



EDRINGTON

The Edrington Group Limited

Annual Report and Financial Statements

for the year ended 31 March 2019

Company Registration No. SC036374





The
MACALLAN


**THE FAMOUS
GROUSE**

BRUGAL 


**HIGHLAND
PARK**

**THE
GLENROTHES**
ESTD 1879



**SNOW
LEOPARD**


**TEQUILA
PARTIDA**

WW


NOBLE OAK
DOUBLE OAK BOURBON



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



Key Financial Highlights

CORE REVENUE

2019 - £679.8m

2018 - £623.7m

2017 - £585.2m

+ 9%

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

ANALYSIS

The growth in core revenue was faster than the 2% volume growth, reflecting the increased premiumisation of our portfolio and the benefits of both product mix and price increases.

BRAND INVESTMENT

2019 - £137.3m

2018 - £127.8m

2017 - £122.0m

+ 7%

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

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

2019 - £231.8m

2018 - £218.7m

2017 - £205.1m

+ 6%

Profit 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 strong growth from our malt brands and Brugal. Our growth in contribution is lower than our core revenue as we continue to invest in enhanced packaging and capabilities.

EARNINGS BEFORE INTEREST AND TAX* (EBIT)

2019 - £223.2m

2018 - £206.6m

2017 - £202.1m

+ 8%

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 ahead of core contribution due primarily to the impact of a weaker £ compared to last year.

*before exceptional items



Key Financial Highlights

FREE CASH FLOW



⊖ 4%

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

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.

PROFIT FOR YEAR ATTRIBUTABLE TO PARENT*



⊕ 4%

Earnings after tax and minority interests excluding exceptional items.

ANALYSIS

Profit for the year has increased by 4% this is lower than our EBIT growth due to higher interest costs in the year.

*before exceptional items

STRATEGIC INVENTORIES



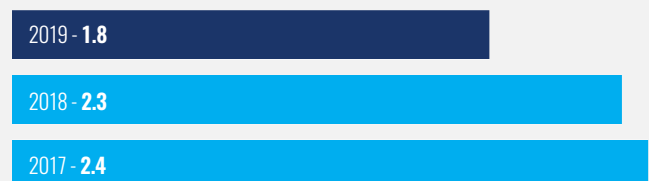
⊕ 7%

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

ANALYSIS

The 7% growth in strategic inventories is a result of our continued focus to support the long term growth of our brands.

NET DEBT/EBITDA



⊕ 22%

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.

ANALYSIS

The 22% improvement in the ratio is driven by both an increase in our EBITDA together with a reduction in our net debt as a result of additional income from the disposal of Cutty Sark and Glenturret brands during the year.



Directors and Advisers

Directors

C S Gillies, Chairman
S J McCroskie, Chief Executive
I B Curle (resigned 29.03.2019)
G R Hutcheon
P A Hyde
K C O Barton (resigned 31.07.2018)
D H Richardson
A M C Avis MBE
S Fitzgerald

Secretary

M A Cooke

Registered Office

100 Queen Street
Glasgow
G1 3DN

Independent Auditor

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

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, Highland Park, The Glenrothes, The Famous Grouse, Brugal 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 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.

The Edrington 2025 strategy will:

**SEE US INTENSIFY FOCUS ON BECOMING
THE WORLD'S LEADING SUPER
PREMIUM BRAND BUILDER**

Central to the Edrington 2025 strategy is our new vision - we will give more by building the world's leading portfolio of exceptional super premium spirits.

We will achieve that vision through relentlessly focussing our efforts on developing the right capabilities, targeted investment in our brands and assets and through ever sharper ways of working.

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 lifestyle.



EDRINGTON





Chairman's Statement

The last year was characterised by several key themes.

Delivery

Edrington is in an enviable position with its brands, capabilities and global network. It is imperative that we take advantage of that position and deliver for the benefit of all stakeholders in the business – our shareholders, colleagues, business partners and the communities in which we operate. As our new Chief Executive, Scott McCroskie explains overleaf, 2018/19 has been another excellent year in terms of financial delivery.

However, for Edrington, "Giving More" requires us to go further than simply delivering great growth in revenue and profit. This has been another year where the company's great people across the world have been motivated to give more through hundreds of fundraising activities that are making a real difference in their communities.

I am confident that The Robertson sisters, would be proud of the ongoing giving more culture that runs through the fabric of Edrington thanks to our motivated workforce.

Focus

The most successful businesses build deep capabilities in a particular area and focus their energy and resources accordingly. This simple insight is driving and will continue to drive our strategy and focus on premiumisation. Over the last year, that has led to the disposal of Cutty Sark and The Glenturret. We were pleased that we realised a good price for both, and wish the businesses and their employees every success under their new ownership.

Going forward we will continue to pursue the same strategy as we seek to deliver the new vision that we will build the world's leading portfolio of exceptional super premium brands and give more back to society as a result. We have an outstanding platform on which to pursue this vision.

Transition

While our strategic focus remained constant, 2018/19 was a year of transition internally.

After 33 years with the business, and 15 as Chief Executive, Ian Curle retired at the end of our financial year. During Ian's tenure as CEO, Edrington was transformed in multiple ways. The business grew from 850 employees, 99% of whom were in Scotland to a force of 3,000 people, 70% based outside Scotland. To achieve that growth while maintaining and deepening the Company's culture was a remarkable achievement.

During Ian's leadership, The Macallan grew to become the World's most valuable malt whisky. The opening of The Macallan Distillery and Visitor Centre in May 2018 was an indication of our ambition for the brand and represented an important milestone in the development of Edrington. We thank Ian for his very significant contribution to Edrington and wish him a long and happy retirement.

Following an extensive global search, we concluded that the best person to lead the business forward was Scott McCroskie, previously Managing Director of The Macallan. Scott represents both continuity and change. I look forward to working with Scott on the next phase of the evolution of the business.

Finally, I would like to thank and congratulate our worldwide staff on their efforts and contribution during the year. Edrington is a very special company, and we can look forward to exciting and fulfilling years ahead.

Crawford Gillies
Chairman

12 June 2019



Chief Executive's Review

This annual report details another successful year for Edrington and the launch of our new 2025 strategy.

During the last year we once again invested heavily across every aspect of this very special business.

We started the year with the launch of The Macallan's new distillery and visitor experience and carried on that momentum by focusing on crucial areas from our use of exceptional oak casks, more premium packaging, increasingly digital consumer communications and building capabilities of the great people that make up Edrington.

This investment paid off, delivering a 6% year on year growth in core contribution in 2019 – our third consecutive year of growth. That growth has created the perfect environment for us to embark on our new strategic vision - Edrington 2025, through which we will give more by building the world's leading portfolio of exceptional super premium spirits.

MARKET CONTEXT

This is a time of significant political and economic volatility and uncertainty. The spirits industry is a truly global business, with a proven record of adapting to changes caused by global political events.

Like many businesses with significant trade with Europe, we are working hard to be as prepared as possible for any outcome from the ongoing Brexit situation.

We are monitoring the ongoing trade disputes between the US and Europe to prepare for any potential tariff impact that could affect Scotch Whisky.

And of course, technology is transforming aspects of every business and how global consumers shop and interact with brands. Keeping track of constant consumer behaviour change, powered by technology, is a key driver of our future success.

PERFORMANCE HIGHLIGHTS

Last year got off to the best possible start with the opening on The Macallan Estate of the brand's incredible new distillery and visitor experience – a spiritual home worthy of the world's most valuable single malt Scotch Whisky.

While the launch of the new distillery was the pinnacle of the year, we also invested heavily across every other area of The Macallan in the past 12 months as we strived to perfect all areas of the brand.

The results of this effort have resulted in strong growth for The Macallan with global demand once again outweighing supply.

There is much to celebrate in the last year for Edrington's portfolio of malt whiskies and even more to look forward to in the future, with transformation happening across all brands.

We continued our investment in Highland Park, resulting in growth in consumer recruitment in key cities across the world, the launch of the brand's first ever 50-year-old and the opening of its first ever shop in the heart of Kirkwall in Orkney.

In The Glenrothes we have a single malt with the history, craft and flavour that could make it our next prestige brand. With the launch of the distinctive new Soleo range, the return of age statements and a digital first approach to consumer communication, The Glenrothes is attracting the attention of discerning whisky drinkers from China to the US.

Naked is also one to watch as this blended malt has had a good year, attracting the attention of both consumers and bartenders in influential bars in sixty countries across the world. We all look forward to recruiting more consumers in the year ahead in the exciting contemporary whisky category.

While the blended Scotch Whisky category remains challenging, The Famous Grouse is still a major force, thanks to its quality, history and authenticity, and it remains the No1 blended Scotch in the UK and six other markets. Sales of The Famous Grouse declined in the past year, but despite that its market share grew in core markets.

Brugal was one of Edrington's best portfolio performers last year, delivering another year of double digit contribution growth. We will see continued focus on the premiumisation of Brugal.

Edrington is proud of its track record of innovation in premium spirits. The last year saw us increase our stake in Tequila Partida, and enter the American Whiskey market with a strategic investment in the ultra-premium Wyoming Whiskey. Combined with Snow Leopard Vodka and our Noble Oak Bourbon, we see great opportunities for these brands in the US, the number one market in the world for super premium spirits.



Chief Executive's Review (continued)

STRATEGIC FOCUS

Central to the Edrington 2025 strategy is our new vision - we will **give more** by building the world's leading portfolio of exceptional super premium spirits.

We will achieve that vision through relentlessly focussing our efforts on developing the right capabilities, targeted investment in our brands and assets and through ever sharper ways of working.

We will transform every aspect of our operations to create a diverse and inclusive workplace where everybody feels supported, prepared and ready to give their best in our pursuit of increased premiumisation of our brands.

All underpinned by the Edrington values of **giving, integrity, excellence and respect** and a dedication to learning that helps us all to inspire, engage, collaborate, deliver, and encourage an environment open to change.

CULTURE

Central to the Edrington 2025 strategy is a new vision building on the ethos of **giving more** that was enshrined in the business by the Robertson sisters when, in 1961, they set up Edrington and The Robertson Trust.

Giving More is important to Edrington's great people. It has been hugely satisfying to see them take part in fundraising activities around the world in the past year.

In the UK we continue to boost these fundraising efforts through match funding from both our principal shareholder, The Robertson Trust and Edrington. So every pound raised becomes £3 for hundreds of causes.

And through Giving More International we donate 1% of pre-tax profits to good causes chosen by Edrington's overseas offices, amounting to almost £10m since its inception in 2012.

Not to mention the difference our people make around the world by volunteering their time to help charities, ranging from those helping newborns in Vietnam; supporting young homeless people in the US; to assisting adults with disabilities in Scotland; and through hundreds of hours of mentoring for young people starting out in their careers.

I would like to say a huge thanks to the dedication and engagement of all of our people that have contributed to yet another stunning year of Giving More for Edrington.

IAN CURLE

I'd like to pay tribute to Ian Curle on his retirement at the end of the past financial year.

We all owe a debt of gratitude to Ian for guiding and inspiring us over his 15 years as our CEO. He worked tirelessly to turn Edrington from a successful Scottish blending and bottling company to a global brand building business with the World's most valuable single malt – The Macallan - at the heart of our portfolio.

We wish Ian a well-deserved and happy retirement.

LOOKING FORWARD

The past year has been another year of growth and change for Edrington.

Against the backdrop of an uncertain global landscape our regions have experienced growth, particularly with our premium spirits.

For me, it's a huge honour to become the CEO of Edrington and to work with all our great people as the current custodians of the company and our exceptional spirit brands.

I am proud of what we have already achieved, and I am certain that with an intensified focus on premiumisation, we can deliver outstanding success in the future.

We're already part of a very special business, and success in our new Edrington 2025 strategy will mean we can continue to give more.

Scott McCroskie
Chief Executive

12 June 2019



Financial Review

MANAGEMENT KEY PERFORMANCE INDICATORS	2019	2018	% movement
Volume (case equivalents)	7.8m	7.7m	2%
Presented in constant currency rates:			
Core revenue	£679.8m	£623.7m	9%
Brand investment expenditure	£137.3m	£127.8m	7%
Core contribution	£231.8m	£218.7m	6%
Presented in actual currency rates:			
EBITDA	£247.4m	£232.9m	6%
Profit before tax (pre-exceptional)	£201.6m	£190.8m	6%
Profit for the year (pre-exceptional)	£91.6m	£87.9m	4%
Free cash flow	£87.7m	£91.0m	-4%
Net debt/EBITDA	1.8	2.3	
Strategic Inventories	£756.2m	£709.3m	7%

STATUTORY KEY PERFORMANCE INDICATORS	2019	2018	% movement
Earnings before interest and tax	£218.2m	£204.8m	7%
Profit before tax	£196.6m	£189.0m	4%
Profit for the financial year	£158.7m	£86.6m	83%
Total equity	£928.8m	£780.6m	19%

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 expenditure

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

Core contribution

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

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 non-cash 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.



Financial Review (continued)

Group Financial Performance (stated on a constant currency basis)

The financial performance of the Group this year reflects the continued strong demand for our brands, with an acceleration in the rate of revenue growth and a further increase in the investment in our brands. We restructured our portfolio to increase the focus on Super Premium and strengthened our balance sheet to enable us to continue investing in the future growth of our brands.

Core revenue

Core revenue grew by 9% to £679.8m, with double-digit growth on The Macallan, our malt whiskies (Highland Park, The Glenrothes and Naked) and Brugal rum.

The growth in core revenue was faster than the 2% volume growth, reflecting the increased premiumisation of our portfolio and the benefits of both product mix and price increases.

Brand investment

We invested £137.3m in brand-building marketing activities this year, a 7% increase on last year. Our ratio of brand investment to core revenue of 20% reflects our focus on growing the long term equity of our Super Premium brands.

Core contribution

Core contribution increased by 6% to £231.8m this year, continuing the consistent growth trend we have seen over the last three years.

Contribution growth was slower than revenue growth as we chose to invest in higher quality packaging for our Super Premium brands and added resources and capabilities in areas that we believe will drive the long-term growth of the Group.

The Macallan grew by 6%, the Malt Whiskies grew by 9%, despite a 26% increase in brand investment and Brugal rum grew by 26%. As a result of the continued challenging trading environment for blended scotch, there was a decline in contribution from The Famous Grouse of 8%. While we could not pass cost increases on through pricing, we did successfully grow market share in a number of key markets.

With the exception of a flat result in Europe, where the growth in our Super Premium brands was offset by the decline in Standard, we experienced contribution growth in all of our

other regions, as global demand for Super Premium spirits brands remained strong.

Statutory results

Statutory group revenue grew by 6% to £754.4m and pre-exceptional profit before tax increased by 6% to £201.6m. These results reflect a lower level of non-core income being offset by the benefit of weaker Sterling.

Profits attributable to Edrington Shareholders (before exceptional items) grew by 4% to £91.6m.

Exceptional items

We have treated the financial impacts of the following one-off events as exceptional in the year:

- > With our increasing focus on Super Premium, we took the opportunity to dispose of the Cutty Sark and The Glenturret brands during the year, recognising exceptional gains in the income statement of £68.0m and £22.3m, respectively.
- > We invested in our route-to-market by establishing a wholly-owned distribution company in Mexico, a market which we believe has great potential for our brands. We incurred £4.9m of pre-trading set up costs.
- > Following a fire in a rum maturation warehouse in the Dominican Republic, we received insurance proceeds exceeding the book value of the lost assets totalling £1.3m and consider this gain to be exceptional.
- > As a result of the High Court ruling on the equalisation of Guaranteed Minimum Pensions in final salary schemes, we have made an allowance for additional pension costs of £2.0m.

Profits attributable to Edrington Shareholders including these exceptional items grew by 83% to £158.7m.

Cash flow and financial position

Given the current uncertainty in the global trading environment and the ongoing lack of clarity in relation to the Brexit process, we are pleased to have significantly strengthened our Group balance sheet this year, with cash proceeds from the brand disposals reducing both our net debt and our leverage ratio.



Financial Review (continued)

Net debt at the 31st March 2019 was £466.6m, a decrease of £106.7m from 2018.

The reduction in net debt reflects £116.6m of net cash proceeds from the disposals of the Cutty Sark and The Glenturret brands and greater cash inflows from the growth in trading, partially offset by increased investment in maturing whisky stocks and warehousing, as we continue to focus on the long-term growth of our brands. We also invested in the breadth of our Super Premium portfolio during the year with the acquisition of a minority share in Wyoming Whiskey and an increase in our investment in Partida Tequila.

The group is financed by both US private placement notes and bank debt. During the year, we successfully refinanced a significant portion of our debt by returning to the US private placement market and raising £220m of debt with maturities of between 10-15 years. This increased the average maturity of our debt to 6 years, more in line with the long-term investment horizon of our business.

The net debt to EBITDA ratio at 31st March 2019 was 1.8 times (2018: 2.3 times), comfortably within the limit of our debt covenants.

We strengthened our financial position this year with total equity increasing by £148.2m to £928.8m. Total assets increased by £81.0m to £1,985.0m, primarily as a result of our investment in maturing whisky stocks. £24.4m of the increase was in property, plant & equipment, reflecting warehouse construction and cask purchases. Inventories, of which maturing whisky stocks account for the majority of the value, increased by £46.5m. The acquisition of a minority share in Wyoming Whiskey and additional equity in Partida Tequila also increased our investments by £13.4m.

Total liabilities decreased by £67.1m to £1,056.3m, primarily reflecting the reduction in net debt following the sale of the Cutty Sark and The Glenturret brands.

Post-employment benefit obligations

The Group operates two defined benefit pension schemes for employees of its principal UK subsidiaries. These have been closed since 2014. At the 31st March 2019, the Group had a surplus of £7.1m in relation to the post-employment benefit obligations of these schemes, as calculated in accordance with accounting standards. This is a reduction of £12.3m from the £19.4m asset recognised at 31st March 2018.

During the year, the trustees of both schemes approved and actioned a partial buy-in of pensioner liabilities. The difference between the insurance premium paid at the date of the buy-in and the IAS19 valuation of the buy-in policies at the balance sheet date, reduced the value of the schemes' assets by £6.8m.

Changes in the demographic and discount rate assumptions increased the present value of the schemes' liabilities by £19.2m, while we also made a £2m allowance for additional costs related to the equalisation of Guaranteed Minimum Pensions. Deficit repair contributions of £14.3m were made in the year.

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 31st March 2019, the deficit was valued at £68.9m, £22.8m lower than last year. As such, the Group is committed to making annual deficit reduction payments of £14m until 2026.

Derivatives and financial instruments

The Group uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange and interest rates. The fair value of these instruments at 31st March 2019 is included in the Statement of Financial Position.

Assets of £28.3m (2018: £26.8m) related primarily to cross currency swaps. These are used to hedge the value of our private placement debt which is denominated in US dollars. The value of the asset increased relative to the prior year, primarily due to the strengthening of the US Dollar against the pound.

Liabilities of £6.9m (2018: £4.6m) principally reflect the fair value of forward foreign exchange contracts held at the 31st March 2019. The liability increased 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 year amounted to 41.7p compared with 40.9p in respect of last year.

A first interim dividend of 12.2p (2018: 12.0p) per share was paid on 30 November 2018. The directors agreed a further interim dividend of 29.5p (2018: 28.9p) per share which will be paid on 12th July 2019.

Summary

The Group has enjoyed another year of growth with strong demand for our brands and an increased focus on Super Premium following the successful restructuring of our portfolio.

We have significantly strengthened our balance sheet and are well-positioned to continue investing in the long-term growth of our brands whilst navigating the on-going economic and geopolitical uncertainty.



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 regularly reviews the principal risks facing the Company including those that would impact its business model, future performance and solvency. It carried out its most recent triennial strategic risk review in March 2018 to help update the principal risks facing the Company and it is envisaged that the next triennial review will be carried out in March 2021. 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.

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
Adverse political and social attitudes to alcohol	<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>
Geopolitical and Economic Conditions	<p>Economic or political instability restricts 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. The Brexit Committee, which reports into the Group Risk Management Committee, meets regularly to monitor Brexit developments and oversee contingency planning.</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>
Consumer Preferences	<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 and or sales volumes.</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 in a way which recognises the different needs and focusses of each brand.</p>
Brand Protection	<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
Regulatory Compliance	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 & 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>
Financial Risks	Exposure to market risk (including medium term movements in exchange rates, interest rates risk and commodity price risk), credit risk and liquidity risk, may adversely impact on profits.	<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>The spirits industry is sensitive to changes in tax and excise regulations. The effect of any future tax increases on the Company's sales in a given jurisdiction cannot be precisely measured and is ultimately outwith the Company's control.</p>



Financial Review (continued)

Identified Risk	Impact	Mitigating Actions
Financial Risks (continued)		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.
Cyber	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>
Major Operational Failure	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 regularly 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

12 June 2019



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.

The board welcomes the introduction of the updated 2018 UK Corporate Governance Code (the '**2018 Code**') and the Wates Corporate Governance Principles for Large Private Companies (the '**Wates Principles**') which apply to financial years beginning on or after 1 January 2019. The Company is reviewing the content of the 2018 Code and the Wates Principles and will adopt these as the Company's corporate governance regime to the extent it is deemed beneficial, proportionate and realistic to do so. The Company will report further on this in next year's annual report.

1. Board composition

At 31 March 2019, the board comprises the non-executive chairman, three 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 Independent 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.

Ian Curle retired as chief executive officer in March 2019 after 15 years in the role and has been succeeded by Scott McCroskie.

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.

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

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

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.



Corporate Governance (continued)

In addition to overall board effectiveness reviews, the individual performance of executive directors is monitored in the Company's UK 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, Scott McCroskie 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) to provide up-to-date, detailed information on the Company's values 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 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 twice per 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.

5.2 Remuneration Committee

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

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.



Corporate Governance (continued)

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 committee also addresses risk management and internal controls, where they might 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 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 £50,000 cumulatively and the chairman of the Audit Committee may approve specific engagements up to £100,000. Fees in excess of £100,000 are 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 (2018: £0.3m), of which £0.1m (2018: £0.1m) related to non-audit work.



Corporate Governance (continued)

Committee	Members	Remit
Nomination Committee	Crawford Gillies (chair) Alice Avis MBE Stefanie Fitzgerald David Richardson Scott McCroskie	<ul style="list-style-type: none"> > reviews structure, size and composition of board > recommends appointments and considers succession planning
Remuneration Committee	Alice Avis MBE (chair) David Richardson Crawford Gillies	<ul style="list-style-type: none"> > sets remuneration policy > sets executive director remuneration and incentives > approves annual performance objectives > approves granting of long-term incentives
Audit Committee	David Richardson (chair) Stefanie Fitzgerald Crawford Gillies	<ul style="list-style-type: none"> > reviews and monitors financial results and reporting > approves audit planning > monitors internal financial controls > oversees external audit relationships > considers auditor appointment > reviews audit effectiveness > oversees risk management

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

Committee	Chairman	Remit
Capital Expenditure Committee	Graham Hutcheon	<ul style="list-style-type: none"> > develops five year capital expenditure plan > ensures evaluation of business cases and that resources allocated on an informal basis > ensures risks and interdependencies are clearly understood > manages liquidity requirements and post evaluation reviews
Corporate Sustainability & Responsibility Committee	Lindsay McGarvie (Corporate Affairs Director)	<ul style="list-style-type: none"> > ensures Edrington conducts business in a socially responsible and ethical way > setting and adhering to industry standards on responsible consumption of alcohol > identification and monitoring of performance against targets on environmental sustainability > in conjunction with The Trust and Edrington's network of Trust Ambassadors, ensures the business supports local communities in which it operates



Corporate Governance (continued)

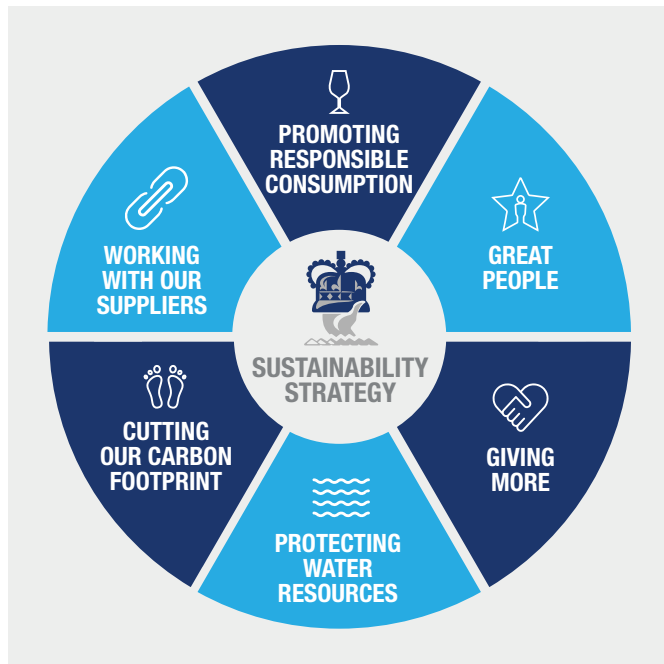
Committee	Chairman	Remit
Marketing Code Committee	Alice Avis MBE	<ul style="list-style-type: none">> sets marketing policy in compliance with industry standards to ensure responsible marketing practice> reviews marketing practice on an annual basis and maintains processes for complying with marketing code prospectively
Group Risk Management Committee	Martin Cooke	<ul style="list-style-type: none">> identifies and evaluates principal risks> reviews the adequacy of risk management processes> recommends improvements in risk management processes> reports material findings to the Audit Committee
Treasury Committee	Paul Hyde	<ul style="list-style-type: none">> ensures compliance with terms of group borrowing facilities> minimises financial risk arising from exposure to fluctuations in foreign exchange rates, interest rates and cash flow> determines hedging policy on interest rates and currency> approves significant decisions on commercial credit limits> monitors and approves cash signing authority in the Company
IT Steering Committee	Euan Fraser (Director of Business Technology)	<ul style="list-style-type: none">> ensures that technology strategic plan aligns with business priorities and return on investment> approves proposed technology projects, and scrutinises ongoing activity> audits completed projects to ascertain effectiveness
Brand Protection Committee	Martin Cooke	<ul style="list-style-type: none">> seeks to establish structures, responsibilities and actions to eliminate or mitigate the unauthorised, unfair or illegal diversion, exploitation of, or damage to, Edrington's brands and their value.
Brexit Committee	Martin Cooke	<ul style="list-style-type: none">> monitors Brexit developments> oversees contingency planning in relation to Brexit



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. This report details Edrington's sustainability programmes for the year to 31 March 2019.

In May 2019, Edrington announced its new sustainability strategy. Its six target areas of Promoting Responsible Consumption, Great People, Giving More, Protecting Water Resources, Cutting our Carbon Footprint and Working with Suppliers are each aligned to the UN's Sustainable Development Goals.



Giving More

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

The company's principal shareholder is The Robertson Trust, which was established in 1961 by the Robertson sisters, who donated their shares in the business founded by their grandfather. Elspeth, Agnes and Ethel Robertson wished to ensure that the family business could continue the family's legacy of support for Scottish charities. The Robertson Trust uses its dividends from Edrington to improve the quality of life and realise the potential of people and communities in Scotland. Since 1961 The Robertson Trust has given £263 million to charities, making it Scotland's largest independent grant-making Trust.

Giving More plays a fundamental role inside our business too. The company encourages its employees to become involved

with charitable causes they feel passionate about, helping them volunteer, raise funds and meet their personal goals.

Every Edrington employee has three days paid leave every year to work for a charity making a difference in their community. Some use this individually, while other teams work together on projects for charities. In larger Edrington locations we organise large scale partnerships with charities where as many employees as possible can work together to create a real transformation in their community. Examples of Giving More activities in 2018/19 can be seen on the Edrington website.

When our employees raise funds for a charity, Edrington matches those funds to double the value. The Robertson Trust also matches funds raised for charities in Scotland, thereby turning every £1 into £3.

- > In 2018/19, the total raised and donated by Edrington employees to good causes in Scotland was £674,000 (2018: £585,000).
- > Employees organized 169 fundraising activities in Scotland last year (2018: 147)

As Edrington's international business has grown, the company has developed initiatives to bring the spirit of The Robertson Trust to life outside Scotland. Since 2012, Edrington has donated 1% of pre-tax earnings to charities chosen by international employees.

- > Last year, the total raised and donated by Edrington's international employees was £2.2 million, making a total of £9.72 million since 2012.

Alcohol in Society

Promoting responsible consumption is one of the six key areas of Edrington's new sustainability strategy.

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.



Corporate Sustainability and Responsibility (continued)

Responsibility and Our People

Edrington's Alcohol Responsibility Week is an annual week-long international campaign which reaches employees across more than 20 countries. It is designed to give every one of our people the information and support they need to make positive choices around alcohol, whether in their work or home life.

In 2018/19 the company worked with Drinkaware, the UK's leading source of alcohol responsibility information, to host their 'Drinkaware at Work' training.

Outside the UK, regional leaders led events to champion Alcohol Responsibility Week and give the campaign a local context. Other activities included a 'low and no-alcohol' cocktail masterclass where an Edrington mixologist shows employees how to make a range of mixed drinks that include either one unit of alcohol, or none at all.

Edrington's occupational health team worked with the 'Drink Wise, Age Well' to run information sessions in its site in Scotland.

Responsibility in Action

In Scotland, Edrington is a contributing partner to the Scotch Whisky Association's 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 that 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 chairs the Foundation for Advancing Alcohol Responsibility. Known as Responsibility.org, this independent, national, not-for-profit organisation leads the fight to eliminate drink driving and underage drinking and promotes responsible decision-making regarding alcohol. FAAR programmes engage with law enforcement, public officials, educators, parents, and students.

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 structures its sustainability agenda in line with 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.

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. Under the company's new sustainability strategy we expect to see this increase in 2020.

Responsible Water Use

Protecting Water Resources is a key area of Edrington's sustainability strategy. Our 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.



Corporate Sustainability and Responsibility (continued)

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 and recycled content targets.

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 2019.

Results for the year

The Company's financial results, which are detailed in the income statement, cover the year to 31 March 2019.

An interim dividend of 12.2p (2018: 12.0p) per share was paid on 9 November 2018. The directors agreed a further interim dividend of 29.5p per share which will be paid on 12 July 2019, making a total of 41.7p per share (2018: 40.9p per share) for the year. The aggregate dividends recognised in the year amounted to £24.9m (2018: £24.4m) 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 £754.4m resulting in a profit before tax (pre-exceptional) of £201.6m and overall profit for the financial year (pre-exceptional) of £91.6m. Exceptional items totalling £67.1m (2018: (£1.3m)) (after taxation and minority interest) were incurred, leading to a profit for the year, attributable to Edrington shareholders, of £158.7m (2018: £86.6m).

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 IFRSs 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; and
- > 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.

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



Directors' Report (continued)

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 2019.

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 2019 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 2019.

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.

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

Martin Cooke
Group Company Secretary

12 June 2019



Independent Auditor's Report

for the year ended 31 March 2019

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 2019, 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 2019 and of the group'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.

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.

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



Independent Auditors' Report (continued)

- > 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 24, 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

James Chadwick

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

12 June 2019



Group Consolidated Income Statement

year ended 31 March 2019

	Note	Pre- Exceptional 2019 £m	Exceptional (Note 2) 2019 £m	Total 2019 £m	Pre- Exceptional 2018* £m	Exceptional (Note 2) 2018 £m	Total 2018* £m
Group revenue	1	754.4	-	754.4	708.5	-	708.5
Cost of sales		(521.0)	-	(521.0)	(493.9)	-	(493.9)
Gross profit		233.4	-	233.4	214.6	-	214.6
Other administration costs		(19.7)	(5.0)	(24.7)	(23.3)	(1.8)	(25.1)
Group operating profit		213.7	(5.0)	208.7	191.3	(1.8)	189.5
Share of operating profit in JV's	11	8.7	-	8.7	14.4	-	14.4
Income from other investments	3	0.8	-	0.8	0.9	-	0.9
Earnings before interest and tax		223.2	(5.0)	218.2	206.6	(1.8)	204.8
Interest income	4	4.0	-	4.0	3.3	-	3.3
Interest payable and similar charges	4	(22.9)	-	(22.9)	(23.7)	-	(23.7)
Other finance (cost)/income	4	(2.7)	-	(2.7)	4.6	-	4.6
Profit on ordinary activities before taxation	5	201.6	(5.0)	196.6	190.8	(1.8)	189.0
Taxation on profit on ordinary activities	7	(37.9)	0.4	(37.5)	(39.7)	-	(39.7)
Profit on ordinary activities after taxation from continuing operations		163.7	(4.6)	159.1	151.1	(1.8)	149.3
Profit for the year from discontinued operations	24	3.6	77.0	80.6	4.6	-	4.6
Profit for the financial year		167.3	72.4	239.7	155.7	(1.8)	153.9
Attributable to non-controlling interests		(75.7)	(5.3)	(81.0)	(67.8)	0.5	(67.3)
Profit for the financial year attributable to parent		91.6	67.1	158.7	87.9	(1.3)	86.6

All the activities of the Group are classed as continuing other than those identified in note 24.

*See note 32 for prior year restatements.

The notes and accounting policies on pages 35 to 89 form an integral part of these financial statements.



Group Statement of Comprehensive Income

year ended 31 March 2019

	2019 £m	2018 £m
Profit for the year attributable to owner	158.7	86.6
Profit for the year attributable to non-controlling interests	81.0	67.3
	239.7	153.9
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Actuarial (loss)/gain on pension schemes		
Group	(21.7)	11.0
Associates and joint ventures	(0.8)	7.3
Non-controlling interests	(5.5)	3.6
Movement in deferred tax on pension schemes		
Group	3.4	(1.4)
Associates and joint ventures	0.1	(1.2)
Non-controlling interests	1.1	(1.1)
Pension fees paid direct to Pension Fund	(0.2)	(0.4)
Revaluation reserve movement	0.2	0.2
Cash flow hedge reserve movement	(1.2)	(0.7)
Cost of hedging reserve movement	0.5	(0.1)
Items that will be or have been reclassified to profit or loss		
Exchange differences on foreign operations		
Group	4.5	(11.3)
Associates and joint ventures	(0.9)	(1.4)
Non-controlling interests	1.7	(7.1)
Exchange difference on foreign dividend	(1.4)	0.3
Movement on deferred tax taken straight to reserves		
Group	0.3	(2.9)
Non-controlling interests	0.3	(0.7)
Share based payment movements	(0.3)	-
Non-controlling interest share of Share based payment movements	(0.2)	(0.2)
Cash flow hedge reserve movement	7.2	(7.4)
Cash flow hedge amounts recycled	(11.0)	29.9
Movement on financial instruments taken straight to reserves	2.5	(8.5)
Non-controlling interests share of movement on financial instruments taken straight to reserves	(2.5)	8.5
Other comprehensive (loss)/income attributable to parent	(18.8)	13.4
Other comprehensive (loss)/income attributable to non-controlling interest	(5.1)	3.0
Total other comprehensive (loss)/income for the year	(23.9)	16.4
Total comprehensive income for the year, net of tax	215.8	170.3
Attributable to parent	139.9	100.0
Attributable to non-controlling interest	75.9	70.3
Total	215.8	170.3

The notes and accounting policies on pages 35 to 89 form an integral part of these financial statements.



Statement of Financial Position

as at 31 March 2019

	Note	Company		Group	
		2019 £m	2018 £m	2019 £m	2018 £m
Non-current assets					
Property, plant and equipment	10	-	-	524.5	500.1
Intangible assets	9	-	-	404.4	408.4
Investment in subsidiaries	11	316.8	305.9	-	-
Investment in joint ventures	11	-	-	62.5	61.1
Other investments	11	-	-	22.3	8.9
Derivative financial instruments	19	-	-	27.6	14.1
Deferred tax assets	20	-	-	35.1	29.7
Post-employment benefit surplus	28	-	-	2.1	16.1
Total non-current assets		316.8	305.9	1,078.5	1,038.4
Current assets					
Inventories	12	-	-	567.1	520.6
Trade and other receivables	14	0.2	13.0	175.6	173.6
Assets held for sale	13	-	-	1.0	0.9
Derivative financial instruments	19	-	-	0.6	12.7
Cash and cash equivalents		28.3	1.4	158.4	152.2
Current tax asset	14	0.2	0.3	3.8	5.6
Total current assets		28.7	14.7	906.5	865.6
Total assets		345.5	320.6	1,985.0	1,904.0



Statement of Financial Position (continued)

	Note	2019 £m	Company 2018 £m	2019 £m	Group 2018 £m
Equity and liabilities					
Share capital	21	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		-	-	6.7	6.9
Liability for share based payments		3.3	3.7	3.3	3.7
Retained earnings		255.5	234.1	463.2	349.9
Cash flow hedge reserve	23	-	(0.1)	(8.9)	(4.4)
Equity attributable to owners of the parent		266.9	245.8	537.7	429.5
Non-controlling interests	11	-	-	391.1	351.1
Total equity		266.9	245.8	928.8	780.6
<i>Non-current liabilities</i>					
Borrowings	16	-	24.8	558.1	564.3
Deferred tax liabilities	20	3.4	3.5	120.3	118.1
Derivative financial instruments	19	-	-	3.1	1.7
Deferred consideration	15	-	-	13.0	24.6
Non-current liabilities		3.4	28.3	694.5	708.7
<i>Current liabilities</i>					
Trade and other payables	15	75.1	6.2	58.3	49.2
Borrowings	16	-	39.9	67.9	162.1
Derivative financial instruments	19	-	0.1	3.7	2.9
Current tax liabilities	15	-	-	48.3	23.8
Other liabilities	15	0.1	0.3	183.5	176.7
Total current liabilities		75.2	46.5	361.7	414.7
Total liabilities		78.6	74.8	1,056.2	1,123.4
Total equity and liabilities		345.5	320.6	1,985.0	1,904.0

In the year to 31 March 2019, The Edrington Group Company made a profit of £50.8m (2018: £78.9m).

The notes and accounting policies on pages 35 to 89 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 12 June 2019. They were signed on behalf of the board by:

S McCroskie
Director

P A Hyde
Director



Group Cash Flow Statement

year ended 31 March 2019

	2019 £m	2018 £m
Operating activities		
Operating profit	208.7	195.2
Adjustments for:		
Depreciation	19.5	17.6
Amortisation	4.6	4.8
Loss/(gain) on sale of fixed assets	1.0	(1.1)
Non-cash impact of write off of goodwill	-	1.8
Operating cash flows before movements in working capital	233.8	218.3
Increase in inventories	(51.8)	(12.2)
Decrease/(increase) in receivables	0.2	(14.2)
Increase in payables	6.7	26.4
Employer pension contributions paid	(14.4)	(14.4)
Other non-cash movements	1.6	(4.9)
Cash generated by operations	176.1	199.0
Tax on profit paid	(28.8)	(29.7)
Net cash from operating activities	147.3	169.3
Investing activities		
Interest received	4.0	3.3
Dividends received	0.2	0.2
Dividends received from joint ventures	5.6	5.5
Purchase of tangible fixed assets	(68.8)	(110.1)
Purchase of intangible fixed assets	(4.0)	(2.4)
Sale of tangible fixed assets	8.5	3.8
Disposal of investments	119.7	-
Net cash transfer on disposal	(0.2)	-
Investment in associates and joint ventures	(10.5)	-
Acquisition of subsidiary	-	(32.9)
Net cash acquired on acquisition	-	2.0
Net cash generated from/(used in) investing activities	54.5	(130.6)
Financing activities		
Interest paid	(23.9)	(23.9)
Purchase of own shares	(6.2)	(5.8)
Dividends paid to non-controlling interests in subsidiaries	(35.9)	(44.9)
Equity dividends paid	(24.9)	(24.4)
Drawdown of private placement debt	220.0	-
Repayment of private placement debt	(47.3)	-
Drawdown of bank loans	-	261.6
Repayment of bank loans	(282.1)	(130.7)
Net cash (used in)/generated from financing activities	(200.3)	31.9
Net increase in cash and cash equivalents	1.5	70.6
Cash and cash equivalents at beginning of year	149.1	83.6
Effect of foreign exchange rate changes	1.6	(5.1)
Cash and cash equivalents at end of year (note 25)	152.2	149.1

The notes and accounting policies on pages 35 to 89 form an integral part of these financial statements.



Consolidated Statement of Changes in Equity

year ended 31 March 2019

Group	Share capital £m	Share premium £m	Merger reserve £m	Capital reserve £m	Capital redemption reserve £m	Revaluation reserve £m	Liability for share based payments £m	Retained earnings £m	Cash flow hedge reserve £m	Cost of hedging reserve £m	Total attributable to owners of parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 April 2018	6.3	0.5	29.5	35.8	1.3	6.9	3.7	349.9	(4.3)	(0.1)	429.5	351.1	780.6
Dividend (note 8)	-	-	-	-	-	-	-	(24.9)	-	-	(24.9)	(35.9)	(60.8)
Issue of share capital under share-based payment	-	-	-	-	-	-	(0.4)	-	-	-	(0.4)	-	(0.4)
Buy back of shares	-	-	-	-	-	-	-	(6.2)	-	-	(6.2)	-	(6.2)
Transaction with owners	-	-	-	-	-	-	(0.4)	(31.1)	-	-	(31.5)	(35.9)	(67.4)
Profit for the year	-	-	-	-	-	-	-	158.7	-	-	158.7	81.0	239.7
Other comprehensive income	-	-	-	-	-	-	-	(14.3)	-	-	(14.3)	(5.1)	(19.4)
Cash flow hedge reserve (note 23)	-	-	-	-	-	-	-	-	(3.8)	0.5	(3.3)	-	(3.3)
Amounts reclassified from cash flow hedge reserve to fixed assets	-	-	-	-	-	-	-	-	(1.2)	-	(1.2)	-	(1.2)
Revaluation reserve	-	-	-	-	-	(0.2)	-	-	-	-	(0.2)	-	(0.2)
Total comprehensive income for the year	-	-	-	-	-	(0.2)	-	144.4	(5.0)	0.5	139.7	75.9	215.6
Balance at 31 March 2019	6.3	0.5	29.5	35.8	1.3	6.7	3.3	463.2	(9.3)	0.4	537.7	391.1	928.8
Balance at 1 April 2017	6.4	0.5	29.5	35.8	1.2	7.1	5.5	299.4	(26.1)	-	359.3	325.7	685.0
Dividend (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)
Transaction with owners	(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)	-	-	-	-	-	-	-	-	22.5	(0.1)	22.4	-	22.4
Amounts reclassified from cash flow hedge reserve to fixed assets	-	-	-	-	-	-	-	-	(0.7)	-	(0.7)	-	(0.7)
Revaluation reserve	-	-	-	-	-	(0.2)	-	-	-	-	(0.2)	-	(0.2)
Total comprehensive income for the year	-	-	-	-	-	(0.2)	-	78.3	21.8	(0.1)	99.8	70.3	170.1
Balance at 31 March 2018	6.3	0.5	29.5	35.8	1.3	6.9	3.7	349.9	(4.3)	(0.1)	429.5	351.1	780.6

The notes and accounting policies on pages 35 to 89 form an integral part of these financial statements.



Company Statement of Changes in Equity

year ended 31 March 2019

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
Balance at 1 April 2018		6.3	0.5	1.3	3.7	(0.1)	234.1	245.8
Profit for the period		-	-	-	-	-	50.8	50.8
Cash flow hedge reserve	23	-	-	-	-	0.1	-	0.1
Total comprehensive income for the period		-	-	-	-	0.1	50.8	50.9
Dividends		-	-	-	-	-	(26.1)	(26.1)
Own shares acquired in the period		-	-	-	(0.4)	-	-	(0.4)
Buy back and cancellation of shares		-	-	-	-	-	(3.3)	(3.3)
		-	-	-	(0.4)	-	(29.4)	(29.8)
Balance at 31 March 2019		6.3	0.5	1.3	3.3	-	255.5	266.9

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
Balance at 1 April 2017		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
Total comprehensive income for the period		-	-	-	-	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)
Balance at 31 March 2018		6.3	0.5	1.3	3.7	(0.1)	234.1	245.8

The notes and accounting policies on pages 35 to 89 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

These financial statements, which are presented in Sterling, have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006, with the Group reporting under IFRS and Company reporting under FRS101.

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 affect 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 effective date of acquisition or to the effective date of disposal as appropriate.

Adoption of new and revised standards

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

- > IFRS 3 (amendments) Business Combinations

- > IFRS 10 (amendments) Sale or Contribution of Assets between Investor and Associate or Joint Venture
- > IFRS 9 (amendments) Prepayment Features with Negative Compensation
- > IFRS 11 (amendments) Joint Arrangements
- > IFRS 16 Leases
- > IFRS 17 Insurance Contracts
- > IAS 12 (amendments) Income Taxes
- > IAS 19 (amendments) Plan Amendment, Curtailment or Settlement
- > IAS 23 (amendments) Borrowing Costs
- > IAS 28 (amendments) Long-term Interests in Associates and Joint Ventures
- > IFRIC 23 Uncertainty over Income Tax Treatments

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, with the exception of IFRS 16 as noted below.

IFRS 16 Leases

IFRS 16 replaces IAS 17, providing a single lease accounting model and eliminates the previous distinction between an operating lease and finance lease.

The Group will be implementing IFRS 16 from 1 April 2019 and will apply the standard using the modified retrospective approach, adjusting opening retained earnings and not restating comparatives. This involves calculating the right-of-use asset and lease liability based on the present value of the remaining lease payments on all applicable lease contracts as at the transition date.

During the year the Group carried out a detailed review of all current operating leases to assess the cumulative adjustment on transition. Based on this initial impact assessment, the adoption of IFRS 16 would increase the carrying value of property, plant and equipment by between £17m - £24m, with liabilities increasing by between £22m - £27m and an opening reserves movement of £1.5m. The ranges disclosed reflect the sensitivity of the adjustment to a +/- 3 percentage point movement in the discount rate used to calculate the present value of the future cash flow commitments.



Accounting Policies (continued)

The existing operating lease expense of £5.2m, currently recorded in operating costs, will be replaced by a depreciation charge of £4.6m to reflect the current year depreciation charge of the right-of-use asset. Finance costs will increase by £0.8m to reflect the current year unwind of the lease liability. Cumulatively, the above will not result in a material impact to operating profit or profit before tax. There will be no net cash flow impact arising from the new standard.

IFRS 15 Revenue from Contracts with Customers

The core principle of the new standard is that revenue is recognised when control of the goods or services are transferred to the customer and provides a five step model to be applied to all sales contracts. The new standard provides further guidance on the measurement of sales contracts which have discounts or rebates as well as the classification of expenses between revenue and cost of sales. Adopting the new standard had no material impact on how revenue is recognised across the Group. Items of advertising and promotional spend were restated for the period ended 31st March 2018 resulting in a total impact of £5.9m, this has no impact on gross profit and reduces revenue and cost of sales by an equal amount. In the current year the impact of adopting the standard was to reduce revenue and cost of sales by £6.0m with no impact on gross margin.

IFRS 9 Financial Instruments

IFRS 9 – Financial instruments replaces IAS 39 (Financial Instruments – Recognition and measurement) and addresses the classification, measurement of financial instruments, introduces new principles for hedge accounting and a new forward-looking impairment model for financial assets. There was no impact to the primary statements from the transition to IFRS 9. All classes of financial assets and liabilities had, in accordance with IAS 39 and IFRS 9, the same carrying values as at 1 April 2018.

The new impairment model requires the recognition of allowances for doubtful debt based on expected credit losses (ECL), rather than only incurred credit losses as is the case under IAS 39. Given the high credit quality of the financial assets, the adoption of the expected loss approach has not resulted in any additional impairment loss.

The group has applied the hedge accounting principles of IFRS 9 on a prospective basis. The foreign currency basis spread on Cross Currency Swaps has been excluded from the cash flow hedge relationship. The impact on transition to OCI is immaterial as is the subsequent amount that will be amortised and recognised in the profit and loss account, on a straight line basis over the life of the derivative.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all 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;
- > disclosures in respect of financial instruments; and
- > the effect of future accounting standards not adopted.

Going Concern

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

Foreign currencies

While the Group's functional and 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.

The results and cash flows of overseas subsidiaries are translated into sterling at average rates of exchange. The net assets of such subsidiaries are translated to sterling at the closing rates of exchange ruling at the balance sheet date.



Accounting Policies (continued)

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 profit and loss accounts 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 sale 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.

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 either in the notes to the accounts and on the face of the income statement.

Taxation

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

Current Tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years.

Taxable income differs from the profit before tax reported in the Group consolidated income statement because of items of income/expense which are taxable/deductible in other years ("temporary differences") and items that are never taxable/deductible ("permanent differences"). Current tax is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred Tax

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

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Uncertain tax provisions

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



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, on the basis of their assessment on the strength of the brands and industry, are regarded as having an indefinite economic life are not amortised. 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

Software is stated at historical cost net of amortisation. Amortisation is charged on a straight line basis over a 10 year period.

Tangible assets and depreciation

Tangible assets are stated at cost net of depreciation and any provision for impairment. No depreciation has been provided on land. Depreciation of other fixed assets has been calculated on a straight-line basis by reference to the useful life of the assets. Tangible assets are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. The principal annual rates used for this purpose are:

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

Assets in the course of construction

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

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 (excluding interest). Net realisable value is based on estimated selling price, less the estimated costs of completion and selling. Provision is made for obsolete and slow-moving items where appropriate.

Investments in associates and joint ventures

An associate is an undertaking in which the Group has a long term equity interest and over which it has the power to exercise significant influence. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group's interest in the net assets of associates and joint ventures is reported in investments in the consolidated balance sheet and its interest in their results is included in the consolidated income statement. Investments in associates and joint ventures are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The impairment review compared 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.



Accounting Policies (continued)

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

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in

accordance with IAS 39, 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 profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, 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.

Current assets held for sale

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

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

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



Accounting Policies (continued)

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

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

Operating profit

Operating profit is stated after charging restructuring costs and before the share of results of associates, investment income and finance costs.

Cash and cash equivalents

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

Other liabilities

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

Deferred consideration

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

Pensions and other post-retirement benefits

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

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

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



Accounting Policies (continued)

Financial Instruments

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

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

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

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

Amortised Cost

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

Trade and other receivables are recognised initially at the transaction price. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less an allowance for 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.

Deferred consideration

Deferred consideration comprises amounts payable 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.

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 profit or loss account. 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.



Accounting Policies (continued)

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

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.

Share based payments

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

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

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

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)

Significant judgements and estimates

In addition the following areas of judgement had an effect on the carrying value of assets and liabilities.

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 judgement.

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.

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 28.

Valuation of equity acquisition

The Group holds minority equity stakes with a number of key strategic partners. The valuation of each equity stake requires management judgement 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.



32 Prior year restatement

	Note	2018 Total £m	Effect of IFRS 15 and changes to JV accounting £m	Discontinued operations (note 24) £m	2018 Restated £m
Revenue	A	739.3	(5.9)	(24.9)	708.5
Cost of sales	A	(515.5)	5.9	15.7	(493.9)
Gross profit		223.8	-	(9.2)	214.6
Other administrative costs		(28.6)	-	3.5	(25.1)
Group operating profit		195.2	-	(5.7)	189.5
Share of operating profit in joint ventures		14.4	-	-	14.4
Income from investments		0.9	-	-	0.9
Earnings before interest and tax		210.5	-	(5.7)	204.8
Interest income		3.3	-	-	3.3
Interest payable and similar charges		(23.7)	-	-	(23.7)
Other finance income		4.6	-	-	4.6
Profit on ordinary activities before taxation		194.7	-	(5.7)	189.0
Taxation on profit on ordinary activities		(40.8)	-	1.1	(39.7)
Profit on ordinary activities after taxation		153.9	-	(4.6)	149.3
Attributable to non-controlling interests		(67.3)	-	-	(67.3)
Profit for the financial year		86.6	-	(4.6)	82.0

Notes:

- A. The transition to IFRS 15 has resulted in a reclass of advertising and promotional spend from cost of sales to revenue. Total impact of restating this was a reduction of revenue and cost of sales of £5.9m with no impact on gross profit.



EDRINGTON



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