Group Consolidated Income Statement

year ended 31 March 2020

	Note	Pre-Exceptional 2020 £m	Exceptional (Note 2) 2020 £m	Total* 2020 £m	Restated Pre-Exceptional (Note 37) 2019 £m	Exceptional (Note 2) 2019 £m	Restated Total* (Note 37) 2019 £m
Revenue	1	**780.2**	**12.0**	**792.2**	730.9	-	730.9
Cost of sales		**(518.6)**	**0.1**	**(518.5)**	(497.5)	-	(497.5)
Gross profit		**261.6**	**12.1**	**273.7**	233.4	-	233.4
Other administration costs		**(22.0)**	**(3.7)**	**(25.7)**	(19.7)	(5.0)	(24.7)
Group operating profit		**239.6**	**8.4**	**248.0**	213.7	(5.0)	208.7
Share of profit in Joint Ventures	12	**6.9**	**-**	**6.9**	8.7	-	8.7
(Cost)/ Income from other investments	3	**(0.5)**	**(9.4)**	**(9.9)**	0.8	-	0.8
Gain on sale of investment		**-**	**5.9**	**5.9**	-	-	-
Earnings before interest and tax		**246.0**	**4.9**	**250.9**	223.2	(5.0)	218.2
Finance income	4	**5.0**	**-**	**5.0**	4.0	-	4.0
Finance costs	4	**(26.1)**	**(0.3)**	**(26.4)**	(22.9)	-	(22.9)
Other finance costs	4	**(2.5)**	**-**	**(2.5)**	(2.7)	-	(2.7)
Profit before taxation	5	**222.4**	**4.6**	**227.0**	201.6	(5.0)	196.6
Taxation	7	**(48.6)**	**(2.5)**	**(51.1)**	(37.9)	0.4	(37.5)
Profit for the year from continuing operations		**173.8**	**2.1**	**175.9**	163.7	(4.6)	159.1
Profit for the year from discontinued operations	34	**-**	**-**	**-**	3.6	77.0	80.6
Profit for the financial year		**173.8**	**2.1**	**175.9**	167.3	72.4	239.7
Attributable to non-controlling interests		**(83.5)**	**(4.7)**	**(88.2)**	(75.7)	(5.3)	(81.0)
Profit for the financial year attributable to owner		**90.3**	**(2.6)**	**87.7**	91.6	67.1	158.7

All the activities of the Group are classed as continuing other than those identified in note 34.

The notes and accounting policies on pages 48 to 104 form an integral part of these financial statements.

* IFRS 16 was adopted on 1 April 2019 without restating prior year figures. As a result of this the primary statements are shown on an IFRS 16 basis for 2020 and an IAS17 basis for 2019. Note 35 provides a reconciliation of the two measures.

Group Statement of Comprehensive Income

year ended 31 March 2020

	2020 £m	2019 £m
Profit for the year attributable to owner	**87.7**	158.7
Profit for the year attributable to non-controlling interests	**88.2**	81.0
	175.9	239.7
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Actuarial gain/(loss) on pension schemes net of non-controlling interests		
Group	**22.7**	11.0
Associates and joint ventures	**10.3**	7.3
Non-controlling interests	**8.9**	3.6
Movement in deferred tax on pension schemes		
Group	**(4.1)**	(1.4)
Associates and joint ventures	**(2.0)**	(1.2)
Non-controlling interests	**(1.3)**	(1.1)
Pension fees paid direct to Pension Fund	**(0.2)**	(0.2)
Revaluation reserve movement	**0.2**	0.2
Movement in financial instruments taken straight to reserves		
Group	**0.1**	2.5
Non-controlling interests	**(0.1)**	(2.5)
Cash flow hedge reserve movement	**-**	(1.2)
Cost of hedging reserve movement	**(0.3)**	0.5
Capital gains tax on sale of shares by the Employee Benefit Trust	**(2.7)**	-
Items that will be or have been reclassified to profit or loss		
Exchange differences on foreign operations		
Group	**(0.2)**	(11.3)
Associates and joint ventures	**(1.2)**	(1.4)
Non-controlling interests	**(1.6)**	(7.1)
Exchange difference on foreign dividend	**(1.5)**	(1.4)
Movement on deferred tax taken straight to reserves		
Group	**(2.1)**	(2.9)
Non-controlling interests	**1.3**	(0.7)
Share based payment movements	**(0.9)**	(0.3)
Non-controlling interest share of Share based payment movements	**(0.2)**	(0.2)
Cash flow hedge reserve movement	**5.3**	(3.8)
Cash flow hedge amounts recycled	**0.2**	-
Other comprehensive income/(loss) attributable to parent	**23.6**	(18.8)
Other comprehensive income/(loss) attributable to non-controlling interest	**7.0**	(5.1)
Total other comprehensive income/(loss) for the year	**30.6**	(23.9)
Total comprehensive income for the year, net of tax	**206.5**	215.8
Attributable to parent	**111.3**	139.9
Attributable to non-controlling interest	**95.2**	75.9
Total	**206.5**	215.8

The notes and accounting policies on pages 48 to 104 form an integral part of these financial statements.

Statement of Financial Position

as at 31 March 2020

	Note	Company 2020 £m	Company 2019 £m	Group 2020 £m	Group 2019 £m
Non-current assets					
Intangible assets	9	**-**	-	**407.5**	404.4
Property, plant and equipment	10	**-**	-	**550.5**	524.5
Right-of-use assets	11	**-**	-	**26.4**	-
Investment in subsidiary undertakings	12	**318.4**	316.8	**-**	-
Investment in joint ventures	12	**-**	-	**70.3**	62.5
Investments in other interests	12	**-**	-	**14.3**	22.3
Derivative financial instruments	20	**-**	-	**41.1**	27.6
Deferred tax asset	21	**-**	-	**40.1**	35.1
Pension and other employment assets	27	**-**	-	**48.1**	2.1
Non-current assets		**318.4**	316.8	**1,198.3**	1,078.5
Current assets					
Inventories	13	**-**	-	**619.4**	567.1
Trade and other receivables	15	**3.3**	0.2	**170.5**	175.6
Assets held for sale	14	**-**	-	**0.8**	1.0
Derivative financial instruments	20	**-**	-	**-**	0.6
Cash and liquid resources		**57.9**	28.3	**268.8**	158.4
Current tax asset	15	**-**	0.2	**9.7**	3.8
Current assets		**61.2**	28.7	**1,069.2**	906.5
Total assets		**379.6**	345.5	**2,267.5**	1,985.0

The notes and accounting policies on pages 48 to 104 form an integral part of these financial statements.

	Note	Company 2020 £m	Company 2019 £m	Group 2020 £m	Group 2019 £m
Equity and liabilities					
Equity					
Share capital	22	**6.3**	6.3	**6.3**	6.3
Share premium		**0.5**	0.5	**0.5**	0.5
Merger reserve		**-**	-	**29.5**	29.5
Capital reserve		**-**	-	**35.8**	35.8
Capital redemption reserve		**1.3**	1.3	**1.3**	1.3
Revaluation reserve		**-**	-	**6.5**	6.7
Liability for share based payments		**4.6**	3.3	**4.6**	3.3
Retained earnings		**256.5**	255.5	**571.4**	463.2
Cash flow hedge reserve	24	**-**	-	**(3.8)**	(9.3)
Cost of hedging reserve	24	**-**	-	**0.1**	0.4
Equity attributable to owners of the parent		**269.2**	266.9	**652.2**	537.7
Non-controlling interests	12	**-**	-	**453.7**	391.1
Equity		**269.2**	266.9	**1,105.9**	928.8
Non-current liabilities					
Borrowings	17	**29.8**	-	**675.5**	558.1
Lease liabilities	31	**-**	-	**24.1**	-
Deferred tax liabilities	21	**3.0**	3.4	**150.0**	120.3
Derivative financial instruments	20	**-**	-	**1.9**	3.1
Other liabilities	16	**-**	-	**0.4**	-
Deferred consideration	16	**-**	-	**-**	13.0
Non-current liabilities		**32.8**	3.4	**851.9**	694.5
Current liabilities					
Trade and other payables	16	**73.9**	75.1	**72.5**	58.3
Borrowings	17	**-**	-	**45.9**	67.9
Lease liabilities	31	**-**	-	**6.2**	-
Derivative financial instruments	20	**-**	-	**10.5**	3.7
Current tax liabilities	16	**-**	-	**15.9**	48.3
Other liabilities	16	**3.7**	0.1	**158.7**	183.5
Current liabilities		**77.6**	75.2	**309.7**	361.7
Total liabilities		**110.4**	78.6	**1,161.6**	1,056.2
Total equity and liabilities		**379.6**	345.5	**2,267.5**	1,985.0

In the year to 31 March 2020, The Edrington Group Company made a profit of £27.5m (2019: £50.8m).

The notes and accounting policies on pages 48 to 104 form an integral part of these financial statements.

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

S McCroskie
Director
18 June 2020

P A Hyde
Director
18 June 2020

Consolidated Statement of Changes in Equity

year ended 31 March 2020

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 2019	6.3	0.5	29.5	35.8	1.3	6.7	3.3	463.2	(9.3)	0.4	537.7	391.1	928.8
Effect of the adoption of IFRS 16 and IFRIC 23	-	-	-	-	-	-	-	(0.8)	-	-	(0.8)	(0.1)	(0.9)
Adjusted balance at 1 April 2019	6.3	0.5	29.5	35.8	1.3	6.7	3.3	462.4	(9.3)	0.4	536.9	391.0	927.9
Dividends (note 8)	-	-	-	-	-	-	-	(25.3)	-	-	(25.3)	(32.5)	(57.8)
Share based payments (note 26)	-	-	-	-	-	-	1.3	-	-	-	1.3	-	1.3
Disposal of shares	-	-	-	-	-	-	-	28.2	-	-	28.2	-	28.2
Transaction with owners	-	-	-	-	-	-	1.3	2.9	-	-	4.2	(32.5)	(28.3)
Profit for the year	-	-	-	-	-	-	-	87.7	-	-	87.7	88.2	175.9
Other comprehensive income	-	-	-	-	-	-	-	18.4	-	-	18.4	7.0	25.4
Cash flow hedge reserve (note 24)	-	-	-	-	-	-	-	-	5.5	(0.3)	5.2	-	5.2
Revaluation reserve	-	-	-	-	-	(0.2)	-	-	-	-	(0.2)	-	(0.2)
Total comprehensive income for the year	-	-	-	-	-	(0.2)	-	106.1	5.5	(0.3)	111.1	95.2	206.3
Balance at 31 March 2020	**6.3**	**0.5**	**29.5**	**35.8**	**1.3**	**6.5**	**4.6**	**571.4**	**(3.8)**	**0.1**	**652.2**	**453.7**	**1,105.9**
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
Dividends (note 8)	-	-	-	-	-	-	-	(24.9)	-	-	(24.9)	(35.9)	(60.8)
Issue of share capital under share-based payment (note 26)	-	-	-	-	-	-	(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 24)	-	-	-	-	-	-	-	-	(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**

The notes and accounting policies on pages 48 to 104 form an integral part of these financial statements.

Company Statement of Changes in Equity

year ended 31 March 2020

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 2019		6.3	0.5	1.3	3.3	-	255.5	266.9
Dividends	8	-	-	-	-	-	(26.5)	(26.5)
Share based payments	26	-	-	-	1.3	-	-	1.3
Transactions with owners		-	-	-	1.3	-	(26.5)	(25.2)
Profit for the period		-	-	-	-	-	27.5	27.5
Total comprehensive income for the year		-	-	-	-	-	27.5	27.5
Balance at 31 March 2020		**6.3**	**0.5**	**1.3**	**4.6**	**-**	**256.5**	**269.2**

	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
Dividends	8	-	-	-	-	-	(26.1)	(26.1)
Own shares acquired in the period		-	-	-	(0.4)	-	-	(0.4)
Buy back and cancellation of shares		-	-	-	-	-	(3.3)	(3.3)
Transactions with owners		-	-	-	(0.4)	-	(29.4)	(29.8)
Profit for the period		-	-	-	-	-	50.8	50.8
Cash flow hedge reserve	24	-	-	-	-	0.1	-	0.1
Total comprehensive income for the year		-	-	-	-	0.1	50.8	50.9
Balance at 31 March 2019		**6.3**	**0.5**	**1.3**	**3.3**	**-**	**255.5**	**266.9**

The notes and accounting policies on pages 48 to 104 form an integral part of these financial statements.

Group Cash Flow Statement

year ended 31 March 2020

		2020 £m	2019 £m
Operating activities	Operating profit	**248.0**	208.7
	Adjustments for:		
	Depreciation	**24.4**	19.5
	Amortisation of intangible assets	**3.1**	4.6
	Gain on sale of fixed assets	**0.6**	1.0
	Other non-cash movements	**0.9**	-
Operating cash flows before movements in working capital		**277.0**	233.8
Increase in inventories		**(37.2)**	(51.8)
Decrease in receivables		**7.2**	0.2
(Decrease)/increase in payables		**(30.3)**	6.7
Employer pension contributions paid		**(13.5)**	(14.4)
Other non-cash movements		**5.6**	1.6
Cash generated by operations		**208.8**	176.1
Tax on profit paid		**(60.7)**	(28.8)
Net cash from operating activities		**148.1**	147.3
Investing activities	Dividends received	**0.2**	0.2
	Dividends received from joint ventures undertakings	**5.6**	5.6
	Purchase of property, plant and equipment	**(70.4)**	(68.8)
	Purchase of intangible assets	**(2.7)**	(4.0)
	Sale of property, plant and equipment	**5.4**	8.5
	Sale of intangible assets	**0.2**	-
	Disposal of investment	**0.1**	119.7
	Net cash transfer on disposal	**-**	(0.2)
	Investment in associates and joint ventures	**-**	(10.5)
	Acquisition of subsidiary	**(5.0)**	-
Net cash (used in)/generated from investing activities		**(66.6)**	50.5
Financing activities	Interest paid	**(25.5)**	(23.9)
	Interest received	**5.0**	4.0
	Sale of own shares	**25.0**	-
	Net proceeds from EBT share transactions	**3.1**	(6.2)
	Repayment of lease liabilities	**(6.6)**	-
	Equity dividends paid	**(25.3)**	(24.9)
	Dividends paid to non-controlling interests in subsidiaries	**(32.5)**	(35.9)
	Drawdown of private placement debt	**-**	220.0
	Repayment of private placement debt	**-**	(47.3)
	Drawdown of revolving credit facilities	**186.0**	-
	Repayment of revolving credit facilities	**(115.0)**	-
	Drawdown of other loans	**1.8**	-
	Repayment of other loans	**(3.1)**	
	Repayment of bank loans	**-**	(282.1)
Net cash generated from/(used in) financing activities		**12.9**	(196.3)
Net increase in cash and liquid resources		**94.4**	1.5
Cash and liquid resources at beginning of year		**152.2**	149.1
Effect of foreign exchange rate changes		**0.6**	1.6
Cash and liquid resources at end of year (note 25)		**247.2**	152.2

The notes and accounting policies on pages 48 to 104 form an integral part of these financial statements.

Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise stated.

Basis of preparation

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

The principle activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the strategy report on pages 5-19.

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

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

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

Control is achieved when the Company:

> has the power over the investee;

> is exposed, or has rights, to variable return from its involvement with the investee; and

> has the ability to use its power to affects its returns.

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

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

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

Adoption of new and revised standards

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

> IFRS 9 (amendments) Prepayment Features with Negative Compensation;

> IFRS 17 Insurance Contracts;

> IAS 19 (amendments) Plan Amendment, Curtailment or Settlement;

> Annual Improvements to IFRS Standards 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs; and

> IFRS 9 and IAS 39 (amendments) Interest rate benchmark reform.

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

IFRS 16 Leases (effective periods beginning after 1 January 2019).

In the current year, the Group, for the first time, has applied IFRS 16 Leases (as issued by the IASB in January 2016). The financial impact of the initial application is discussed further in note 35 with reconciliations of the Income Statement, Statement of Financial Position and Cashflow.

IFRS 16 introduces new or amended requirements with respect to lease accounting. As a result, the Group as a lessee has recognised a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated financial statement is described below with further details of the new requirements and the financial impact of these on the Group described in note 35.

The Group has implemented IFRS 16 from 1 April 2019 and has chosen to use the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information for 2019 has not been restated.

Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess where a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 14 will continue to be applied to those leases entered into or modified before 1 April 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 April 2019 (whether it is a lessor or lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on Lessee Accounting

Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

> Recognises a right-of-use asset and a lease liability in the consolidated statement of financial position at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses. Depreciation is recognised on a straight line basis over the period of the lease the right of use asset is expected to be utilised. The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease or when this is not readily attainable the Group's incremental borrowing rate (IBR). Generally the Group uses its incremental borrowing rate as the discount rate;

> Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated income statement; and

> Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated income statement.

The Group's weighted average IBR applied to lease liabilities at the application date is 2.65%. Operating lease commitments previously disclosed under IAS 17 totalled £25.6m, compared to £31.8m of lease liabilities recognised at initial application of IFRS16.

Lease incentives (e.g. free rent periods) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in a recognition of lease incentive liabilities, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

The Group has elected to account for short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers or office furniture), using the practical expedients permitted by IFRS 16, recognising a lease expense on a straight-line basis.

Former finance leases

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's consolidated income statement.

Impact on Lessor Accounting

The Group has not identified any circumstances in which under IFRS 16 it would have a lessor arrangement and as such this does not have a material effect on the Group's consolidated income statement.

IFRIC 23

During the year the group adopted IFRIC 23 uncertainty over income tax treatments for the period beginning 1 April 2019. The interpretation clarifies the application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatment. The Group has reviewed its income tax treatment and applied the recommended two-step methodology in terms of recognition and measurement of liabilities for uncertain tax positions. The group has adopted the interpretation using a modified retrospective approach. The reassessment of current and deferred taxes in accordance with IFRIC 23 resulted in an increase of £0.5m in retained earnings at transition due to a decrease in the income tax payable of £2.0m.

IFRS 9 (amendments interest rate benchmark reform)

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

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

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

> The Group has floating rate bank debt, linked to GBP LIBOR, which it cash flow hedges using interest rate swaps. The amendments permit continuation of hedge accounting even though there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reforms.

> The Group will retain the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges that are subject to interest rate benchmark reforms even though there is uncertainty arising from the interest rate benchmark reform with respect to the timing and amount of the cash flows of the hedged items. Should the Group consider the hedged future cash flows are no longer expected to occur due to reasons other than interest rate benchmark reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

The Group has chosen to early apply the amendments to IFRS 9/IAS 39 for the reporting period ending 31 March 2020, which are mandatory for annual reporting periods beginning on or after 1 January 2020. Adopting these amendments allows the Group to continue hedge accounting during the period of uncertainty arising from interest rate benchmark reforms.

Disclosure exemptions adopted

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

> a statement of cash flows and related notes;

> the requirement of IAS 24 related party disclosures to disclose related party transactions entered into between two or more members of The Edrington Group as they are wholly-owned within The Edrington Group;

> disclosure of key management personnel compensation;

> capital management disclosures;

> certain share based payments disclosures;

> business combination disclosures; and

> disclosures in respect of financial instruments.

Going Concern

A full assessment of the appropriateness of the going concern method of preparation has been included in the Strategic Report. Edrington annually forecasts future trading performance and cash flow 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

The Company's functional currency is Sterling.

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

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

Foreign operations

Trading results denominated in foreign currency are translated into Sterling at average rates of exchange during the year. Assets and liabilities are translated at the rates of exchange ruling at the year-end except where rates of exchange are fixed under contractual arrangements. Differences on exchange arising from the retranslation of the opening net assets of foreign subsidiaries denominated in foreign currency are taken to reserves together with the differences between the income statements translated at average rates and rates ruling at the year-end.

Revenue Recognition

Revenue comprises the sale of goods, royalties and rents receivable from contracts with customers. Revenue is measured at the fair value of consideration received or receivable, excluding sales tax, and reduced by any rebates and trade discounts allowed. The 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 in the notes to the accounts, and on the face of the consolidated income statement.

Leases

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

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

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

> Fixed lease payments (including in-substance fixed payments), less any lease incentives;

> Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

> The amount expected to be payable by the lessee under residual value guarantees;

> The exercise price of purchase options, if the lessee is reasonably certain in exercise the options; and

> Payments of penalties for terminating the lease, if the lease terms reflects the exercise of an option to terminate the lease.

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

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

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

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

> The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

> A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the years presented.

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

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost net of depreciation and any provision for impairment.

No depreciation has been provided on land. Depreciation of other fixed assets has been calculated on a straight-line basis by reference to the useful life of the assets. The principal annual rates used for this purpose are:

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

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

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

Intangible assets

Intangible assets are primarily brands with a material value, which are long term in nature and are recorded at cost less appropriate provision for impairment if necessary. Such brands are only recognised where title is clear, brand earnings are separately identifiable and the brand could be sold separately from the rest of the business.

Brands that in the opinion of the directors, 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 system costs are stated at historical cost net of amortisation. Amortisation is charged on a straight line basis over a 10 year period.

Investments

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

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

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

Acquisitions

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

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

> deferred tax assets or liabilities arising on acquisition and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and

> assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, 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.

Inventory

Inventory is valued at the lower of cost and net realisable value. Cost is defined as the production cost (including distillery overheads) or purchase price, as appropriate, plus carrying costs such as depreciation, warehousing rent and freight but excluding interest. Net realisable value is based on estimated selling price, less the estimated costs of completion and selling. Provision is made for obsolete and slow-moving items where appropriate.

Current assets held for sale

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

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

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

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

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

Operating profit

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

Taxation

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

Current Tax

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

Deferred Tax

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

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

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

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

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

Uncertain tax provisions

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

Other liabilities

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

Deferred consideration

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

Share based payments

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

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

The fair value of shares and options granted is calculated at grant date using the Black-Scholes model and in accordance with IFRS 2 Share Based Payments.

The parent Company reflects the fair value of the shares issued to subsidiary undertakings to enable them to meet their obligations under the share based payment incentive schemes as an additional investment.

Financial Instruments

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

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

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

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

Amortised Cost

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

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

Financial asset and liabilities at fair value through profit or loss

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

Cash and cash equivalents

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

Hedge Accounting

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

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

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

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

Effective interest rate

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

Pensions and other post-retirement benefits

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

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

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

For defined contribution schemes the amount charged to the income statement in respect of pension costs is the contributions payable in the year. Any differences between contributions payable in the year and the contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

In addition, the Company pays other post retirement discretionary benefits which are accounted for in accordance with IAS 19 Retirement Benefits. In the view of the directors, there is no future legal commitment to pay these benefits. However, a constructive obligation exists as it has been custom and practice to pay them in the past; therefore, the most appropriate treatment is to provide for the full potential liability in the accounts.

Offsetting of financial assets and liabilities

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

Accounting for The Edrington Group Limited Employee Benefit Trust

The Edrington Group Limited as the sponsoring company of The Edrington Group Limited Employee Benefit Trust recognises the assets and liabilities of the Employee Benefit Trust in the Group's accounts as it has deemed control under the guidance of IFRS 10.

The Group accounts for the Employee Benefit Trust as follows:

> Until such time as the Company's own shares held by the Employee Benefit Trust vest unconditionally in employees, the consideration paid for the shares is deducted from Consolidated Statement of Changes in Equity.

> Other assets and liabilities (including borrowings) of the Employee Benefit Trust are recognised as assets and liabilities of the Group.

> Consideration paid or received for the purchase or sale of the Company's own shares in the Employee Benefit Trust is shown as a separate amount in the Consolidated Statement of Changes in Equity.

> No gain or loss is recognised in the income statement or statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own shares.

> Finance costs and any administration expenses are charged as they accrue.

> Any dividend income arising on own shares is excluded from the income statement.

Estimation uncertainty and significant judgements

The key estimation uncertainty and significant judgements applies to valuation of pension assets and liabilities:

Pensions and other post-retirement benefits

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

In addition the following sources of estimation uncertainty 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. Sensitivity analysis is undertaken on these key assumptions as outlined within note 9.

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.