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 2019 £m	Company 2018 £m	Group 2019 £m	Group 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

	Note	Company 2019 £m	Company 2018 £m	Group 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
Non-current liabilities					
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
Current liabilities					
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 affects its returns.

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

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

The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated income statement from the 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 re-stating 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.

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.

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.

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.

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.

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.

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.

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 treatement 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.

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.