*before exceptional items

### FREE CASH FLOW



↓ 7%

Free cash flow is defined as being the net cash flow before movements in borrowings, payments to shareholders and expansionary capital expenditure.

#### ANALYSIS

Free cash flow represents the cash the business generates after maintaining our asset base. The reduction in the year represents an increased investment in casks and maturing stocks for the future growth of our brands.

### RETURN ON CAPITAL EMPLOYED (ROCE)



21.4%

ROCE is defined as EBIT before exceptional items divided by total equity, adjusted to remove intangible values attributed to our brands, post-retirement benefit obligations, derivative financial instruments and items defined as net debt.

#### ANALYSIS

The business continues to invest for the future evidenced by the opening of the Macallan distillery and brand home, an increased level of mature stock purchases and continued investment in our casks. As a result of this significant investment, for which the return will come from future sales, our ROCE has declined from 23.2% last year.

### DIVIDENDS PAID TO SHAREHOLDERS (PENCE PER SHARE)



↑ 2%

Defined as being the total dividend proposed for the year, made up of the interim dividend paid in the year and the final dividend agreed but not paid at the balance sheet date.

#### ANALYSIS

The 2% growth in dividends paid to our shareholders allows the business to maintain the real value of the dividend after adjusting for inflation whilst continuing to invest in assets and inventories to support the long term growth of our brands.



## Chairman's Statement

In my first year as Chairman of Edrington I would like to echo my predecessor, Norman Murray, with his observation that Edrington is truly characterised by Great People, Leading Brands, Giving More.

I would also like to pay tribute to Norman for his leadership and service to the company. Like him, I have now met many of the company's employees and have been struck by the consistency of Edrington's ethos and approach across its many global locations.

In my experience this is one of the essential attributes of a successful global company.

The roots of this consistency lie in a company that has strong values and a clear sense of purpose. Edrington's values can be traced back to the ethos of the founding Robertson family. In the modern era these values have become even more powerful and a true differentiator. Edrington's people are encouraged to inspire, collaborate, engage, deliver, and be open to change.

Those behaviours have a bearing both on the performance of Edrington's leading brands and its distinctive approach to Giving More.

The performance of the company's brands is covered in detail further in this report and it is a story of growth across the portfolio. While I am encouraged by the company's success, I am even more encouraged by the restlessness and ambition that I have found across the company, and the conviction that the best years lie ahead.

Nothing exemplifies this ambition more than the recently opened Macallan distillery and visitor centre. The first distillery on Speyside to be designed by an international architect, it has already claimed many accolades for its quality, style, and ambition. I would like to pay tribute to those who advocated, pioneered, and constructed this amazing asset.

The Board of Directors is also evolving. In May we welcomed Stefanie Fitzgerald as a non-executive director. Stefanie's experiences in luxury brands and digital marketing during her career in international cosmetics will be very valuable to Edrington.

After 11 years Callum Barton is stepping down from his role as non-executive director. I would like to thank Callum for his wise counsel and support for Edrington during a period in which it has become a truly international brands company.

I would also like to take this opportunity to thank all Edrington employees for their enormous contribution in the last year and I look forward to meeting many more of them in the year ahead.

**Crawford Gillies**  
Chairman

15 June 2018



## Chief Executive's Review

In 2018 the group successfully completed the third year of Edrington 2020, a five year strategy to increase consumer focus and accelerate growth.

The strategy created new business units with clear direction to *Perfect The Macallan*, *Accelerate Highland Park*, *Develop Super Premium*, *Optimise Regional Power Brands*, and *Focus for Success*.

During this period Edrington has significantly increased brand investment expenditure at the same time as investing in people, stocks, systems, and processes.

As a consequence of this approach all business units grew contribution in 2018, leading to Edrington delivering core contribution growth of 7% whilst strengthening brands' equities.

### MARKETPLACE CONTEXT

The geopolitical context contributed to a disruptive and uncertain climate. Many of the major political relationships which in turn govern trading arrangements fluctuated during the year.

For the first time since the global financial crisis, the World Bank reported that all major regions of the world are experiencing an upturn in economic growth. This helped increase the number of consumers who have the lifestyle and aspiration to drink premium brands.

This dynamic flowed through into growth for Scotch whisky in 2018. Last year Scotch grew in both volume and value (by 1.6% and 8.9% respectively) to a total of £4.36bn - the equivalent of 1.23bn bottles exported globally.

There was further growth in exports of Single Malt Scotch Whisky, increasing by 14.2% in 2017 to £1.17bn, and now accounting for 27% of all Scotch whisky exports.

A similar acceleration is taking place in the Rum category leading to confidence about the momentum in premium spirits.

### STRATEGIC FOCUS

Launched in 2015, Edrington's 2020 strategy continues to have traction.

Although the strategy has been successful over the last three years, it has benefitted from two recent amendments:

After a period of extreme competition, especially in blended Scotch whisky, the Regional Power Brands business unit revised their strategic priority from *Optimise* to *Energise Regional Power Brands*, which in turn delivered further momentum into the business.

Similarly, the Super Premium business unit has refined its intention from *Develop* to *Transform Super premium*. Following the return of The Glenrothes, 'Transform' better reflects the belief that the Super Premium unit will grow earnings rapidly in the future.

We believe that Edrington 2020 - *Perfect The Macallan*, *Accelerate Highland Park*, *Transform Super premium*, and *Energise Regional Power Brands* – will remain powerful and drive even more consumer recruitment in its final two years.



## Chief Executive's Review (continued)

### PERFORMANCE HIGHLIGHTS

Core contribution grew by 7% last year as a consequence of all business units growing their contribution versus 2017.

#### The Macallan

The group's business model allows it to invest for long term growth. The Macallan benefitted from this approach as brand investment has increased by 38% in the last 2 years resulting in contribution growth of 7% this year.

The brand enjoyed success in areas of regional strength, the USA and Taiwan. Those markets have been joined by double figure contribution increases in the emerging markets of China and Russia. Success in these markets has strengthened the brand's position as the world's leading Scotch malt whisky by value.

The brand recently revealed its new distillery and visitor centre. Edrington is investing £500 million in the brand of which the £140 million distillery is the centrepiece. This programme increases investment in whisky, warehousing, and particularly in The Macallan's signature sherry-seasoned oak casks.

It is the first distillery on Speyside to be designed by an internationally acclaimed architect, Rogers Stirk Harbour + Partners, and was constructed in collaboration with Elgin-based Robertson and Scottish coppersmiths Forsyths.

The unsurpassed quality of The Macallan is in high demand and we face the future confidently with this new distillery. It's an authentic, abiding, ambitious investment that will match consumer expectations for generations to come.

Following the public opening in June, we expect this new Macallan enterprise to deliver significant benefits for the tourism industry, Scotch whisky exports, and the economy.

#### Super Premium

The Super Premium unit also enjoyed growth this year. Highland Park is the leading brand in this unit and following a year of aligning all marketing material behind its Viking Soul proposition, it delivered an exceptional 17% contribution growth and outperformed the malt category.

During its first year of repatriation Glenrothes has been worked on intensively and a new range with improved packaging will reach consumers during the summer.

In the USA our partnership with Tequila Partida continues to blossom as the brand capitalises on the momentum behind the category and its proposition as 'the World's freshest expression of blue agave'.

#### Regional Power Brands

In the last year the Regional Power Brands (RPB) business unit delivered contribution growth of 4% in a highly competitive marketplace. Central to this delivery was the exceptional performance of Brugal which grew brand contribution by 20%.

Brugal strengthened its leading position in the key markets of The Dominican Republic and Spain at the same time as growing its premium expression Brugal Extra Viejo to over 1M cases.

Edrington also announced an investment programme at the Brugal distillery in San Pedro de Macoris, a sign of confidence in the future potential of the brand.

The marketplace for blended Scotch remained extremely tough. Investment in consumer promotion remains at high levels making contribution growth difficult to deliver. The Famous Grouse performance reflected this trend although it was encouraging to deliver the highest ever UK share (37%) in the UK market in combination with share growth in the key Swedish market.

Cutty Sark delivered a resilient performance with volume and contribution growth, with a market share gain in its key Spanish market and continued growth in Japan.



## Chief Executive's Review (continued)

### CULTURE

*Great People, Leading Brands, Giving More* characterises Edrington. In the last year we have set out the values that underpin the organisation and map well against our founders' intentions.

*Great People* are united by their ability to Inspire, Engage, Collaborate, Deliver, and encourage a climate open to Change.

The group's *Leading Brands* are defined by their capacity to Anticipate, be Trustworthy, pursue premium Quality, create consumer Affinity, and Deliver.

And *Giving More* distinguishes and harmonises Edrington around Progress, Partnership, and Sustainability.

As we set out later in this report it was also pleasing to see a 9% increase in funds raised for charity through the Giving More Together scheme in which employee funds raised are double-matched by Edrington and The Robertson Trust.

Outside Scotland, the Giving More International programme which allocates 1% of pre-tax profits to good causes designated by Edrington's overseas offices, exceeded £7M since its inception in 2012.

I would like to thank our employees for both their high levels of engagement in Giving More and their outstanding contribution to last year's company performance.

### LOOKING FORWARD

Economic and market developments remain encouraging in the near term. All regions are experiencing an upturn in economic growth and Scotch Whisky exports are also in growth.

The premium segment of Scotch Whisky and other spirit categories is the fastest growing, reinforcing Edrington's emphasis on premium brand building.

Whilst the economic and market context are encouraging the geopolitical context remains volatile. With unilateral stances becoming more popular in some major economies, the risk to trade has become greater. Scotch whisky is a robust and successful industry but it does face increasing competition from other authentic spirit categories leading to the 400+ trade barriers faced currently. Against this backdrop we want our governments to create a climate where economic development and growth is actively encouraged and rewarded.

Despite the geopolitical uncertainty that characterises our times we are confident about the medium and long term prospects for the business and will continue to invest in our people, brands, and processes.

With its premium brand portfolio, proven strategy, and management capability, Edrington remains well-positioned to deliver further growth.

**Ian Curle**

Chief Executive

15 June 2018



## Financial Review

<b>MANAGEMENT KEY PERFORMANCE INDICATORS</b>	<b>2018</b>	<b>2017</b>	<b>% movement</b>
Volume (case equivalents)	<b>8.4m</b>	8.2m	2%
<b>Presented in constant currency rates:</b>			
Core revenue	<b>£706.7m</b>	£663.1m	7%
Brand investment expenditure	<b>£125.7m</b>	£120.2m	5%
Core contribution	<b>£210.5m</b>	£197.5m	7%
<b>Presented in actual currency rates:</b>			
EBITDA	<b>£232.9m</b>	£227.9m	2%
Profit before tax (pre-exceptional)	<b>£196.5m</b>	£189.6m	4%
Profit for the year (pre-exceptional)	<b>£87.9m</b>	£91.5m	-4%
Free cash flow	<b>£91.0m</b>	£98.3m	-8%
Net debt/EBITDA	<b>2.3</b>	2.1	
Return on capital employed	<b>21.4%</b>	23.2%	

<b>STATUTORY KEY PERFORMANCE INDICATORS</b>	<b>2018</b>	<b>2017</b>	<b>% movement</b>
Earnings before interest and tax	<b>£210.5m</b>	£207.1m	2%
Profit before tax	<b>£194.7m</b>	£189.0m	3%
Profit for the financial year	<b>£86.6m</b>	£91.0m	-5%
Total equity including non-controlling interests	<b>£780.6m</b>	£685.0m	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 sales of our branded products adjusted for the impact of foreign currency.

### **Brand investment expenditure**

Advertising and promotional expenditure on our core brands, excluding discounts and restated to constant currency.

### **Core contribution**

Profits from our branded sales and distribution adjusted for the impact of foreign currency and after the deduction of overheads.

### **EBITDA**

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

### **Profit before tax (pre-exceptional)**

Profit before exceptional items and the deduction of taxation.

### **Profit for the year (pre-exceptional)**

Profit 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 non-cash exceptional items.

### **Net debt/EBITDA**

The ratio of Bank & Private Placement Debt at hedged rates where applicable after deduction of cash balances to reported Earnings before interest, taxation, depreciation and amortisation.

### **Return on capital employed**

Earnings before interest and tax before exceptional items as a percentage of invested capital. Invested capital is defined as being total equity adjusted to remove balances relating to financial instruments, post-retirement benefit obligations, intangible brand values and net debt, along with any associated deferred tax asset or liability.

### **Constant Currency**

For constant currency reporting the comparative information is stated at the average rates used in the current year income statement. This allows direct comparability of the underlying performance across financial years.



## Financial Review (continued)

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

This has been another strong year of growth and increased investment for the Group. Core contribution grew across all of our business units and all of our regions, we further increased the investment in our brands and the premiumisation of our business continued with 76% of core contribution for the year generated by our Premium products.

#### Core revenue

Core revenue grew by 7% to £706.7m as a result of growth in each of our three business units and the impact of a full year of trading of The Glenrothes, following the acquisition of the brand in April 2017. The growth in core revenue was faster than the 2% volume growth, reflecting an increase in the sales mix towards higher value products.

#### Brand investment

We increased our investment in brand-building marketing activities this year by a further 5% to £125.7m whilst also increasing the focus on Premium products, which increased by 18%. The investment behind The Macallan grew by 8% following the 28% increase last year, resulting in a 38% increase in the last two years.

#### Core contribution

Core contribution grew by 7% to £210.5m. The Macallan grew by 7%, Super Premium grew by 18% on a like-for-like basis, increasing to 36% with the inclusion of trading from The Glenrothes, and Regional Power Brands grew by 4% with another strong year of growth from Brugal. Performance of our Premium products was consistently strong across all our markets, while the Standard Blended Scotch category continued to be more challenging.

### Statutory results (stated in actual currency rates)

#### Revenue

Statutory group revenue grew by 5% to £739.3m, at a lower rate than our core revenue as a result of an adverse impact of currency primarily driven by a weaker US dollar relative to the prior year.

#### Profit before tax

Group profit before tax has increased by 3% to £194.7m, this is lower than the 7% core contribution growth as a result of adverse currency movements, combined with higher interest costs on our debt which increased to fund the acquisition of Glenrothes and the continued investment in our asset base. Partially offsetting these adverse impacts is £4.6m of other finance income, this is an accounting adjustment required under IFRS for hedging instruments in our distribution network which do not qualify for hedge accounting.

#### Profit attributable to parent

The Group's effective tax rate for the year was 21% compared with a prior year rate of 17%. The primary driver for this was a £6.1m credit recorded in the prior year relating to future deferred tax rate changes, there was no equivalent in the current period. This, combined with higher levels of profit in higher tax jurisdictions accounts for the variance. Profits attributable to non-controlling interests are marginally up year on year due to the better trading result which results in net profits attributable to the parent of £86.6m, a 5% decline on last year.



## Financial Review (continued)

### Exceptional items

The Group acquired the remaining 50% shareholding in Edrington Webb Travel Retail during the year in order to take full control of Travel Retail distribution routes to market in the Americas. The acquisition generated goodwill of £1.8m. Consistent with the treatment of previous distribution company acquisitions, the company decided to write off the goodwill in the year and this is, therefore, shown as an exceptional item in the income statement.

### Cash flow and financial position

Net debt at the 31st March 2018 was £573.3m, an increase of £39.3m from 2017. This increase is net of a £26.6m positive impact from the retranslation of our US private placement financing.

The increase in net debt reflects the significant investments made in the year. Greater cash inflows from the growth in trading were more than offset by increased investment in maturing whisky stocks, in cask assets and in the new distillery and brand home for The Macallan. Furthermore, we brought The Glenrothes back into our Premium portfolio by acquiring 100% of the share capital of BB&R Spirits.

The group is financed by US private placement notes and bank debt. The net debt to EBITDA ratio at 31<sup>st</sup> March 2018 was 2.3 times (2017: 2.1 times), comfortably within the limit of the bank debt covenant of 3.25 times.

The investment in the year is evident in the closing financial position of the Group.

Total assets increased by £233.9m to £1,904m. £70.5m of the increase was in property, plant & equipment, primarily reflecting the new Macallan distillery and additional cask purchases. £16.5m was an increase in intangible assets, principally related to the acquisition of The Glenrothes. Inventories, of which maturing whisky stocks account for the majority of the value, increased by £63.7m as we invested for future sales growth.

Total liabilities increased by £138.3m to £1,123.4m, £101.3m of which reflects the increase in borrowings to finance the investments undertaken.

### Post-employment benefit obligations

The Group operates two defined benefit pension schemes for employees of its principal UK subsidiaries, which have been closed since 2014. The post-employment benefit obligations related to these schemes, as calculated in accordance with accounting standards, moved from a £6.3m liability at 31st March 2017 to an asset of £19.4m at 31st March 2018. This reflected contributions of £14.0m made by the Group during the year as well as a positive return of £4.4m on the schemes' assets. Changes in the demographic and discount rate assumptions reduced the present value of the schemes' liabilities by £9.2m.

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 the 31<sup>st</sup> March 2018, the deficit was valued at £91.7m. As such, the Group is committed to making annual deficit reduction payments of £14.0m until 2026.



## Financial Review (continued)

### **Derivatives and financial instruments**

The Group uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange and interest rates. The fair value of these instruments at 31st March 2018 is included in the Statement of Financial Position.

Assets of £26.8m (2017: £44.9m) related primarily to cross currency swaps. These are used to hedge the value of our private placement debt which is denominated in US dollars. At the prevailing year end rate, the value of the asset reduced relative to the prior year, in line with the reduction in the value of the debt included in our borrowings position.

Liabilities of £4.6m (2017: £26.9m) principally reflect the fair value of forward foreign exchange contracts held at the 31st March 2018. The liability reduced from the prior year in line with the movement in the year end exchange rates on our key trading currencies which we hedge on a rolling 24-month basis.

### **Share capital and dividends**

Dividends for the year amounted to 40.2p compared with 38.1p in respect of last year.

A first interim dividend of 12.0p (2017: 11.8p) per share was paid on 10 November 2017. The directors proposed a further interim dividend of 28.9p (2017: 28.2p) per share which will be paid on 13 July 2018.

### **Summary**

The Group has enjoyed another year of strong growth and has further strengthened its financial position in an increasingly competitive marketplace and in the face of on-going economic and geopolitical uncertainty.

We have confidence in our premium brand portfolio to deliver further growth over the long term and continue to increase investment in our brand building capability and infrastructure to support that ambition.



## Financial Review (continued)

### **Principal Risk and Uncertainties**

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

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

The board carried out a triennial strategic risk review in March 2018 to help update the principal risks facing the Company including those that would impact its business model, future performance and solvency. These reviews allow the board to assess the Company's risk appetite and ensure that the nature and extent of the significant risks facing the business are identified and adequately managed. In line with best practice, the assessment includes a review of the impact and likelihood of each risk, together with the controls in place to mitigate the risk.

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

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

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

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



Financial Review (continued)

Identified Risk	Impact	Mitigating Actions
<b>Adverse political and social attitudes to alcohol</b>	<p>Damage to the reputation of Edrington or its brands.</p> <p>Impact on market access or the ability to promote its brands.</p>	<p>Edrington supports a responsible approach to alcohol and considers this a core element of its strategy to grow a sustainable, long-term business. The Company operates a CSR strategy that includes a Code of Conduct and a global Marketing Code reinforced by a global online training programme.</p> <p>Edrington's policies and campaigns are reviewed annually by the Marketing Code Committee.</p> <p>Edrington is a member of national and international organisations that work to encourage the responsible promotion and consumption of alcohol and reduce alcohol-related harms.</p>
<b>Geopolitical and Economic Conditions</b>	<p>Economic or political instability restrict market activity, affecting market access, demand or increased costs.</p>	<p>Brexit and geopolitical instability in a number of regions and markets continues to present a risk to trade and profitability. We are monitoring all developments closely but future trading relationships with the EU etc. are ultimately matters that are outwith our control.</p> <p>Edrington's diverse geographic spread reduces the exposure to specific market risks. Direct ownership of the Company's route to market in its major markets provides local insight combined with a robust central overview. This enables the Company to react quickly and flexibly to such changes.</p>
<b>Consumer Preferences</b>	<p>A change in consumer preferences for one or more of Edrington's brands in one or more key markets where a decline in brand popularity and/or market contraction would result in a reduced share of market.</p>	<p>The board closely monitors financial and operational key performance indicators which include a review of brand performance and equity strength across market segments and geographies.</p> <p>Edrington conducts an annual market and brands strategic planning process building on local market and brand strategy reviews. The board has also recognised the differing contribution and strengths of each of its principal brands globally and regionally and has strategically focused management across its luxury, Super Premium and Regional Power Brands, which have different needs and focuses.</p>
<b>Brand Protection</b>	<p>Ineffective or inadequate protection of intellectual property rights, resulting in reputational damage, an increase in counterfeit goods and a drop in sales volumes and/or market share.</p>	<p>The Company invests considerable effort in proactively protecting its intellectual property rights. Edrington has a clear brand protection strategy and processes aimed at addressing the principal exposures and risks likely to affect alcoholic beverage brands. A specialist Brand Protection Committee reviews the principal components of brand protection: intellectual property management; authentication and security technologies for products and packaging; digital media, channel and communications monitoring; products and packaging compliance; commercial behaviours, alongside brand security education, surveillance and enforcement.</p>



## Financial Review (continued)

Identified Risk	Impact	Mitigating Actions
<b>Regulatory Compliance</b>	Failure to comply with local laws and regulations, resulting in regulatory sanction, reputational damage and/or financial loss.	<p>Edrington has a management process to ensure that employees are aware of their responsibilities and all applicable regulatory requirements. Formal training sessions are undertaken throughout the year.</p> <p>Edrington proactively reviews its principal regulatory compliance obligations and controls, including, but not limited to, the new data protection regulations, competition laws, liquor laws, environmental laws, compliance with EU and UN trade and political sanctions, and local statutory laws (e.g. health &amp; safety).</p> <p>These activities are underpinned by a Code of Conduct, a Global Anti Corruption Policy, and a Speaking-Up Policy which apply to all its employees, agents, distributors, contractors and suppliers. Contractual arrangements with key third parties must include provisions to establish required performance standards aligned with the Code.</p> <p>Induction procedures include evidenced completion of a standard on-line training course and assessment which covers the Code and its supporting policies. The course, which is translated into all the main languages spoken across the Company, is also periodically refreshed and retaken at all locations.</p>
<b>Financial Risks</b>	Exposure to market risk (including medium term movements in exchange rates, interest rates risk and commodity price risk), credit risk and liquidity risk, may adversely impact on profits.	<p>Financial risks are reviewed and managed by the Treasury Committee whose remit and authority levels are set by the board. The Treasury Committee's remit is to ensure compliance with the terms of borrowing facilities and to minimise financial risk arising from exposure to fluctuations in interest rates, foreign exchange rates and cash flow. Comprehensive policies are applied covering debt management, interest rate hedging, foreign exchange currency hedging and cash flow reporting. Approved financial instruments and authority levels are articulated through the policies with compliance monitored on a regular basis.</p> <p>The Treasury Committee reviews cash flow forecasts throughout the year and assesses headroom against banking covenants regularly. The Finance team utilises external tools to assess credit limits offered to customers, manages trade receivable balances vigilantly and takes prompt action on overdue accounts. Certain markets operate on a cash-on-delivery basis.</p> <p>Commodity price risk is managed through a combination of medium to long term contracts, covering periods from 2-3 years, and regular tender and review processes with suppliers.</p> <p>Edrington's financial control environment is subject to review by both internal and external audit. The focus of internal audit is to proactively work with and challenge the business to ensure an appropriate control environment is maintained.</p>



## Financial Review (continued)

Identified Risk	Impact	Mitigating Actions
<b>Cyber</b>	Theft, failure or corruption of digital assets and/or key systems could have an adverse impact on the business and profits.	<p>Led by our business technology function, the business has carried out a business wide information risk management review, enhanced by its cyber incident response plan, and implemented a user awareness training and education programme.</p> <p>Edrington has also increased system patching, updates and monitoring, carried out penetration testing, performed a SAP System User Role Review to eliminate excessive access and segmented the network to protect mission-critical networks from general access networks.</p>
<b>Major Operational Failure</b>	Major supply chain failure affecting supply of raw materials or equipment, loss of maturing inventory or the customer orders process.	<p>Assets managed by the business include intangible brand assets, plant and equipment, people and business technology. Disaster recovery, incident management plans and contingency measures are in place and tested regularly.</p> <p>Edrington's wood and cask supply is reviewed and long-term agreements and processes established to provide reasonable assurances of a sufficient and sustainable supply of casks that meet Edrington's high quality requirements.</p> <p>Contingency bottling/blending options are refreshed and tested to ensure that Edrington's operations can be maintained in event of loss or impairment of its own facilities.</p> <p>Energy and water supplies are reviewed to ensure continuity, sufficiency and quality of supply. A contract to supply renewable energy to The Macallan distillery over the long-term, contributes to fossil fuel reduction targets.</p>

Approved and signed on behalf of the board

**Paul A Hyde**  
Chief Financial Officer

15 June 2018



# Corporate Governance

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

## 1. Board composition

At 31 March 2018, the board comprises the non-executive chairman, four executive directors and three non-executive directors, and is supported by the Group Company Secretary. The board believes that its composition – its size, mix of expertise and balance of executive and non-executive directors - is appropriate. David Richardson is the Senior Director.

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. The board are delighted to announce the appointment of Stefanie Fitzgerald as a new non-executive director effective from 1 May 2018.

## 2. The role of the board

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

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

The board retains overall responsibility for the Company's system of internal control, including the financial controls designed to give reasonable assurance against material financial misstatement or loss.

The board believes the financial controls in place, together with the Edrington values, allow it to meet its responsibility for the integrity and accuracy of the Company's accounting records, and also to provide timely and accurate financial information to enable it to discharge its duties.

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

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

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

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



## Corporate Governance (continued)

### 3. Board effectiveness

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

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

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

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

### 4. Shareholders

The Company's principal shareholder is The Robertson Trust (the 'Trust') and representatives from the Trust (Shonaig Macpherson CBE, Lorne Crerar and Mark Laing) and from the Company (Crawford Gillies, David Richardson, Ian Curle and Paul Hyde) meet regularly, and where practicable prior to Edrington Board meetings, through the Trust's Investor Relations Committee (the 'IRC'). The IRC is the principal forum through which the Trust manages its investment in the Company, monitors the Company's performance and allows the exchange of ideas. The chief executive and chief financial officer will 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 developments and business outlook. The Audit, Remuneration and Nomination committees report to the Trust on their respective activities.

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

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

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

### 5. Board committees

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

#### 5.1 Nomination Committee

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



## Corporate Governance (continued)

### 5.2 Remuneration Committee

The Remuneration Committee is chaired by Alice Avis MBE and meets at least 3 times each year.

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

### 5.3 Audit Committee

The Audit Committee, chaired by David Richardson, meets at least three times a year. Two of the meetings are with the external auditors and senior members of the management team and finance function to discuss audit planning, review statutory accounts and address issues arising from the audit. It also considers the ongoing independence of the auditor and the effectiveness of the audit process. The conclusions of the committee are reported to the board before the board approves the annual results. The opportunity is taken at each meeting for the committee to discuss matters with the auditor without management present. The third meeting focuses on 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 committee has reviewed the plan presented by the external auditor and agreed the scope of the audit work. During the audit process, the committee kept under review the consistency of accounting policies on a year to year basis and across the Company, and the methods used to account for significant or unusual transactions.

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

### External auditor

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

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

The chief financial officer may approve specific engagements up to £100,000 cumulatively, with fees in excess of this limit being subject to approval of the full committee. During the year the Company made limited use of specialist teams within Grant Thornton UK LLP for non- audit work. The total fees paid to Grant Thornton UK LLP amounted to £0.3m (2017: £0.4m), of which £0.1m (2017: £0.2m) related to non-audit work.



Corporate Governance (continued)

Committee	Members	Remit
<b>Nomination Committee</b>	Crawford Gillies (chair) Alice Avis MBE Callum Barton Stefanie Fitzgerald David Richardson Ian Curle	<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) David Richardson 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>	David Richardson (chair) Callum Barton Crawford Gillies	<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>

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>	Graham Hutcheon	<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 informal basis</li> <li>&gt; ensures risks and interdependencies are clearly understood</li> <li>&gt; manages liquidity requirements and post evaluation reviews</li> </ul>
<b>Corporate Sustainability &amp; Responsibility Committee</b>	Gerry O'Donnell (Corporate Affairs Director)	<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 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>



Corporate Governance (continued)

Committee	Chairman	Remit
<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>	Martin Cooke	<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 terms of group borrowing facilities</li><li>&gt; minimises financial risk arising from exposure to fluctuations in foreign exchange rates, interest rates and cash flow</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 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></ul>



# Corporate Sustainability and Responsibility

## 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. We have worked for more than a century and a half to build a responsible and sustainable business.

## Giving More

Giving More is woven into the history and fabric of our business in a way that is unique to the industry.

## Alcohol in Society

Edrington has built a successful business based on the quality of our brands, consumer trust and responsible self-regulation. Our role begins by ensuring that our brands are packaged and promoted to a consistently high standard everywhere in the world. We train employees who work in sales, marketing, events and procurement in the Edrington Marketing Code. Employees renew their training every two years and the company has a training compliance target of 95% at any one time.

We believe we can achieve more in partnership, so Edrington works with and funds organisations that support responsible consumption and work to reduce the harms associated with alcohol misuse. Here is a selection of the work supported by Edrington in the past year.

In Scotland, Edrington is a contributing partner to the Scotch Whisky Action Fund, a 5-year commitment with the aim of supporting innovative projects that tackle alcohol-related harm. The fund is independently managed by Foundation Scotland. In the four years the fund has operated it has funded 37 projects.

Through its UK joint venture, Edrington-Beam Suntory UK, Edrington funds the Best Bar None programme, which raises standards in the hospitality industry.

Edrington is a member of the European Spirits Group and spiritsEUROPE, an organisation which represents spirits producers and co-ordinates a network of 31 national associations.

Through the Asia Pacific International Wine and Spirits Alliance (APIWSA), Edrington has contributed to tailored alcohol responsibility campaigns in China, Vietnam, Korea, Singapore, Cambodia, Indonesia, Thailand and Taiwan.

In the Americas, Edrington is a board member and strong advocate for the Foundation for Advancing Alcohol Responsibility. Known as Responsibility.org, this independent, national, not-for-profit organisation leads the fight to eliminate drunk driving and underage drinking and promotes responsible decision-making regarding alcohol. FAAR engages with all members of the community – law enforcement, public officials, educators, parents, and students – via advisory boards and programming.

## Environmental

In a world of seven billion people who depend on shared natural resources, today's consumers expect sustainability to be at the heart of a responsible business. Edrington believes that we can achieve more by working together and so Edrington structures its sustainability agenda around the Scotch Whisky Association's Environmental Strategy, which is considered to be the only one in Scotland embracing an entire business sector.

Launched in 2009, the SWA's environmental strategy sets ambitious targets driving sustainability. In addition to this, where it is appropriate for our business, Edrington aligns its sustainability agenda to the principles of the United Nations' Sustainable Development Goals.



## Corporate Sustainability and Responsibility (continued)

### Energy

Edrington is on track to meet the Scotch Whisky Association's 2020 target of improving energy efficiency by 7.6%. Edrington's distilleries in Scotland are 11.3% more efficient than the 2008 base line year when measurement started.

Edrington's new Macallan Distillery is on track to source 95% of its energy requirements from renewable sources by 2019. This has been achieved by partnering with Estover Energy to supply steam from its biomass plant adjacent to the distillery, and Helius Energy/CoRDE to supply electricity from its biomass cogeneration plant located in nearby Rothes. This will take Edrington's UK sites energy sourcing to 50% from renewable sources, significantly ahead of both the SWA and Scottish Government targets.

### Responsible Water Use

Edrington's Scotch whisky distilleries are on track to meet the 2020 target of improving distilling water efficiency by 10%.

The Scottish Environmental Protection Agency's most recent report rated all Edrington's sites as 'Excellent'. Full details are available on the SEPA website.

### Sustainable Packaging

The growing popularity of premium spirits around the world is accompanied by consumer demand for bottles and packaging that convey the heritage and value of the spirit. This is driving up glass and packaging weights, particularly in the case of single malt Scotch whiskies. The strength of Edrington's super premium portfolio means that it is not currently on track to meet the SWA's target of reducing packaging weight by 10% by 2020.

Edrington is on track to meet the target of increasing the recycled content of packaging to more than 40% or above.

Edrington will continue to work with suppliers and industry partners to find opportunities to support the industry's aim of reducing packaging. Our business will listen to consumers and be ready to respond rapidly to trends that support packaging innovation.



## Directors' Report

The directors present the audited financial statements for the year ended 31 March 2018.

### Results for the year

The Company's financial results, which are detailed in the income statement, cover the year to 31 March 2018.

An interim dividend of 12.0p (2017: 11.8p) per share was paid on 10 November 2017. The directors agreed a further interim dividend of 28.9p per share which will be paid on 13 July 2018, making a total of 40.9p per share (2017: 40.0p per share) for the year. The aggregate dividends recognised in the year amounted to £24.4m (2017: £23.1m) excluding proposed dividends that were not approved by the balance sheet date.

As we continue in a period of significant investment in assets and inventories to support the long term growth of our brands, the directors believe it is prudent to aim to broadly maintain the value of the dividend after adjusting for inflation rather than increasing in line with the underlying performance of the business.

Revenue for the year amounted to £739.3m resulting in a profit before tax (pre-exceptional) of £196.5m and overall profit for the financial year (pre-exceptional) of £87.9m. Exceptional items totalling £1.3m (2017: £0.5m) (after taxation and minority interest) were incurred, leading to a profit for the year, attributable to Edrington shareholders, of £86.6m (2017: £91.0m).

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

### Directors' responsibilities for the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 and Group for that period. In preparing these financial statements, the directors are required to:

- > select suitable accounting policies and then apply them consistently;
- > make judgements and accounting estimates that are reasonable and prudent;
- > state whether applicable IFRS as adopted by the European Union have been followed for the Group financial statements and whether UK Accounting Standards and applicable laws have been followed for the Parent Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- > prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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



## Directors' Report (continued)

The directors confirm that:

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group'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 profit in the year, attributable to shareholders, exceeding inflation by a pre-determined amount. The scheme has been approved by HM Revenue and Customs. The Company charges the annual fair value of this scheme to the income statement, if the performance criteria have been met.

The ShareReward Scheme was triggered in respect of the year ended 31 March 2018.

### Executive incentive plans

The Company operates two incentive plans for senior executives.

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

The Annual Incentive Plan was partially triggered in respect of the year to 31 March 2018 and the associated costs of this plan have been charged to the income statement.

The Long Term Incentive Plan rewards senior executives based on the Company's performance over a three year period, by awarding Edrington 'B' Ordinary Shares. The Company charges any associated costs to the income statement over the period of the plan. The performance conditions, which are more demanding than that for the Annual Incentive Plan, were partially triggered in respect of the three year period ended 31 March 2018.

### 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 Group 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)

### Going Concern

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

### Auditors

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

Approved and signed on behalf of the board

A handwritten signature in black ink that reads "Martin A. Cooke".

### Martin Cooke

Group Company Secretary

15 June 2018



# Independent Auditors' Report

For the year ended 31 March 2018

## Opinion

We have audited the financial statements of The Edrington Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the Group Consolidated Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group Cash Flow Statement and the Group and Parent Company Statements of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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).

In our opinion:

- > the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's profit and the parent company's profit for the year then ended;
- > the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- > the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- > the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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 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.

## Who we are reporting to

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.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- > the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- > the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



## Independent Auditors' Report (continued)

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

### 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.

### Matter on which we are required to report under the Companies Act 2006

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

### Matters on which we are required to report by exception

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

- > adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- > the parent company financial statements are not in agreement with the accounting records and returns; or
- > certain disclosures of directors' remuneration specified by law are not made; or
- > we have not received all the information and explanations we require for our audit.

### Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 25 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.



## Independent Auditors' Report (continued)

### **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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end, representing the name Andrew Howie.

**Andrew Howie**

Senior Statutory Auditor

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

15 June 2018



# Group Consolidated Income Statement

year ended 31 March 2018

	Note	Pre- Exceptional 2018 £m	Exceptional (Note 2) 2018 £m	Total 2018 £m	Pre- Exceptional 2017 £m	Exceptional (Note 2) 2017 £m	Total 2017 £m
<b>Group revenue</b>	<b>1</b>	<b>739.3</b>	<b>-</b>	<b>739.3</b>	701.3	-	701.3
Cost of sales		(515.5)	-	(515.5)	(487.1)	(9.8)	(496.9)
<b>Group profit</b>		<b>223.8</b>	<b>-</b>	<b>223.8</b>	214.2	(9.8)	204.4
Other administration costs		(26.8)	(1.8)	(28.6)	(26.6)	9.2	(17.4)
<b>Group operating profit</b>		<b>197.0</b>	<b>(1.8)</b>	<b>195.2</b>	187.6	(0.6)	187.0
Share of operating profit in JV's		14.4	-	14.4	16.0	-	16.0
Income from other investments	3	0.9	-	0.9	4.1	-	4.1
<b>Earnings before interest and tax</b>		<b>212.3</b>	<b>(1.8)</b>	<b>210.5</b>	207.7	(0.6)	207.1
Interest income	4	3.3	-	3.3	2.0	-	2.0
Interest payable and similar charges	4	(23.7)	-	(23.7)	(20.1)	-	(20.1)
Other finance income	4	4.6	-	4.6	-	-	-
<b>Profit on ordinary activities before taxation</b>	5	<b>196.5</b>	<b>(1.8)</b>	<b>194.7</b>	189.6	(0.6)	189.0
Taxation on profit on ordinary activities	7	(40.8)	-	(40.8)	(31.0)	(0.4)	(31.4)
<b>Profit on ordinary activities after taxation</b>		<b>155.7</b>	<b>(1.8)</b>	<b>153.9</b>	158.6	(1.0)	157.6
Attributable to non-controlling interests		(67.8)	0.5	(67.3)	(67.1)	0.5	(66.6)
<b>Profit for the financial year attributable to parent</b>		<b>87.9</b>	<b>(1.3)</b>	<b>86.6</b>	91.5	(0.5)	91.0

All the activities of the Group are classed as continuing.

The notes and accounting policies on pages 49 to 88 form an integral part of these financial statements.



# Group Statement of Comprehensive Income

year ended 31 March 2018

	2018 £m	2017 £m
Profit for the year attributable to owner	86.6	91.0
Profit for the year attributable to non-controlling interests	67.3	66.6
	<b>153.9</b>	157.6
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Actuarial gain/(loss) on pension schemes		
Group	11.0	(9.8)
Associates and joint ventures	7.3	(6.5)
Non-controlling interests	3.6	(5.1)
Movement in deferred tax on pension schemes		
Group	(1.4)	1.8
Associates and joint ventures	(1.2)	1.2
Non-controlling interests	(1.1)	0.5
Pension fees paid direct to Pension Fund	(0.4)	(0.8)
Revaluation reserve movement	0.2	0.2
Movement in foreign investment	-	2.0
Non-controlling interest share of movement in foreign investment	-	(2.0)
<b>Items that will be or have been reclassified to profit or loss</b>		
Exchange differences on foreign operations		
Group	(11.3)	13.4
Associates and joint ventures	(1.4)	2.5
Non-controlling interests	(7.1)	2.4
Exchange difference on foreign dividend	0.3	(12.9)
Movement on deferred tax taken straight to reserves		
Group	(2.9)	1.1
Non-controlling interests	(0.7)	0.5
Share based payment movements	-	(0.9)
Non-controlling interest share of Share based payment movements	(0.2)	0.6
Subsidiary prior year adjustment	-	(0.3)
Non-controlling interest share of Subsidiary prior year adjustment	-	0.3
Cash flow hedge reserve movement	(8.2)	(25.8)
Cash flow hedge amounts recycled	29.9	12.6
Movement on financial instruments taken straight to reserves	(8.5)	4.7
Non-controlling interests share of movement on financial instruments taken straight to reserves	8.5	(4.7)
Other comprehensive income/(loss) attributable to parent	13.4	(17.5)
Other comprehensive income/(loss) attributable to non-controlling interest	3.0	(7.5)
<b>Total other comprehensive income/(loss) for the year</b>	<b>16.4</b>	<b>(25.0)</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>170.3</b>	132.6
<b>Attributable to parent</b>	<b>100.0</b>	73.5
<b>Attributable to non-controlling interest</b>	<b>70.3</b>	59.1
<b>Total</b>	<b>170.3</b>	132.6

The notes and accounting policies on pages 49 to 88 form an integral part of these financial statements.



# Statement of Financial Position

as at 31 March 2018

	Note	Company		Group	
		2018 £m	2017 £m	2018 £m	2017 £m
<b>Non-current assets</b>					
Property, plant and equipment	10	-	-	500.1	429.6
Intangible assets	9	-	-	408.4	391.9
Investment in subsidiaries	11	305.9	306.7	-	-
Investment in joint ventures	11	-	-	61.1	51.6
Other investments	11	-	-	8.9	8.3
Derivative financial instruments	19	-	-	14.1	44.2
Deferred tax assets	20	-	-	29.7	30.0
Post-employment benefit surplus	28	-	-	16.1	-
<b>Total non-current assets</b>		<b>305.9</b>	306.7	<b>1,038.4</b>	955.6
<b>Current assets</b>					
Inventories	12	-	-	520.6	456.9
Trade and other receivables	14	13.0	1.4	173.6	160.5
Assets held for sale	13	-	-	0.9	1.1
Derivative financial instruments	19	-	-	12.7	0.7
Cash and cash equivalents		1.4	2.2	152.2	89.9
Current tax asset	14	0.3	0.2	5.6	5.4
<b>Total current assets</b>		<b>14.7</b>	3.8	<b>865.6</b>	714.5
<b>Total assets</b>		<b>320.6</b>	310.5	<b>1,904.0</b>	1,670.1



## Statement of Financial Position (continued)

	Note	Company 2018 £m	2017 £m	Group 2018 £m	2017 £m
<b>Equity and liabilities</b>					
Share capital	21	6.3	6.4	6.3	6.4
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	1.2	1.3	1.2
Revaluation reserve		-	-	6.9	7.1
Liability for share based payments		3.7	5.5	3.7	5.5
Retained earnings		234.1	182.3	349.9	299.4
Cash flow hedge reserve	23	(0.1)	(0.9)	(4.4)	(26.1)
Equity attributable to owners of the parent		245.8	195.0	429.5	359.3
Non-controlling interests		-	-	351.1	325.7
<b>Total equity</b>		<b>245.8</b>	<b>195.0</b>	<b>780.6</b>	<b>685.0</b>
<b>Non-current liabilities</b>					
Borrowings	16	24.8	74.7	564.3	494.6
Post-employment benefit obligation	28	-	-	-	10.4
Deferred tax liabilities	20	3.5	3.2	118.1	107.4
Derivative financial instruments	19	-	0.5	1.7	9.6
Deferred consideration	15	-	-	24.6	-
<b>Non-current liabilities</b>		<b>28.3</b>	<b>78.4</b>	<b>708.7</b>	<b>622.0</b>
<b>Current liabilities</b>					
Trade and other payables	15	6.2	6.4	49.2	56.0
Borrowings	16	39.9	29.8	162.1	130.5
Derivative financial instruments	19	0.1	0.4	2.9	17.3
Current tax liabilities	15	-	-	23.8	16.0
Other liabilities	15	0.3	0.5	176.7	143.3
<b>Total current liabilities</b>		<b>46.5</b>	<b>37.1</b>	<b>414.7</b>	<b>363.1</b>
<b>Total liabilities</b>		<b>74.8</b>	<b>115.5</b>	<b>1,123.4</b>	<b>985.1</b>
<b>Total equity and liabilities</b>		<b>320.6</b>	<b>310.5</b>	<b>1,904.0</b>	<b>1,670.1</b>

In the year to 31 March 2018, The Edrington Group Company made a profit of £78.9m (2017: £34.0m).

The notes and accounting policies on pages 49 to 88 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 authorised for issue on 15 June 2018. They were signed on behalf of the board by:

**I B Curle**  
Director

**P A Hyde**  
Director



# Group Cash Flow Statement

year ended 31 March 2018

	2018 £m	2017 £m
<b>Operating activities</b>		
Operating profit	<b>195.2</b>	187.0
Adjustments for:		
Depreciation	<b>17.6</b>	16.1
Amortisation	<b>4.8</b>	4.7
Gain on sale of fixed assets	<b>(1.1)</b>	(0.3)
Non-cash impact of write off of goodwill	<b>1.8</b>	1.1
Non-cash impact of pension curtailment	-	(13.4)
Non-cash impact of exceptional tangible asset write down	-	5.4
<b>Operating cash flows before movements in working capital</b>	<b>218.3</b>	200.6
Increase in inventories	<b>(12.2)</b>	(9.3)
Increase in receivables	<b>(14.2)</b>	(17.9)
Increase in payables	<b>26.4</b>	26.0
Share based payment charge	-	3.3
Employer pension contributions paid	<b>(14.4)</b>	(14.3)
Other non-cash movements	<b>(4.9)</b>	(8.3)
<b>Cash generated by operations</b>	<b>199.0</b>	180.1
Tax on profit paid	<b>(29.7)</b>	(26.2)
<b>Net cash from operating activities</b>	<b>169.3</b>	153.9
<b>Investing activities</b>		
Interest received	<b>3.3</b>	2.0
Dividends received	<b>0.2</b>	0.3
Dividends received from joint ventures	<b>5.5</b>	5.1
Purchase of tangible fixed assets	<b>(110.1)</b>	(107.7)
Purchase of intangible fixed assets	<b>(2.4)</b>	(5.9)
Sale of tangible fixed assets	<b>3.8</b>	2.4
Acquisition of subsidiary	<b>(32.9)</b>	(2.2)
Net cash acquired on acquisition	<b>2.0</b>	1.1
<b>Net cash used in investing activities</b>	<b>(130.6)</b>	(104.9)
<b>Financing activities</b>		
Interest paid	<b>(23.9)</b>	(19.0)
Purchase of own shares	<b>(5.8)</b>	(6.5)
Dividends paid to non-controlling interests in subsidiaries	<b>(44.9)</b>	(25.3)
Equity dividends paid	<b>(24.4)</b>	(23.4)
Drawdown of bank loans	<b>261.6</b>	157.3
Repayment of bank loans	<b>(130.7)</b>	(114.6)
<b>Net cash generated from/(used in) financing activities</b>	<b>31.9</b>	(31.5)
<b>Net increase in cash and cash equivalents</b>	<b>70.6</b>	17.5
<b>Cash and cash equivalents at beginning of year</b>	<b>83.6</b>	59.7
Effect of foreign exchange rate changes	<b>(5.1)</b>	6.4
<b>Cash and cash equivalents at end of year (note 25)</b>	<b>149.1</b>	83.6

The notes and accounting policies on pages 49 to 88 form an integral part of these financial statements.



## Consolidated Statement of Changes in Equity

year ended 31 March 2018

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	Total attributable to owners of parent £m	Non-controlling interests £m	Total equity £m
<b>Balance at 1 April 2017</b>	6.4	0.5	29.5	35.8	1.2	7.1	5.5	299.4	(26.1)	359.3	325.7	685.0
Dividends (note 8)	-	-	-	-	-	-	-	(24.4)	-	(24.4)	(44.9)	(69.3)
Issue of share capital under share-based payment	-	-	-	-	-	-	(1.8)	-	-	(1.8)	-	(1.8)
Buy back of shares	(0.1)	-	-	-	0.1	-	-	(3.4)	-	(3.4)	-	(3.4)
<b>Transaction with owners</b>	(0.1)	-	-	-	0.1	-	(1.8)	(27.8)	-	(29.6)	(44.9)	(74.5)
Profit for the year	-	-	-	-	-	-	-	86.6	-	86.6	67.3	153.9
Other comprehensive income	-	-	-	-	-	-	-	(8.3)	-	(8.3)	3.0	(5.3)
Cash flow hedge reserve (note 23)	-	-	-	-	-	-	-	-	21.7	21.7	-	21.7
Revaluation reserve	-	-	-	-	-	(0.2)	-	-	-	(0.2)	-	(0.2)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	(0.2)	-	78.3	21.7	99.8	70.3	170.1
<b>Balance at 31 March 2018</b>	<b>6.3</b>	<b>0.5</b>	<b>29.5</b>	<b>35.8</b>	<b>1.3</b>	<b>6.9</b>	<b>3.7</b>	<b>349.9</b>	<b>(4.4)</b>	<b>429.5</b>	<b>351.1</b>	<b>780.6</b>



Consolidated Statement of Changes in Equity (continued)

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	Total attributable to owners of parent £m	Non-controlling interests £m	Total equity £m
<b>Balance at 1 April 2016</b>	6.4	0.5	29.5	35.8	1.2	7.3	2.1	242.9	(12.9)	312.8	291.9	604.7
Dividends (note 8)	-	-	-	-	-	-	-	(23.1)	-	(23.1)	(25.3)	(48.4)
Issue of share capital under share-based payment	-	-	-	-	-	-	3.4	-	-	3.4	-	3.4
Buy back and cancellation of shares	-	-	-	-	-	-	-	(7.1)	-	(7.1)	-	(7.1)
<b>Transaction with owners</b>	-	-	-	-	-	-	3.4	(30.2)	-	(26.8)	(25.3)	(52.1)
Profit for the year	-	-	-	-	-	-	-	91.0	-	91.0	66.6	157.6
Other comprehensive income	-	-	-	-	-	-	-	(4.3)	-	(4.3)	(7.5)	(11.8)
Cash flow hedge reserve (note 23)	-	-	-	-	-	-	-	-	(13.2)	(13.2)	-	(13.2)
Revaluation reserve	-	-	-	-	-	(0.2)	-	-	-	(0.2)	-	(0.2)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	(0.2)	-	86.7	(13.2)	73.3	59.1	132.4
<b>Balance at 31 March 2017</b>	6.4	0.5	29.5	35.8	1.2	7.1	5.5	299.4	(26.1)	359.3	325.7	685.0

The notes and accounting policies on pages 49 to 88 form an integral part of these financial statements.



## Company Statement of Changes in Equity

year ended 31 March 2018

Company	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Liability for share based payments £m	Cash flow hedge reserve £m	Retained earnings £m	Total equity £m
<b>Balance at 1 April 2017</b>		6.4	0.5	1.2	5.5	(0.9)	182.3	195.0
Profit for the period		-	-	-	-	-	78.9	78.9
Cash flow hedge reserve	23	-	-	-	-	0.8	-	0.8
<b>Total comprehensive income for the period</b>		-	-	-	-	0.8	78.9	79.7
Dividends		-	-	-	-	-	(25.5)	(25.5)
Own shares acquired in the period		-	-	-	(1.8)	-	-	(1.8)
Buy back and cancellation of shares		(0.1)	-	0.1	-	-	(1.6)	(1.6)
		(0.1)	-	0.1	(1.8)	-	(27.1)	(28.9)
<b>Balance at 31 March 2018</b>		<b>6.3</b>	<b>0.5</b>	<b>1.3</b>	<b>3.7</b>	<b>(0.1)</b>	<b>234.1</b>	<b>245.8</b>

Company	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Liability for share based payments £m	Cash flow hedge reserve £m	Retained earnings £m	Total equity £m
<b>Balance at 1 April 2016</b>		6.4	0.5	1.2	2.1	(0.8)	178.7	188.1
Profit for the period		-	-	-	-	-	34.0	34.0
Cash flow hedge reserve	23	-	-	-	-	(0.1)	-	(0.1)
<b>Total comprehensive income for the period</b>		-	-	-	-	(0.1)	34.0	33.9
Dividends		-	-	-	-	-	(24.3)	(24.3)
Own shares acquired in the period		-	-	-	3.4	-	-	3.4
Buy back and cancellation of shares		-	-	-	-	-	(6.1)	(6.1)
		-	-	-	3.4	-	(30.4)	(27.0)
<b>Balance at 31 March 2017</b>		<b>6.4</b>	<b>0.5</b>	<b>1.2</b>	<b>5.5</b>	<b>(0.9)</b>	<b>182.3</b>	<b>195.0</b>

The notes and accounting policies on pages 49 to 88 form an integral part of these financial statements.