EDRINGTON

Annual Report & Financial Statements 2016

GREAT PEOPLE • LEADING BRANDS • GIVING MORE

Contents

Annual Report*

Financial Statements

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

Company Registration Number
SC36374

www.edrington.com
Please enjoy our brands responsibly

Directors and Advisers

Directors

N L Murray, Chairman
I B Curle, Chief Executive
A B C Short
G R Hutcheon
R W Farrar
S J McCroskie
P A Hyde
K C O Barton
D H Richardson
R J S Bell (resigned 31 July 2015)
A M C Avis MBE (appointed 1 August 2015)

Secretary

M A Cooke

Registered Office

2500 Great Western Road
Glasgow
G15 6RW

Independent Auditor

Grant Thornton UK LLP
Statutory Auditor

Solicitors

Maclay Murray & Spens LLP

Strategic Report
Edrington Business Model and Principal Activities

Edrington owns some of the leading Scotch whisky and rum brands in the world, which the Company produces, markets and distributes to consumers. These brands, which occupy market-leading positions, include The Macallan, Highland Park, The Famous Grouse, Cutty Sark and Brugal, as well as Snow Leopard vodka.

The Company produces its brands at a number of specialist operations including distilling, blending and bottling. Edrington's brands are distributed by a network that comprises wholly owned subsidiaries, joint venture companies and third party distributors.

Although the Edrington operating model is quite complex, its business model is simple. The business model revolves around great people, leading brands and an ethos of giving more, underpinned by Edrington's ownership by the charitable Robertson Trust.

Edrington's strategy centres on:

> developing its expertise in brand building,

> continued investment in effective and efficient route to market execution, and

> developing organisational capability.

The Company has delivered resilient performance in key mature markets, delivered strong growth in emerging markets and has focused on the premiumisation of its brands to drive market share growth and deliver strong operating profitability.

Edrington's underlying objective is to drive shareholder value and the Company will achieve this by continuing to build long term brand equity across the portfolio, building the underlying value of the business. Edrington will continue to build its portfolio of premium brands focusing on the consumer, delivering compelling brand stories with distinctive brand positions, built on quality and authenticity.

Strategic Report
Chairman's Statement

Norman Murray
Chairman

This year's report highlights one of Edrington's 2020 strategic pillars: Focus for Success. It's a simple concept that describes the sharpness and clarity required for future progress. Like many simple concepts it requires significant preparation and capability to deliver it.

This has been Edrington's agenda during my time as Chairman. In the last year the Company re-shaped the business with the introduction of business units which are working well to drive improved focus and delivery. One year on from their launch, there is evidence that Edrington has put the right strategy into effect, and that it is delivering results.

In addition to re-shaping the business the Company has prepared for growth with significant investments in operations, systems and capability. All these initiatives have relied heavily on the enthusiasm and commitment of Edrington's people.

The Project Integra team, a multi-disciplinary group that has quietly re-wired Edrington's systems, deserves congratulations for their 2016 efforts. The international expansion of Edrington brought a diverse range of systems that have now been streamlined leading to faster decision-making. A focus on digital speed will also enable sharper communication with future consumers.

Of course today's consumer also seeks out great experiences. The Company's record investment in a new Macallan distillery and visitor centre is well tuned to this expectation. The brand's new home is starting to take shape and excitement is building towards the 2018 launch when The Macallan will fulfil the consumer demand for its exceptional whisky in an inspirational setting.

The Company also recently announced that it will move to a new HQ in the centre of Glasgow in early 2017, bringing together its HQ leadership, business units, and essential HQ functions in one location. This investment will help Edrington compete more effectively in the tough global marketplace and capitalise on the long term prospects for the premium spirits industry. It also marks a return to the Company's roots and the city where founders William Robertson and John Baxter began blending and bottling in 1861.

Throughout this change process I have been impressed by the professionalism and dedication of Edrington's employees. These high levels of commitment should not be a surprise. During the year we had a record response to the Company's biennial employee survey and I was very pleased to see the high levels of engagement reported. In the year ahead I am looking forward to catching up with our people and sharing my excitement about this next phase of growth, when our carefully planned investments will turn to implementation.

In the course of the last year we also welcomed a new non-executive director to the board. Alice Avis MBE has enjoyed a distinguished career as a marketing professional and entrepreneur. We have benefited from her input over the year and look forward to her contribution as we sharpen our focus on the consumer.

Finally, I would like to record the continued support of The Robertson Trust. The goodwill of the Trust is a cornerstone of our future success.

Norman Murray
Chairman

15 June 2016

Strategic Report
Chief Executive's Review

Ian Curle
Chief Executive

Last year the Company introduced a new strategy, Edrington 2020, which focussed on the following strategic imperatives – Perfect The Macallan, Accelerate Highland Park, Develop Super Premium, and Optimise Regional Power Brands. The new strategy is working: priorities have been redefined and new business units have settled quickly.

In addition to reshaping the focus on our brands, the marketplace, and the consumer we focussed on improving effectiveness and efficiency whilst continuing to invest across the business.

During this transition performance has been mixed with strong delivery in key markets offset by shortfalls in others which, in combination with the influence of currency, has adversely affected our reported results.

Throughout this year of significant change Edrington's unique values have remained at the forefront of all that we do.

Strategic Focus

Last year the Company outlined its strategic direction which focused on five key strategic imperatives:

- Perfect The Macallan.
- Accelerate Highland Park.
- Develop our super premium capability.
- Optimise regional power brands.
- Focus for success.

Adoption of these strategic imperatives has helped to provide a clearer strategic focus which was supported by the implementation of an organisational leadership structure which has mirrored our strategic intent. We have aligned critical processes under single leadership points and deployed resources and skills behind strategic priorities.

As we look forward, the components of this evolving strategy remain absolutely relevant. However, amid growing international uncertainty, both politically and economically, we will need to continually adapt our approach, recognising that the marketplace is changing.

Despite short term challenges we continue to believe that the overall macro environment remains positive and believe the medium and longer term macro-economic factors will be beneficial to our business.

Perfect The Macallan

The Macallan will continue to drive our growth and the key focus regions will be the Americas, Asia and Global Travel Retail. The vision for The Macallan is to become the ultimate luxury spirit brand in the world's leading cities. Our aim is to engage and inspire consumers by applying our authentic mastery and creativity to deliver exceptional whiskies. We will support growth of Macallan with improvements to range and packaging whilst increasing investment behind the brand.

Accelerate Highland Park and Develop Super Premium

Within Super Premium our aim is to accelerate Highland Park significantly ahead of category growth, whilst seeking breakthrough brand opportunities within the super premium space.

Optimise Regional Power Brands

Within Regional Power brands we will compete where we have the right to compete, vigorously defending our dominant market share positions. Within the context of tough trading conditions we will seek to sustain and strengthen overall brand equity and the relevance of our blended Scotch and rum brands, optimising return on invested capital.

Focus for Success

Through Focus for Success we will drive for operational process excellence across all functions whilst building leadership capability and growth opportunities for our people. Focus for Success will evolve beyond its current context to encompass:

- focus for growth
- focus on the consumer
- focus on developing people
- focus on organisational capability

Market Context

Continued economic and political volatility, a fiercely competitive marketplace and adverse foreign exchange have remained key features of the past year.

As reported by the Scotch Whisky Association the overall volume of whisky exports reduced by 2.4% last year to £3.9bn, a slowing from the prior year's 7% fall. Demand for single malt has continued to strengthen, accounting for 25% of the value of all Scotch whisky exports.

Recent trends in polarisation of value have continued with premium and super premium products and increasingly craft, flavoured and bourbon products driving growth ahead of declining standard categories. In an increasingly cluttered marketplace consumers are seeking choice, differentiated products built on quality and distinctive brand propositions.

From a regional perspective positive growth is being driven across the Americas, lower growth is being realised across Asia whilst Europe is at best flat.

The overall trading environment has been extremely dynamic, spanning uncertainty over global economic growth and falling oil prices, devaluation of currency in Brazil, Russia and across Europe, the continued crack down on conspicuous consumption in China, and heightened tensions across the Middle East. These trends have influenced consumer confidence, have driven intense competitor activity and have ultimately affected consumer purchasing behaviour.

Performance Summary

For Edrington, the last 12 months have been challenging. The impact of fiercely competitive marketplaces has been felt particularly strongly in Asia and in blended Scotch whisky across Europe.

Cased volumes have reduced relative to previous years and a stronger Sterling has had a material negative impact on reported earnings.

Reported revenue, at £574.6m was flat relative to the prior year. This reflected a tightening in the market for sales of maturing bulk whisky offset by an increase in cased sales (+2.5%) and revenue from Edrington European Travel Retail which was acquired on 1 April 2015.

Earnings before Interest and Tax, pre-exceptional items, (EBIT) at £168.3m reduced by £25.6m or by 13.2%, relative to the prior year. Underlying performance is distorted by the effect of reduced non branded sales, a favourable gain on debt retranslation impacting the comparative and adverse currency translation. Organic Group EBIT, which eliminates these effects, has increased by £1.4m and is a fairer reflection of the underlying performance of the business.

Reported Profit before Tax (pre-exceptional) was £146.4m, £22.3m or 13.2% lower than the prior year.

Brand revenue and contribution from The Macallan and Highland Park increased relative to the prior year. The Famous Grouse once again retained its leadership position in its largest market despite intense competitive pressures resulting in a reduced performance relative to the prior year. A similar picture existed for Cutty Sark. The team at Brugal delivered a significant improvement in contribution, re-profiling their business to become predominantly premium and gaining market share.

From a regional perspective, Edrington delivered strong performances across the Americas, particularly the USA, emerging Europe and across Global Travel Retail. Performance in Asia was more mixed with intense competition in some markets offsetting growth in China, Hong Kong and South East Asia. Central Europe provided the biggest challenge through a combination of intense competition, subdued retail environments and adverse currency translation.

Cashflow in the period remained strong with free cashflow of £55m generated during the year. Expansionary capital expenditure - mostly relating to the new Macallan distillery and brand home - amounted to £41m, whilst dividends to shareholders remained in line with the prior year. Closing net debt ended the year at £484.3m (2015: £445.7m).

Pre-exceptional profit for the year attributable to Edrington shareholders is reported at £72.7m (2015: £79.7m).

Net exceptional charges of £3.5m have been reported during the financial period. These charges relate to restructuring activities within our European distribution businesses. The impact of the exceptional charges has been to reduce profit for the year to £69.2m (2015: loss of £2.4m).

During the year, the Company took a number of initiatives to deliver short and long term value. We have held a strong stance on maintaining premium price positions, we have sought to proactively manage sales mix, introduced innovative line extensions and we have managed advertising and promotional investment rigorously to seek to minimise the short term impact on profitability.

Throughout 2015/16 we have continued to invest heavily behind our brands, our assets, our organisational capability and our understanding of consumers.

The recent investment in owned route to market capability has paid dividends, with over eighty per cent of sales being managed by wholly owned or joint venture businesses in many of the world's fastest growing markets for premium spirits. This, together with our refreshed strategy of aligning the organisation behind our five strategic imperatives, is acting as a platform for change and bringing real impetus to the organisation.

Our Brands

The Macallan

The Macallan delivered another strong year of performance. Despite some challenges in Asia the brand delivered growth in both volume and value. The brand performed particularly strongly across the USA, Russia and China. The Macallan is now the number one brand by value in the single malt category in the USA.

Last year saw further progress in our dynamic and innovative marketing of The Macallan brand. We completed a highly successful year of innovation. The Macallan Rare cask was successfully launched across the USA, Europe and Asia. Retailing at c£200 per bottle in the UK, The Macallan Rare Cask has been crafted from handpicked sherry seasoned oak casks, delivering a Single Malt whisky of exceptional quality. The launch of The Macallan Rare Cask was closely followed by The Macallan Rare Cask Black which is sold exclusively across Global Travel Retail. This launch won the Duty Free News International award for best luxury launch across all categories for 2015.

The year also saw the introduction of The Macallan Edition No1, a new limited edition launched in the USA and Asia. Edition No1 was designed to further underpin our unique cask story and sold out just weeks after launch. Finally the year saw the launch of a Double Cask 12 years old expression, being the perfect balance of whiskies made from both American and European sherry seasoned oak casks, which will be a fundamental component of our core range going forward.

The Macallan cemented its position as leader in social media channels in the single malt category during the introduction of the Masters of Photography Mario Testino Edition, The campaign had the potential to reach over 200 million consumers with a recall almost 3 times the luxury brand norm; this was backed up by a 50% increase in our Facebook followers and a tripling of our Instagram reach.

The new distillery and brand home at The Macallan is progressing well and we continue to target an opening during the first quarter of 2018. With construction underway the building is starting to take shape and is on course to deliver a brand experience that will enhance and support The Macallan's luxury positioning.

Highland Park

In a highly competitive environment, Highland Park delivered growth in brand contribution ahead of the previous year across its major European markets, the USA and Canada.

At the heart of the brand's growth was a strong programme of innovation featuring King Christian 1 in Travel Retail and the ICE Edition, both winners of international liquid awards and creators of considerable online social media coverage.

The focus for the year has been ensuring that all aspects of the brand are aligned correctly for future Highland Park acceleration. Our revised brand positioning has been developed in collaboration with our core international markets, *The Orkney single malt with Viking Soul* will underpin all aspects of the brand into the future.

Starting with our target consumer needs and a detailed analysis of our available stocks, we have reviewed and agreed on our future range for our domestic and travel retail markets. These packaging changes will be developed and launched in early 2017.

The Famous Grouse

A challenging market place for blended Scotch together with surplus inventory across the industry translated into longer and deeper promotions across the category. Although we maintained our number one position in the key UK market, this was at the expense of market share and profitability.

Our over-riding objective for the brand is to maintain market share and scale in a context of difficult economic conditions, fierce competition and declining categories. Our focus for the year ahead will centre on vigorously strengthening our brand leadership positions in our top markets to provide scale to the organisation, improving returns to shareholders on their invested capital. We will do this by focusing on improving brand quality perceptions in mature and emerging markets to retain loyalists and to seek to attract new consumers from our competitive set.

To support this objective, new packaging for The Famous Grouse range was launched during the year across the core expressions together with The Famous Grouse Mellow Gold and The Famous Grouse Smoky Black premium whiskies.

Cutty Sark

On the back of tough comparatives, volumes of Cutty Sark declined relative to the previous year as the brand was impacted by tough competitive and economic environments across its core markets of Spain and Greece. A bright spot was Portugal where the brand gained market share in the face of tough trading conditions. The brand has also been successfully introduced within several states across India where we are actively targeting growth.

We remain confident about the brand's future prospects. In the year ahead we will further cement our market positions and introduce exciting premium brand extensions to support brand equity and target new consumers.

Snow Leopard

Snow Leopard vodka has continued to show positive results following successful launches across the USA, Asia and Global Travel Retail. The super-premium vodka market remains very competitive and we continue to refine the brand's marketing activity to increase market share.

Brugal

On the back of a particularly challenging year last year, Brugal has performed well in both its home market of the Dominican Republic and Spain, where improved product mix has delivered contribution ahead of the prior year. In the Dominican Republic the long term aim of premiumising the business gained momentum: over half the brand's sales were premium expressions, double the position in the prior year. Investment has been concentrated over fewer core markets and the new consumer communication *No es normal, es Brugal* is gaining real traction.

Route to Market Execution

During the year we completed two acquisitions and continued to build on existing third party relationships. In April 2015 we acquired the Maxxium European Travel Retail business and towards the end of the financial year we successfully completed the acquisition of Edrington Fix Middle East (EFME). The latter will support the growth of The Macallan and The Famous Grouse across the Middle East. Coca-Cola Enterprises (CCE) was appointed as our distributor in Belgium and Luxembourg from 1 April 2016.

Developing Organisational Capability

We have also continued to invest behind the capability of the organisation.

The single SAP Integra project is progressing well following successful completions in 8 out of 14 planned implementations. Implementation across the Nordic markets is planned for the third quarter of 2016 and the blueprint development for the Dominican Republic is underway. Project Octave, the replacement of our legacy stock system, also commenced during the year.

Our investment in people has continued with the successful completion of several Emerging Talent and Leadership training programmes. During the year the team also successfully launched the Edrington Academy, an online learning hub that is accessible to all employees.

Towards the end of the year the Company also announced plans to move to a new HQ in central Glasgow in early 2017. The move to a new city centre location will bring together Edrington's Executive Board and other essential HQ functions, which are currently split between offices in Great Western Road in Glasgow and West Kinfauns in Perth.

Bringing all senior leadership and business units together in a single location will enable improved organisational alignment and productivity.

Edrington has continued to work independently and in partnership with the industry to promote the responsible consumption of alcohol and targets high levels of environmental responsibility. Progress on initiatives and collaborations with other organisations are detailed separately in the Corporate Sustainability and Responsibility (CSR) Report.

Prospects

In the year ahead, we expect to see continued growth in Global Travel Retail, the USA and Asia. Our view is that Europe will remain fairly static. Opportunities across emerging markets will remain compelling but volatile, whilst India and China will become priority markets. Whilst our assessment is that in the short term the market will remain 'tougher for longer', the macro factors of an increasing middle class with higher disposable incomes, more high net worth consumers and growth through emerging economies remain encouraging.

From a market perspective we continue to expect growth to be led by the super premium category, but within the context of a significantly more aggressive competitive environment. Polarisation of wealth, a continued focus on value, personalisation, digital, fragmentation and a desire for authenticity supported by strong brand stories will be the features of the year ahead. Driven by millennial consumers we will need to adapt to the increased pace and dynamism of this new consumer led landscape ensuring our brands properties are truly 'unique and meaningfully differentiated'.

Our Business Model

Edrington's business model remains unique in its industry. The values that flow from this model underpin our distinctive culture. It also allows the Company to invest behind long term potential whilst strengthening short term competitiveness.

Investment will continue to support the assets that make Edrington distinctive – Great People, Leading Brands, Giving More. In particular we are fortunate to have so many talented people across the world engaged in the broad range of activities that makes Edrington a dynamic and successful company.

I would like to thank all our employees for their continued support and commitment throughout the year.

Ian Curle
Chief Executive

15 June 2016

Strategic Report
Financial Review

Alex Short
Chief Financial Officer

STATUTORY KEY PERFORMANCE INDICATORS

Earnings before interest and tax 2015: (£14.6m)	£166.7m
Profit before tax 2015: (£41.6m)	£144.8m
Retained Profit 2015: (£2.4m)	£69.2m

MANAGEMENT KEY PERFORMANCE INDICATORS

	2016	2015
Volume (case equivalents)	**8.0m**	8.7m
Revenue Growth	**-0.1%**	-2.4%
Operating Profit Margin	**26.6%**	31.3%
Organic Group EBIT	**£155.9m**	£154.5m
Group EBIT	**£168.3m**	£193.9m
Profit before Tax	**£146.4m**	£168.7m
Profit for the year	**£72.7m**	£79.7m
Total Equity	**£604.7m**	£515.7m
Free Cash Flow	**£55.0m**	£74.3m
Net Debt/EBITDA	**2.4**	2.2
EBIT as a % of Revenue	**29.3%**	33.7%
Interest Cover	**7.5**	8.5
Return on Capital Employed	**21.3%**	27.6%

- **Volumes**
  The total quantity of cases sold, where a case equivalent is measured as 12 70cl bottles.
- **Revenue Growth**
  The increase in value of revenue recorded in the period relative to the prior year.
- **Operating Profit Margin**
  Operating profit before exceptional items and before the deduction of interest and taxation, divided by revenue.
- **Organic Group EBIT**
  Profit on ordinary activities before tax and exceptional items, adding back interest, other investment income, non-branded sales and the impact of currency.
- **Group EBIT**
  EBIT defined as profit on ordinary activities before tax and exceptional items, adding back interest and other investment income.
- **Profit before Tax**
  Profit before exceptional items and the deduction of taxation.
- **Profit for the year**
  Retained earnings defined as earnings after tax and minority interests excluding exceptional items.
- **Total equity**
  Defined as the Company's assets less its liabilities.
- **Free Cash Flow**
  Net cash flow excluding the movements in borrowings, shares, dividend payments, expansionary capital expenditure and non-cash exceptional items.
- **Net Debt/EBITDA**
  The ratio of consolidated gross borrowings to reported EBITDA.
- **EBIT as a % of net revenue**
  EBIT before exceptional items divided by revenue.
- **Interest Cover**
  The ratio of EBITA (EBITDA less depreciation) relative to interest charges in respect of the relevant period.
- **Return on Capital Employed**
  Operating profit before exceptional items as a percentage of invested capital. Invested capital is defined as period end non-current plus current assets less current liabilities excluding all balances relating to any financial instruments, interest-bearing liabilities and cash or cash equivalents.

International Financial Reporting Standards

The Group has adopted International Accounting Standards (IFRS) for this year's accounts. The most significant change is the provision of deferred tax on our intangible brand assets. The comparatives for 2015 have been restated to reflect IFRS.

P&L Review

The last year has seen challenging market conditions, but despite this progress has continued to be made with The Macallan which grew in both volume and value. Our blends encountered extremely competitive market conditions in their key territories and economic volatility in key growth markets. The performance of Highland Park and Snow Leopard showed steady growth. Overall, trading was significantly impacted by the effects of adverse currency movements.

Group revenue was in line with last year while Earnings Before Interest and Tax before exceptional items (EBIT) reduced by 13.2%. Currency movements accounted for £10.5m compared to last year in addition to a £11.7m currency gain on debt retranslation in 2015. Organic Group EBIT, which excludes these movements, along with non-branded revenue has increased by £1.4m.

Trading Performance

Group revenue was flat relative to the prior year. This reflects significant tightening in the market for sales of maturing bulk stock offset by an increase in revenue from cased products and from the inclusion of Edrington European Travel Retail which was acquired on 1 April 2015.

The Macallan and Highland Park brands delivered growth in revenue of 1% and 3% respectively, whilst The Famous Grouse and Cutty Sark suffered double digit decline, reflecting the intensive competitive environment of their key markets. Although there was a marginal decline in the sales of Brugal, there are signs that the brand has arrested the significant decline of prior years.

Although value was maintained in the year, with brand revenue per case increasing, higher advertising and promotional investment levels on a per case basis resulted in case margins being reduced. This continued advertising and promotional investment together with the adverse impact of foreign currency and the reduction in trade income has led to an overall decrease in reported group operating profit margin. Group operating margin has reduced to 26.6%, a reduction of 4.7%.

Other administrative expenses before exceptional items of £23.0m have increased by £8.4m from the prior year. This reflects the first full year of operations in our new Singapore hub combined with the continuing expansion of our operations in the USA.

Group EBIT (pre-exceptional items) for the year was £168.3m. From an EBIT perspective, the challenges affecting operating profit have been partially offset by improved performance of the joint venture businesses which have contributed an additional £2m when compared to last year. This has led to an overall absolute reduction in pre-exceptional EBIT relative to last year of £25.6m or 13.2%.

Other Profit and Loss Items (pre-exceptional)

Despite a higher level of debt, interest costs in the period were £1.4m lower than the prior year as a result of lower bank margins and interest rates.

Our tax charge of £18.7m is significantly lower than last year's as a result of a £10.4m adjustment to the deferred tax provided on our intangible brand values as a consequence of the rate of UK Corporation Tax reducing from 20% to 18%. The underlying effective tax rate is 12.8% but excluding the deferred tax adjustment was 19.9% which compares with 21.2% in the prior year.

Profit for the financial year before exceptional items ended the year at £72.7m, which was an 8.8% reduction from last year but a 17% reduction excluding the deferred tax rate adjustment mentioned above.

Exceptional Items

The Company restructured the sales and marketing capability of two of its joint venture distribution companies in the year. The costs incurred of £2.0m are recognised as an exceptional item.

During the year the Company bought back a number of shares from the Edrington Benefit Trust that were no longer required for employee share schemes. The tax incurred on this transaction of £2.7m has been recognised as an exceptional item.

Balance Sheet Review

During the year the Group's total assets have increased from £1,359.5m to £1,466.5m, which reflects increases in tangible assets, principally the new distillery at The Macallan and stocks. Total liabilities increased from £843.8m to £861.8m reflecting an increase in borrowings of £54.0m partially offset by a decrease in its post-employment benefit obligation.

Property, Plant and Equipment

The major expenditure in the year for the group was £40.1m on the new distillery at The Macallan, as well as further investment in casks. As well as normal maintenance capital expenditure, the Group incurred over £5m updating core IT systems. As a result tangible assets have increased by £62.2m in the year.

Intangible Assets

As a result of adopting IFRS, we have allocated our intangible assets by individual cash generating unit (brand).

Intangible assets have decreased in the year by £3.0m reflecting the amortisation of the brand value of Cutty Sark in line with our accounting policy.

Inventory

The value of our stocks increased by £24.7m in the year. This reflects the investment require to support the long term aspirations of our brands.

Post-employment Benefit Obligations

The post-employment benefit liability attributable to the group amounts to £22.6m.

The group operates two defined benefit pension schemes in the UK which have been closed since 2015. The majority of the scheme assets are held in bonds and during the year asset values have been supplemented by strong equity returns, together with significant deficit repair contributions from the Company. The total fair value of assets during the year increased by £10.7m (to £318.6m) representing an increase of 3.5%. Total liabilities over the same period decreased by £27.4m reflecting an increase in the discount rate used to derive the present value of future liabilities. The assumed discount rate has increased from 3.3% to 3.6%.

Given the financial position of the defined benefit pension scheme, the Trustees continue to review opportunities to reduce risk acknowledging the long term nature of pension schemes and the underlying objective of achieving full buy out of the liabilities.

Derivatives and Financial Instruments

Included in the Statement of Financial Position are derivative financial instruments at fair value split over current and non-current assets and liabilities. The net amount is £4.2m compared with £2.5m last year. This represents our currency and interest rate hedging revalued at the market value rate prevailing at 31 March 2016.

Cash flow and Net Debt

Free cash flow in the year amount to £55.0m compared with £74.3m in the prior year. This was a result of lower cash flow from operating activities which was significantly affected by currency.

Expansionary capital expenditure amounted to £40.5m, an increase of £22.2m reflecting our investment at The Macallan distillery.

As at the end of March 2016, the Group's closing net debt position stood at £484.3m, being borrowings of £544.9m offset by the closing cash position of £59.7m and current asset investments of £0.9m.

From a ratio perspective, the Company remains well within both its Interest Cover and Net Debt to EBITDA requirements; being 7.5 and 2.4 times respectively.

The group is financed through a combination of bank debt and US Private Placement notes and creditors falling due after more than one year represent the longer term portion of these borrowings. On 2 June 2016 the existing bank facilities in both Edrington and 1887 were replaced by new bank facilities which will be sufficient to meet its needs for the next five years.

Dividends

An interim dividend of 11.8p (2015: 11.8p) per share was paid on 12 November 2015. The directors agreed a further interim dividend of 26.3p (2015: 29.4p) per share which will be paid on 8 July 2016.

Dividends for the year amounted to 38.1p compared with 41.2p in respect of last year.

Summary

The Company has made significant progress in its key growth geographies, while maintaining its position in the more challenging and competitive markets. The Company has continued to invest for future growth in its fixed assets and maturing whisky and rum stocks. This has been achieved whilst maintaining appropriate banking ratios

Our balance sheet remains strong and our overall return on capital employed is robust at 21%. The Company continues to have a very sound financial platform from which the business can grow over the next few years.

Principal Risk and Uncertainties

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

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

During the year the board conducted a Strategic Risk Review of the principal risks facing the Company including those that would impact its business model, future performance and solvency. This review has allowed the board to assess the Company's risk appetite and ensure that the nature and extent of the significant risks facing the business are identified and adequately managed. In line with best practice, the assessment includes a review of the impact and likelihood of each risk, together with the controls in place to mitigate the risk.

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

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

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

Principal Risks

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

Identified Risk	Impact	Mitigating Actions
Major Operational Failure	Major supply chain failure affecting supply of raw materials or equipment, loss of maturing inventory or the customer orders process.	Assets managed by the business include intangible brand assets, plant and equipment, people and business technology. Disaster recovery, incident management plans and contingency measures are in place and tested regularly. Edrington's wood and cask supply is reviewed and long-term agreements and processes established to provide reasonable assurances of a sufficient and sustainable supply of casks that meet Edrington's high quality requirements. Contingency bottling/blending options are refreshed and tested to ensure that Edrington's operations can be maintained in event of loss or impairment of its own facilities. Energy and water supplies are reviewed to ensure continuity, sufficiency and quality of supply. Long term developments include a contract to supply renewable energy to The Macallan distillery over the long-term, which also contributes to fossil fuel reduction targets.
Adverse political and social attitudes to alcohol	Damage to the reputation of Edrington or its brands. Impact on market access or the ability to promote its brands.	Edrington supports a responsible approach to alcohol and considers this a core element of its strategy to grow a sustainable, long-term business. The Company operates a CSR strategy that includes a Code of Conduct and a global Marketing Code reinforced by a global online training programme. Edrington's policies and campaigns are reviewed annually by the Marketing Review Committee. Edrington is a member of national and international organisations that work to encourage the responsible promotion and consumption of alcohol and reduce alcohol-related harms.
Geopolitical and Economic Conditions	Economic or political instability restrict market activity, affecting market access, demand or increased costs.	Geopolitical instability in a number of regions and markets continues to present a risk to trade and profitability. Edrington's broad product portfolio and diverse geographic spread reduces the exposure to specific market risks. Direct ownership of the Company's route to market in its major markets provides local insight combined with a robust central overview. This enables the Company to react quickly and flexibly to such changes.

Identified Risk	Impact	Mitigating Actions
Consumer Preference	A change in consumer preferences for one or more of Edrington's brands in one or more key markets where a decline in brand popularity and/or market contraction would result in a reduced share of market.	The board closely monitors financial and operational key performance indicators which include a review of brand performance and equity strength across market segments and geographies. Edrington conducts an annual market and brands strategic planning process building on local market and brand strategy reviews. The board has also recognised the differing contribution and strengths of each of its principal brands globally and regionally and has strategically focused management across its luxury, super premium and regional power brands, which have different needs and focuses.
Brand Protection	Ineffective or inadequate protection of intellectual property rights, resulting in reputational damage, an increase in counterfeit goods and a drop in sales volumes and/or market share.	The Company invests considerable effort in proactively protecting its intellectual property rights. Edrington has a clear brand protection strategy and processes aimed at addressing the principal exposures and risks likely to affect alcoholic beverage brands. Using its BRANDS™ methodology, a specialist team manages the principal components of brand protection: intellectual property management; authentication and security technologies for products and packaging; digital media, channel and communications monitoring; products and packaging compliance; commercial behaviours, alongside brand security education, surveillance and enforcement.
Strategy/Corporate Structure	Weak shareholder support leading to inability to execute strategy effectively.	The board benefits from a strong and constructive relationship with The Robertson Trust, its principal shareholder. Edrington's strategy has been developed to meet the mutual objectives of the Trust and the Company.
Regulatory Compliance	Failure to comply with local laws and regulations, resulting in regulatory sanction, reputational damage and/or financial loss.	Edrington has a management process to ensure that employees are aware of their responsibilities and all applicable regulatory requirements. Formal training sessions are undertaken throughout the year. Edrington proactively reviews, with external legal counsel, its principal regulatory compliance obligations and controls, including, but not limited to, competition laws, liquor laws, environmental laws, compliance with EU and UN trade and political sanctions, and local statutory laws (eg health & safety). Edrington has further improved its processes and controls to ensure that any perceived risks are mitigated. These activities are underpinned by a Code of Conduct, a Global Anti Corruption Policy, and a Speaking-Up Policy which apply to all its employees, agents, distributors, contractors and suppliers. Induction procedures include evidenced completion of a standard on-line training course and assessment which covers the Code and its supporting policies. The course, which is translated into all the main languages spoken across the Company, is also periodically refreshed and retaken at all locations.

Identified Risk	Impact	Mitigating Actions
Regulatory Compliance (continued)		Local Anti-Corruption Officers ensure good awareness is maintained in their areas of responsibility, and are supported by the Group Anti-Corruption Officer who holds briefing sessions during regular market visits. Contractual arrangements with key third parties must include provisions to establish required performance standards aligned with the Code.
Financial Risks	Exposure to market risk (including medium term movements in exchange rates, interest rates risk and commodity price risk), credit risk and liquidity risk, may adversely impact on profits.	Financial risks are reviewed and managed by the Treasury Committee whose remit and authority levels are set by the board. The Treasury Committee's remit is to ensure compliance with the terms of borrowing facilities and to minimise financial risk arising from exposure to fluctuations in interest rates, foreign exchange rates and cash flow. Comprehensive policies are applied covering debt management, interest rate hedging, foreign exchange currency hedging and cashflow reporting. Approved financial instruments and authority levels are articulated through the policies with compliance monitored on a regular basis. The Treasury Committee reviews cashflow forecasts throughout the year and assesses headroom against banking covenants regularly. The Finance team utilises external tools to assess credit limits offered to customers, manages trade receivable balances vigilantly and takes prompt action on overdue accounts. Certain markets operate on a cash-on-delivery basis. Commodity price risk is managed through a combination of medium to long term contracts, covering periods from 2-3 years, and regular tender and review processes with suppliers. Edrington's financial control environment is subject to review by both internal and external audit. The focus of internal audit is to proactively work with and challenge the business to ensure an appropriate control environment is maintained.

Approved and signed on behalf of the board

Alex B C Short.

Alex Short
Chief Financial Officer

15 June 2016

Corporate Governance

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

1. Board composition

At 31 March 2016, the board comprises the non-executive chairman, six executive directors and three independent non-executive directors, and is supported by the Group Company Secretary. The board believes that its composition – its size, mix of expertise and balance of executive and non-executive directors - is appropriate. Callum Barton is the Senior Independent Director.

The board's process on nominations is undertaken by the Remuneration & Nomination Committee, and includes assessing the composition of the board and its governance structures as well as considering appointments and succession planning.

2. The role of the board

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

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

The board retains overall responsibility for the Company's system of internal control, including the financial controls designed to give reasonable assurance against material financial misstatement or loss. The board believes the financial controls in place allow it to meet its responsibility for the integrity and accuracy of the Company's accounting records, and also to provide timely and accurate financial information to enable it to discharge its duties.

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

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

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

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

3. Board effectiveness

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

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

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

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

4. Shareholders

The Company's principal shareholder is The Robertson Trust (the 'Trust') and representatives from the Trust (David Stevenson CBE and Shonaig Macpherson CBE) and from the Company (Norman Murray, David Richardson, Ian Curle and Alex Short) meet regularly, and where practicable prior to Edrington Board meetings, through the Trust's Investor Relations Committee (the 'IRC'). The IRC is the principal forum through which the Trust manages its investment in the Company, monitors the Company's performance and allows the exchange of ideas. The chief executive and chief financial officer will present Edrington's strategic five year plan annually, and at each meeting will provide an update on the performance and progress of the business. The board also meets formally with the Trust on an annual basis to report on financial performance, strategic developments and business outlook. The Audit and Remuneration & Nomination committees report to the Trust on their respective activities.

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

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

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

5. Board committees

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

5.1 Remuneration & Nomination Committee

The Remuneration & Nomination Committee is chaired by David Richardson and meets at least three times each year. Together with the committee, the Company determines directors' remuneration policy with reference to an external triennial benchmarking review prepared with the assistance of independent specialist consultants. In addition, the committee reviews a number of reward initiatives for all Edrington wholly-owned businesses. Both senior-executive and non-executive succession and development programmes also feature on an annual basis.

5.2 Audit Committee

The Audit Committee, chaired by Callum Barton, meets at least twice a year with the external auditors and senior members of the management team and finance function to discuss audit planning, review statutory accounts and address issues arising from the audit. It also considers the ongoing independence of the auditor and the effectiveness of the audit process. The conclusions of the committee are reported to the board before the board approves the annual results. The opportunity is taken at each meeting for the committee to discuss matters with the auditor without management present. During the year the Committee added an additional meeting which focussed on Risk Management and Internal Controls. They received presentations from senior members of the management team and finance function and approved Risk management plans going forward.

Financial statements and audit

The committee has reviewed the plan presented by the external auditor and agreed the scope of the audit work. During the audit process, the committee kept under review the consistency of accounting policies on a year to year basis and across the Company, and the methods used to account for significant or unusual transactions.

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

External auditor

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

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

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

Committee	Members	Remit
Remuneration & Nomination Committee	David Richardson (chair) Norman Murray Alice Avis MBE	> reviews structure, size and composition of board > recommends appointments and considers succession planning > sets remuneration policy > sets executive director remuneration and incentives > approves annual performance objectives > approves granting of long-term incentives
Audit Committee	Callum Barton (chair) Norman Murray David Richardson	> reviews and monitors financial results and reporting > approves audit planning > monitors internal financial controls > oversees external audit relationships > considers auditor appointment > reviews audit effectiveness > oversees risk management

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

Committee	Chairman	Remit
Group Risk Management Committee	Martin Cooke	> identifies and evaluates principal operational risk > reviews the adequacy of risk management processes > recommends improvements in risk management processes > reports material findings to the Audit Committee
Corporate Sustainability & Responsibility Committee	Gerry O'Donnell (Corporate Affairs Director)	> ensures Edrington conducts business in a socially responsible and ethical way > setting and adhering to industry standards on responsible consumption of alcohol identification and monitoring of performance against targets on environmental sustainability > in conjunction with The Robertson Trust and Edrington's network of Robertson Trust Ambassadors, ensures the business supports local communities in which it operates
Marketing Code Committee	Alice Avis MBE	> sets marketing policy in compliance with industry standards to ensure responsible marketing practice > reviews marketing practice on an annual basis and maintains processes for complying with marketing code prospectively
Capital Expenditure Committee	Graham Hutcheon	> develops five year Capital Expenditure plan > ensures evaluation of business cases and that resources allocated on an informal basis > ensures risks and interdependencies are clearly understood > manages liquidity requirements and post evaluation reviews
Treasury Committee	Alex Short	> ensures compliance with terms of group borrowing facilities > minimises financial risk arising from exposure to fluctuations in foreign exchange rates, interest rates and cash flow > determines hedging policy on interest rates and currency > approves significant decisions on commercial credit limits > monitors and approves cash signing authority in the Company
IT Steering Committee	Euan Fraser (Director of Business Technology)	> ensures that technology strategic plan aligns with business priorities and return on investment > approves proposed technology projects, and scrutinises ongoing activity > audits completed projects to ascertain effectiveness

Corporate Sustainability and Responsibility

Edrington's unique business model is the result of the Robertson sisters' determination to establish a successful, independent company that would make a positive contribution to society.

The board considers that Edrington's business model and values have played a considerable role in the Company's success and will continue to be an asset in securing sustainable growth.

Alcohol in society

A healthy population, consumer trust and consistent, fair regulation are vital to our business and essential for sustainable growth. That is why Edrington chooses to engage proactively with the debate about alcohol in society, and the Company works to ensure that our brands are promoted responsibly.

Tackling the harm associated with the misuse of alcohol requires an integrated approach with the public and private sectors working together on effective programmes.

Partnerships

Edrington works globally with organisations that encourage the responsible consumption of alcohol and reduce the harms associated with alcohol misuse.

The Company is a contributing partner to the Scotch Whisky Association's action fund to tackle alcohol harm in Scotland's communities. This £500,000 fund is managed by Foundation Scotland, an independent charity, and invests in projects to reduce the impact of alcohol related harm.

Edrington is a member and funder of Drinkaware in the UK, and a broad range of international organisations including the Foundation for the Advancement of Alcohol Responsibility in the USA, FEBE in Spain and the Taiwan Beverage Alcohol Forum.

Encouragingly, underage consumption has consistently fallen in the UK, much of Europe and the United States in recent years and there is increasing independent evidence to show that collaborative initiatives such as the UK's Community Alcohol Partnerships - which tailor programmes to meet local needs - are making a positive difference.

UK alcohol guidelines

In 2016 the UK's chief medical officer proposed new guidelines on alcohol consumption. Guidelines play an important role in reducing the harmful use of alcohol, and Edrington welcomed new clarity in relation to pregnancy and alcohol.

Edrington joins with many other organisations, including the Royal Statistical Society, in expressing significant concern that the Chief Medical Officer's message that there is no safe level of alcohol contradicts the balance of independent scientific evidence. Furthermore, it does not provide consumers with accurate and contextualised information about the relative risks of alcohol and may not be considered common sense.

The UK has a leading position in the provision of alcohol information and guidelines, and we consider that this position is at risk of being undermined by advice that is not accurate or effective in achieving our shared ambition to reduce alcohol-related harm.

Edrington applies best practice in marketing and promotion by adopting an international marketing code that requires the highest standards are applied across all markets, even where less strict regulations apply. This is supported by training for employees across the world. At 31 March 2016, more than 95% of employees in sales, marketing and promotion were certified as having completed online training.

Edrington's marketing code is available at www.edrington.com

Sustainability

The quality of Edrington's spirits depends upon on the quality of natural resources we use. We can only build the reputation of our products if their provenance and quality are protected.

The primary ingredients in Edrington's spirits are barley, which is the grain used to make malt whisky, sugar cane molasses, used to distil rum, and water. The distilled spirits are matured in oak casks and packaged in glass bottles. Key resources are listed below in the general order in which they are used. Edrington uses smaller quantities of materials for distilling and packaging, such as yeast, copper, cork and card.

Ingredients

Barley: Only three ingredients are used to distil the spirit that becomes malt whisky: water, barley and yeast. The quality and reliability of those ingredients is paramount and strong supplier relationships are vital. Edrington sources 100% of its barley from Scotland and the north of England. Our industry-leading traceability process can identify for each cask the farm on which the barley was grown.

Sugar cane: Brugal rum is distilled from sugar cane molasses grown in the Dominican Republic. Brugal works with selected suppliers who operate to international standards, including the quality management standard of ISO9001, occupational health and safety management OHSAS 18001-2007, the BONSUCRO scheme, which certifies fair labour and environmental protection standards for sugar producers, and ProTerra, the scheme to ensure traceability and sustainable production.

Water: Because water purity is a priority for Edrington, we are pleased but not surprised that the most recent Compliance Assessment Scheme report by SEPA, Scotland's environmental regulator, classified waste water management at Edrington's distilleries as 'excellent'.

A new waste water filtration plant has come into operation at The Macallan. The new system has been designed to operate well beyond statutory standards and be scalable to meet the requirements of the new distillery.

Distilling, maturing and packaging

Edrington sources 100% of its electricity from renewable sources.

Distilling requires intensive heat, which uses large amounts of energy. Edrington recovers as much energy from the process as possible and the Scotch Whisky Association reports that the combined energy efficiency across Edrington's whisky distilleries is better than the industry average.

Each of Edrington's whisky distilleries, and its global operations site in Glasgow, has improved overall energy efficiency by between 8% and 15% since 2008.

A new biomass Combined Heat and Power plant will supply steam to The Macallan distillery in 2016, as well as low carbon electricity to the National Grid. The plant will use local wood to generate 15 MWe of electricity – enough to power 20,000 homes – as well as steam that provides heat for the whisky making process.

The Helius CoRDe power plant in Rothes, Morayshire uses by-products from Speyside distilleries, including The Macallan and Glenrothes, to produce 7.2MWe of renewable electricity for the National Grid. A similar amount of electricity produced by a typical UK coal-fired station would emit an additional 46,000 tonnes of CO_2 per year.

Wood

Edrington makes the largest investment in sherry-seasoned oak casks in the whisky industry.

The majority of Edrington's malt whiskies are matured in oak casks seasoned with sherry. These rare casks impart the natural colours and flavour characteristics that have built our spirits' reputation for unparalleled quality.

A study by the University of Vigo on the condition and viability of the oak forests of Galicia, Asturias and Cantabria concluded that the use of trees felled for oak casks is sustainable and the forests are increasing incrementally on an annual basis.

Packaging

The majority of Edrington's packaging is carried out at the Company's global bottling site in Glasgow. This site has maintained 'Zero Waste to Landfill' status since 2013, meaning that no waste – either domestic or packaging - has been sent to landfill.

Edrington has intensified its focus on packaging. Some forms of packaging, such as cork, have become more sustainable as demand for natural cork has dropped in other sectors. At the same time, the industry is presented with overwhelming evidence that consumers continue to associate premium products with substantial packaging and heavier weights of glass.

Edrington is now working to become the first Scotch whisky company to create a more efficient 'closed loop' system; returning clear glass waste directly to bottle manufacturers instead of being recycled.

A distillery for the future

Edrington's new distillery and visitor centre for The Macallan is due to be complete by Spring 2018. This is vital to safeguard the production and quality of The Macallan for the future, and Edrington is determined that the development will make a positive economic, aesthetic and environmental contribution to its community.

The distillery overlooks the River Spey Special Area of Conservation, which is of European importance for otter, Atlantic salmon, sea lamprey and freshwater pearl mussel populations. Cameras placed at the site have recorded otters, badgers, pine marten, red squirrel and the crested tit, a Schedule 1 listed bird. A management plan is being prepared to conserve the rich ecological resources of the Easter Elchies Estate and improve them further with a programme to remove non-indigenous, invasive species.

Partnerships

Edrington's moorland at Hobbister overlooks Scapa Flow in Orkney. This is the source of sustainably-cut peat used to smoke barley for Highland Park. For more than 40 years the Royal Society for the Protection of Birds (RSPB) has been gifted a lease to conserve the moor as a nature reserve, working in partnership with Scottish Natural Heritage.

Since 2008 The Famous Grouse has worked in partnership with the RSPB to raise over £600,000 to protect 85,000 acres of black grouse habitat at seven RSPB reserves. The population of black grouse is now growing successfully at the reserves in northern Scotland, England and Wales.

Supply Chain Governance

Wherever Edrington operates in the world, it aims to be a responsible corporate citizen, and work with companies with similarly high standards. As part of its formal procurement process, the Company requires its suppliers of goods and services sourced centrally to sign up to Edrington's code of ethical conduct.

Giving More

Edrington's ownership model is unique in its industry. The Robertson Trust uses its dividends from Edrington to improve the quality of life and realise the potential of people and communities in Scotland. To date it has given more than £215 million to charities in Scotland and it is now the country's largest independent grant-making charitable trust.

The Company's charitable ethos makes Edrington stronger, helping us to attract, motivate and retain Great People in a competitive market for talent.

As Edrington has grown internationally, the Company has been determined to bring the spirit of the Robertson sisters' generosity to life in new ways and share the benefits outside Scotland.

Edrington's Giving More programme has three strands:

Giving More Together means that Edrington and The Robertson Trust each match the charitable fundraising of employees in Scotland; every £1 raised becomes £3. In 2015/16 the total donated to good causes through this scheme was £453,000.

Giving More International encourages employees to give their time to volunteer in their communities and raise funds for good causes. The International Giving More fund donates 1% of pre-tax earnings to charities chosen by employees outside Scotland. In 2015-16 international charities received donations valued at £1.37 million.

Giving More to Education funds the Brugal Foundation, which supports development and reduces the causes of poverty in the Dominican Republic. The Foundation focuses on making quality education available to talented students who face financial hardship.

Edrington's Giving More to Education team of volunteers consists of colleagues from across Edrington's Scottish sites, who work with local schools to provide career advice and to mentor pupils.

Directors' Report

The directors present the audited financial statements for the year ended 31 March 2016.

Results for the year

The Company's financial results, which are detailed in the income statement, cover the year to 31 March 2016.

An interim dividend of 11.8p (2015: 11.8p) per share was paid on 12 November 2015. The directors agreed a further interim dividend of 26.3p per share which will be paid on 8 July 2016, making a total of 38.1p per share (2015: 41.2p per share) for the year. The aggregate dividends recognised in the year amounted to £25.5m (2015: £23.6m) excluding proposed dividends that were not approved by the balance sheet date.

Revenue for the year amounted to £574.6m resulting in a profit before tax (pre-exceptionals) of £146.4m and overall retained earnings (pre-exceptionals) of £72.7m. Exceptional items totalling £3.5m (after taxation and minority interest) were incurred, leading to a profit for the year, attributable to Edrington shareholders, of £69.2m (2015: a loss of £2.4m).

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

Directors' responsibilities for the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

> select suitable accounting policies and then apply them consistently;

> make judgements and accounting estimates that are reasonable and prudent;

> state whether applicable IFRSs have been followed for the Group financial statements and whether United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) have been followed for the Parent Company financial statements, subject to any material departures disclosed and explained in the financial statements;

> prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors confirm that:

> so far as each director is aware, there is no relevant audit information of which the Group and Parent Company's auditor is unaware; and

> the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Employee share schemes

The Company operates two share schemes for eligible employees.

The ShareSave Scheme is an annual scheme enabling eligible employees to save for a three year period to buy Edrington 'B' Ordinary Shares at 80% of the market price. The scheme has been approved by HM Revenue and Customs. The Company charges the fair value of the option at the date of grant to the income statement over the vesting period of the scheme.

The ShareReward Scheme allows Edrington 'B' Ordinary Shares to be awarded annually to eligible employees of the Company. The employee's entitlement to receive shares is dependent on the growth in the Company's profit in the year, attributable to shareholders, exceeding inflation by a pre-determined amount. The scheme has been approved by HM Revenue and Customs. The Company charges the annual fair value of this scheme to the income statement, if the performance criteria have been met.

The ShareReward Scheme was not triggered in respect of the year ended 31 March 2016.

Executive incentive plans

The Company operates two incentive plans for senior executives.

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

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

The Annual Incentive Plan was triggered in respect of the year to 31 March 2016 and the associated costs of this plan have been charged to the income statement.

The Long Term Incentive Plan rewards senior executives based on the Company's performance over a three year period, by awarding Edrington 'B' Ordinary Shares. The Company charges any associated costs to the income statement over the period of the plan. The performance conditions, which are more demanding than that for the Annual Incentive Plan, were partially met in respect of the three year period ended 31 March 2016.

Going Concern

In June 2016, the Company successfully re-financed its bank facilities at commercially competitive rates, providing the business with funding which corresponds with the expected cash flow profile

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

Auditors

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

Approved and signed on behalf of the board

Martin Cooke
Group Company Secretary

15 June 2016

Independent Auditor's Report

to the members of The Edrington Group Limited

We have audited the financial statements of The Edrington Group Limited for the year ended 31 March 2016 which comprise the Group Consolidated Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group Cash Flow Statement, the Group and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in the preparation of the group's financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS101 Reduced Disclosure Framework.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

> the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2016 and of the group's profit for the year then ended;

> the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

> the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

> adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

> the parent company financial statements are not in agreement with the accounting records and returns; or

> certain disclosures of directors' remuneration specified by law are not made; or

> we have not received all the information and explanations we require for our audit.

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

21 June 2016

Group Consolidated Income Statement
year ended 31 March 2016

	Note	Pre-Exceptional 2016 £m	Exceptional (Note 2) 2016 £m	Total 2016 £m	Pre-Exceptional 2015 £m	Exceptional (Note 2) 2015 £m	Restated (Note 1) Total 2015 £m
Group Revenue	1	**574.6**	**-**	**574.6**	575.5	-	575.5
Cost of Sales		**(398.6)**	**-**	**(398.6)**	(392.0)	-	(392.0)
Gross Profit		**176.0**	**-**	**176.0**	183.5	-	183.5
Other administration costs		**(23.0)**	**(1.6)**	**(24.6)**	(14.6)	(209.6)	(224.2)
Currency impact of retranslation of debt		**-**	**-**	**-**	11.7	-	11.7
Group Operating Profit		**153.0**	**(1.6)**	**151.4**	180.6	(209.6)	(29.0)
Share of Operating Profit in JV's		**14.6**	**-**	**14.6**	13.0	1.1	14.1
Income from investments	3	**0.7**	**-**	**0.7**	0.3	-	0.3
Earnings before interest and tax		**168.3**	**(1.6)**	**166.7**	193.9	(208.5)	(14.6)
Interest income	4	**2.8**	**-**	**2.8**	0.9	-	0.9
Interest payable and similar charges	4	**(24.7)**	**-**	**(24.7)**	(26.1)	(1.8)	(27.9)
Profit/(Loss) on ordinary activities before taxation	5	**146.4**	**(1.6)**	**144.8**	168.7	(210.3)	(41.6)
Taxation on profit on ordinary activities	7	**(18.7)**	**(2.3)**	**(21.0)**	(35.7)	67.8	32.1
Profit/(Loss) on ordinary activities after taxation		**127.7**	**(3.9)**	**123.8**	133.0	(142.5)	(9.5)
Attributable to non-controlling interests		**(55.0)**	**0.4**	**(54.6)**	(53.3)	60.4	7.1
Profit/(Loss) for the financial year		**72.7**	**(3.5)**	**69.2**	79.7	(82.1)	(2.4)

All the activities of the Group are classed as continuing.

Group Statement of Comprehensive Income
year ended 31 March 2016

	2016 £m	2015 £m
Profit/(loss) for the year attributable to owner	**69.2**	(2.4)
Profit/(loss) for the year attributable to non-controlling interests	**54.6**	(7.1)
	123.8	(9.5)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Actuarial gain/(loss) on pension schemes		
Group	**19.3**	(21.9)
Associates and joint ventures	**(2.1)**	(4.4)
Non-controlling interests	**3.7**	(4.5)
Movement in deferred tax on pension schemes		
Group	**(3.1)**	4.4
Associates and joint ventures	**0.2**	0.9
Non-controlling interests	**(0.8)**	0.8
Movement on deferred tax taken straight to reserves		
Group	**0.6**	1.5
Non-controlling interests	**0.2**	0.6
Revaluation reserve movement	**0.2**	0.2
Movement on financial instruments taken straight to reserves		
Group	**1.6**	2.0
Non-controlling interests	**(1.6)**	(2.0)
Items that will be or have been reclassified to profit or loss		
Exchange differences on foreign operations		
Group	**(0.6)**	(12.5)
Non-controlling interests	**0.9**	(17.2)
Share based payment movements	**(1.1)**	(0.4)
Other comprehensive income attributable to parent	**15.5**	(34.8)
Other comprehensive income attributable to non-controlling interest	**1.9**	(17.7)
Total other comprehensive income for the year	**17.4**	(52.5)
Total comprehensive income for the year, net of tax	**141.2**	(62.0)
Attributable to parent	**84.7**	(37.2)
Attributable to non-controlling interest	**56.5**	(24.8)
Total	**141.2**	(62.0)

Statement of Financial Position

as at 31 March 2016

		Company		Group		
	Note	**2016 £m**	2015 £m	**2016 £m**	2015 £m	2014 £m
Non-current assets						
Property, plant and equipment	10	**-**	-	**348.4**	286.2	237.9
Intangible assets	9	**-**	-	**389.4**	390.6	665.9
Investment in subsidiaries	11	**304.3**	304.2	**-**	-	-
Investment in joint ventures	11	**-**	-	**48.3**	49.6	55.3
Other investments	11	**-**	-	**5.3**	9.1	8.0
Derivative financial instruments	19	**-**	-	**16.3**	6.6	6.5
Deferred Tax Assets	21	**-**	-	**17.3**	14.8	16.4
Total non-current assets		**304.3**	304.2	**825.0**	756.9	990.0
Current assets						
Inventories	12	**-**	-	**432.4**	407.7	384.2
Trade and other receivables	14	**-**	1.6	**129.3**	123.2	126.7
Assets held for sale	13	**-**	-	**0.9**	0.9	1.1
Derivative financial instruments	19	**-**	-	**1.1**	1.1	7.4
Cash and cash equivalents		**-**	-	**72.1**	56.5	85.2
Current Tax Asset	14	**0.2**	-	**5.7**	13.2	16.8
Total current assets		**0.2**	1.6	**641.5**	602.6	621.4
Total Assets		**304.5**	305.8	**1,466.5**	1,359.5	1,611.4

	Note	Company 2016 £m	Company 2015 £m	Group 2016 £m	Group 2015 £m	Group 2014 £m
Equity and liabilities						
Share capital	22	**6.4**	6.6	**6.4**	6.6	6.6
Share premium		**0.5**	0.5	**0.5**	0.5	0.5
Merger reserve		**-**	-	**29.5**	29.5	29.5
Capital reserve		**-**	-	**35.8**	35.8	35.8
Capital redemption reserve		**1.2**	1.0	**1.2**	1.0	1.0
Revaluation reserve		**-**	-	**7.3**	7.5	7.7
Liability for Share based payments		**2.1**	2.0	**2.1**	2.0	3.2
Retained earnings		**178.7**	213.1	**242.9**	184.3	252.6
Cash Flow Hedge Reserve		**(0.8)**	-	**(12.9)**	(8.5)	0.4
Equity attributable to owners of the parent		**188.1**	223.2	**312.8**	258.7	337.3
Non-controlling interests		**-**	-	**291.9**	257.0	305.6
Total equity		**188.1**	223.2	**604.7**	515.7	642.9
Non-current liabilities						
Borrowings	16	**-**	11.7	**352.3**	298.3	370.2
Post-employment benefit obligation	29	**-**	-	**22.6**	60.6	73.2
Other liabilities	20	**-**	-	**-**	-	14.9
Deferred tax liabilities	21	**2.0**	2.0	**96.0**	94.4	170.0
Derivative financial instruments	19	**0.6**	-	**6.1**	3.1	19.4
Non-current liabilities		**2.6**	13.7	**477.0**	456.4	647.7
Current liabilities						
Trade and other payables	15	**15.4**	8.9	**50.6**	54.4	51.4
Borrowings	16	**98.1**	57.8	**205.1**	204.0	141.8
Derivative financial instruments	19	**0.2**	-	**7.1**	2.1	1.7
Current tax liabilities	15	**-**	-	**21.5**	18.7	25.6
Other liabilities	15	**0.1**	2.2	**100.5**	108.2	100.3
Total current liabilities		**113.8**	68.9	**384.8**	387.4	320.8
Total liabilities		**116.4**	82.6	**861.8**	843.8	968.5
Total equity and liabilities		**304.5**	305.8	**1,466.5**	1,359.5	1,611.4

The consolidated financial statements of The Edrington Group Limited (registered number SC36374) were approved by the board of directors and authorised for issue on 15 June 2016. They were signed on behalf of the board by:

I B Curle
Director

A B C Short
Director

Group Cash Flow Statement
year ended 31 March 2016

	2016 £m	2015 £m
Operating activities		
Operating profit/(loss)	**151.4**	(29.0)
Adjustments for:		
Depreciation & Amortisation	**20.2**	18.3
Gain on sale of fixed assets	**(0.6)**	(0.2)
Brand impairment	**-**	238.7
Non-cash impact of euro debt revaluation	**-**	(11.7)
Non-cash impact of derivative movements	**0.6**	1.5
Operating cash flows before movements in working capital	**171.6**	217.6
Increase in inventories	**(20.5)**	(15.2)
Decrease in receivables	**6.1**	3.8
Decrease in payables	**(4.4)**	(7.3)
Non cash impact of gain on pension curtailment	**-**	(29.1)
Share based payment credit	**(1.6)**	(2.1)
Difference between employer pension contributions paid and amounts recognised in income statement	**(14.4)**	(11.2)
Cash generated by operations	**136.8**	156.5
Tax paid on profit	**(16.3)**	(32.9)
Net cash from operating activities	**120.5**	123.6
Investing activities		
Interest received	**2.8**	0.9
Dividends received	**0.7**	0.3
Dividends received from joint ventures	**9.7**	6.2
Purchase of tangible fixed assets	**(85.9)**	(71.6)
Sale of tangible fixed assets	**2.6**	5.2
Acquisition of subsidiary	**(2.6)**	-
Net debt acquired on acquisition	**(1.6)**	-
Net cash used in investing activities	**(74.3)**	(59.0)

	2016 £m	2015 £m
Financing activities		
Interest paid	**(19.5)**	(20.9)
Purchase of own shares	**(16.9)**	(8.8)
Sale of own shares	**4.9**	1.3
Dividends paid to non-controlling interests in subsidiaries	**(21.6)**	(23.8)
Equity dividends paid	**(25.5)**	(23.6)
Loans from joint ventures	**-**	1.3
Drawdown of bank loans	**120.1**	17.3
Repayment of bank loans	**(64.9)**	(39.8)
Net cash used in financing activities	**(23.4)**	(97.0)
Net increase/(decrease) in cash and cash equivalents	**22.8**	(32.4)
Cash and cash equivalents at beginning of year	**36.5**	65.9
Effect of foreign exchange rate changes	**0.4**	3.0
Cash and cash equivalents at end of year	**59.7**	36.5

Consolidated Statement of Changes in Equity

year ended 31 March 2016

Group

	Share capital £m	Share premium £m	Merger Reserve £m	Capital Reserve £m	Capital Redemption Reserve £m	Revaluation Reserve £m	Liability for Share based payments £m	Retained earnings £m	Cash Flow Hedge Reserve £m	Total attributable to owners of parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 April 2015	**6.6**	**0.5**	**29.5**	**35.8**	**1.0**	**7.5**	**2.0**	**184.3**	**(8.5)**	**258.7**	**257.0**	**515.7**
Dividends (note 8)	-	-	-	-	-	-	-	(25.5)	-	(25.5)	(21.6)	(47.1)
Issue of share capital under share-based payment	-	-	-	-	-	-	0.1	-	-	0.1	-	0.1
Buy back and cancellation of shares	(0.2)	-	-	-	0.2	-	-	(20.4)	-	(20.4)	-	(20.4)
Net sale/purchase of own shares	-	-	-	-	-	-	-	19.8	-	19.8	-	19.8
Transaction with owners	(0.2)	-	-	-	0.2	-	0.1	(26.1)	-	(26.0)	(21.6)	(47.6)
Profit for the year	-	-	-	-	-	-	-	69.2	-	69.2	54.6	123.8
Other comprehensive income	-	-	-	-	-	-	-	15.5	-	15.5	1.9	17.4
Cash flow hedge reserve (note 24)	-	-	-	-	-	-	-	-	(4.4)	(4.4)	-	(4.4)
Revaluation reserve	-	-	-	-	-	(0.2)	-	-	-	(0.2)	-	(0.2)
Total comprehensive income for the year	-	-	-	-	-	(0.2)	-	84.7	(4.4)	80.1	56.5	136.6
Balance at 31 March 2016	**6.4**	**0.5**	**29.5**	**35.8**	**1.2**	**7.3**	**2.1**	**242.9**	**(12.9)**	**312.8**	**291.9**	**604.7**
Balance at 1 April 2014	**6.6**	**0.5**	**29.5**	**35.8**	**1.0**	**7.7**	**3.2**	**252.6**	**0.4**	**337.3**	**305.6**	**642.9**
Dividends (note 8)	-	-	-	-	-	-	-	(23.6)	-	(23.6)	(23.8)	(47.4)
Issue of share capital under share-based payment	-	-	-	-	-	-	(1.2)	-	-	(1.2)	-	(1.2)
Net sale/purchase of own shares	-	-	-	-	-	-	-	(7.5)	-	(7.5)	-	(7.5)
Transaction with owners	-	-	-	-	-	-	(1.2)	(31.1)	-	(32.3)	(23.8)	(56.1)
Profit for the year	-	-	-	-	-	-	-	(2.4)	-	(2.4)	(7.1)	(9.5)
Other comprehensive income	-	-	-	-	-	-	-	(34.8)	-	(34.8)	(17.7)	(52.5)
Cash flow hedge reserve (note 24)	-	-	-	-	-	-	-	-	(8.9)	(8.9)	-	(8.9)
Revaluation reserve	-	-	-	-	-	(0.2)	-	-	-	(0.2)	-	(0.2)
Total comprehensive income for the year	-	-	-	-	-	(0.2)	-	(37.2)	(8.9)	(53.8)	(24.8)	(71.1)
Balance at 31 March 2015	**6.6**	**0.5**	**29.5**	**35.8**	**1.0**	**7.5**	**2.0**	**184.3**	**(8.5)**	**258.7**	**257.0**	**515.7**

Statement of Changes in Equity
year ended 31 March 2016

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 2015		**6.6**	**0.5**	**1.0**	**2.0**	**-**	**213.1**	**223.2**
Profit for the period		-	-	-	-	-	29.4	**29.4**
Cash flow hedge reserve	24	-	-	-	-	(0.8)	-	**(0.8)**
Total comprehensive income for the period		-	-	-	-	(0.8)	29.4	**28.6**
Dividends		-	-	-	-	-	(26.8)	**(26.8)**
Own shares acquired in the period		-	-	-	0.1	-	-	**0.1**
Buy back and cancellation of shares		(0.2)	-	0.2	-	-	(37.0)	**(37.0)**
		(0.2)	**-**	**0.2**	**0.1**	**-**	**(63.8)**	**(63.7)**
Balance at 31 March 2016		**6.4**	**0.5**	**1.2**	**2.1**	**(0.8)**	**178.7**	**188.1**

	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 2014		**6.6**	**0.5**	**1.0**	**3.2**	**-**	**340.3**	**351.6**
Loss for the period		-	-	-	-	-	(103.6)	**(103.6)**
Other comprehensive income		-	-	-	-	-	-	**-**
Total comprehensive income for the period		-	-	-	-	-	(103.6)	**(103.6)**
Dividends		-	-	-	-	-	(23.6)	**(23.6)**
Share based payment expense		-	-	-	(1.2)	-	-	**(1.2)**
		-	**-**	**-**	**(1.2)**	**-**	**(23.6)**	**(24.8)**
Balance at 31 March 2015		**6.6**	**0.5**	**1.0**	**2.0**	**-**	**213.1**	**223.2**

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

The date of transition to IFRS is 1 April 2014. The Group applied IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS) in preparing these first IFRS consolidated financial statements. The effect of the transition to IFRS on equity, total comprehensive income and reported cash flows are presented in note 33. The Company transitioned to FRS 101 on 1 April 2014.

It is the intention of the directors to apply the noted exemptions for the next accounting period, unless notification of an objection from a shareholder or group of shareholders holding in aggregate more than 5% of the allotted share capital is received.

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 Financial Instruments

> IFRS 10 Consolidated Financial Statements

> IFRS 11 (amendments) Joint Arrangements

> IFRS 12 (amendments) Disclosure of Interests in Other Entities

> IFRS 15 Revenue from Contracts with Customers

> IFRS 16 (amendments) Leases

> IAS 1 (amendments) Presentation of Financial Statements

> IAS 28 (amendments) Investments in Associates and Joint Ventures

> IAS 16 & IAS 38 (amendments) Clarification of Acceptable Methods of Depreciation and Amortisation

It is not expected that the adoption of the other Standards listed above will have a material impact on the financial statements of the Group in future periods. It is not practicable to reliably estimate the effect of these Standards on the financial results.

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 to produce a statement of financial position at the beginning of the earliest comparative period;

> 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

In June 2016, the Company successfully re-financed its bank facilities at commercially competitive rates, providing the business with funding which corresponds with the expected cash flow profile of the group.

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

Sales comprise revenue from the sale of goods, royalties, interest and rents receivable. Revenue is measured at the fair value of consideration received or receivable, excluding sales tax, and reduced by any rebates and trade discounts allowed. Sale of goods are recognised depending upon individual customer terms at the time of despatch, delivery or when the risk of loss transfers. Royalties, interest and rents receivable are recognised on an accruals basis. Dividend income is recognised at the point the right to receive payment is established.

Exceptional items

Exceptional items are those that, in managements' 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 profit and loss account.

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.

Intangible assets

Intangible assets are primarily brands with a material value, which are long term in nature, 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 are regarded as having a limited useful life are amortised on a straight-line basis over those lives and are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. 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 cashflow.

The assumptions used in the annual impairment reviews are included in note 9.

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. 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.

Software

Software is stated at historic cost net of amortisation. Amortisation is charged on a straight line basis over the expected useful life of the asset, residual values and useful lives are reviewed each year.

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.

Acquisition of subsidiary

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 profit or loss 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 is 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.

Non-current assets held for sale

Non-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.

Non-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 IAS 39 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.

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 Company.

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 statement of financial position. 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: loans and receivables, available for sale investments, financial assets and liabilities at fair value through income statement and other financial liabilities at amortised cost.

Loans and receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less impairment. Allowances are made where there is evidence of a risk of non-payment taking into account ageing, previous experience and general economic conditions. Interest is recognised by applying the effective interest method except for short-term receivables when recognition of interest would be immaterial.

Financial asset and liabilities at fair value through the income statement (include derivative financial instruments which are not designated in a hedge relationship)

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured 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.

Financial liabilities at amortised cost

Financial liabilities are initially recognised at fair value net of transaction costs and are subsequently reported at amortised cost. The difference between the initial carrying amount of the financial liabilities and their redemption value is recognised in the income statement over the contractual terms using the effective interest method.

Hedge Accounting

The group designates and documents certain derivatives as hedging instruments as a hedge against the cash flow risk from a change in exchange or interest rates.

Cash flow hedges

The portion of gain or loss of the hedging instrument that was determined to be an effective hedge is recognised directly in equity and forms part of the hedge reserve.

The ineffective portion of the change in fair value of the hedging instrument is recognised in the income statement within finance costs. If the cash flow hedge relates to an underlying transaction which results in the recognition of a non-financial asset, the associated gain or loss on the derivative that had been previously recognised in equity are recognised in the initial measurement of the asset arising from the hedged transaction. For hedges that relate to an underlying transaction which results in recognition of 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.

Hedge effectiveness

Hedge effectiveness is measured and respective entries recorded in the statement of financial position, reserves and income statement on a semi-annual basis. Hedge effectiveness is achieved where the correlation in changes in value of the hedging instrument and the hedged item is between 80% and 125%. Methods of effectiveness testing include dollar offset, critical terms and hypothetical derivative method.

Discontinuing hedge accounting

Hedge accounting is discontinued retrospectively when the hedge instrument expires or is terminated, when the hedge no longer qualifies for hedge accounting or when the designation is revoked. In the case of cash flow hedges, any gain or loss that has been recognised in equity until that time remains in equity until the forecast transaction occurs. If the transaction is no longer expected to occur, related cumulative gains or losses which have previously been deferred in equity are recognised in the income statement immediately.

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 a defined benefit pension scheme providing benefits based on final pensionable earnings, and a defined contribution scheme. The determination of any pension scheme surplus/obligation 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.

Advertising and promotion accruals

The group incurs significant costs in the support and development of the group's brands. Judgement is required in determining the level of closing accrual required at a year end for promotions and brand support campaigns which span the financial year end or where the costs have not been settled by the year end date. This includes sales related discounts which are included within revenue.

Notes to the Financial Statements

1 Revenue

The analysis of revenue, net assets and profitability by class of business or geographical market has not been disclosed as the directors consider this to be seriously prejudicial to the Company's interests.

An analysis of the group's revenue is as follows:

	2016 £m	2015 £m
Sale of cased goods	**557.0**	543.5
Sale of non-cased goods	**14.4**	26.5
Income from services rendered	**3.2**	5.5
Total group revenue	**574.6**	575.5
Investment income (note 3)	**0.7**	0.3
Interest income	**2.8**	0.9
	578.1	576.7

2 Exceptional items

	2016 £m	2015 £m
Reported before Group operating profit:		
Impairment of Brugal brand	**-**	(238.7)
Pension gain on curtailment	**0.4**	29.1
Restructuring costs	**(2.0)**	-
	(1.6)	(209.6)
Share of joint venture pension gain on curtailment	**-**	1.1
Interest rate swap breakage costs	**-**	(1.8)
	(1.6)	(210.3)
Taxation	**(2.3)**	67.8
Non-controlling interest	**0.4**	60.4
Net impact on retained earnings	**(3.5)**	(82.1)

Exceptional costs relate to the group's share of restructuring costs in respect of Maxxium UK, Maxxium Spain and Brugal in the year. The Maxxium UK defined benefit pension scheme closed to future accrual reducing the pension deficit. The group have recognised an exceptional credit of £0.4m to reflect their share of the reduction in the liability.

Exceptional costs were incurred in 2015 due to a non-cash impairment charge reflecting the revised future expected performance of the Brugal brand and the closure of the group's defined benefit pension scheme to future accrual. Following the redenomination of our Edrington bank debt from euro to sterling, our existing euro interest rate swaps were cancelled at a cost of £1.8m.

Exceptional tax costs of £2.7m were incurred in 2016 in relation to the buy-back of shares from the EBT.

3 Income from other investments

	2016 £m	2015 £m
Income from other fixed asset investments	**0.7**	0.3

4 Finance income and finance costs

	2016 £m	2015 £m
Interest payable and similar charges		
Interest payable on bank loans & overdrafts	**(8.5)**	(11.8)
Interest payable on US private placement	**(12.8)**	(10.0)
Interest payable by joint ventures	**(1.8)**	(1.4)
Interest on defined benefit pension schemes	**(1.6)**	(2.8)
Interest on discretionary post-retirement benefits	**-**	(0.1)
Exceptional interest swap breakage costs	**-**	(1.8)
	(24.7)	(27.9)

	2016 £m	2015 £m
Interest receivable		
Interest receivable	**2.8**	0.9

5 Profit/(Loss) on ordinary activities before taxation

	2016 £m	2015 £m
Profit/(Loss) on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	**15.7**	15.0
Foreign exchange gains	**-**	(3.5)
Staff costs (note 6)	**97.1**	91.7
Trade receivable impairment (note 14)	**3.4**	2.5
Gain on sale of tangible fixed assets	**(0.6)**	(0.2)
Amortisation on intangible assets (note 9)	**4.4**	3.4
Brand impairment (note 2)	**-**	238.7
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**0.1**	0.1
Fees payable to the Company's auditor for other services:		
– audit of the accounts of subsidiaries	**0.1**	0.1
– audit-related assurance services	**0.1**	-
– other assurance services	**0.1**	0.1

The depreciation charge noted above is different from that shown in Note 10 to these financial statements, as cask depreciation is added to the cost of Scotch whisky inventory and is not released to the income statement until the relevant inventory is sold. The figure shown above represents the annual depreciation charge on other fixed assets together with cask depreciation released through cost of sales.

6 Employees

	2016 Number	2015 Number
The average number of employees during the year was as follows:		
Engaged in distilling, coopering, blending, bottling and marketing of Scotch whisky & rum	**2,325**	2,293

	2016 £m	2015 £m
Employment costs during the year amounted to:		
Wages and salaries	**72.4**	65.0
Social security costs	**7.5**	6.8
Other pension costs (note 29)	**4.7**	5.3
Employee share schemes	**0.5**	1.9
Other employee incentive schemes	**12.0**	12.7
	97.1	91.7

	2016 £m	2015 £m
Remuneration in respect of the board of directors was as follows:		
Emoluments (excluding pension contributions)	**2.4**	1.9
Benefits	**0.6**	0.5
Employee share schemes	**-**	0.1
Performance related Annual Incentive Plan	**0.7**	0.7
Performance related Long Term Incentive Plan	**0.5**	0.7
	4.2	3.9

	2016 £000	2015 £000
The amounts set out above include remuneration in respect of the highest paid director each year as follows:		
Emoluments (excluding pension contributions)	**545**	494
Benefits	**160**	165
Employee share schemes	**-**	20
Performance related Annual Incentive Plan	**215**	260
Performance related Long Term Incentive Plan	**181**	344
	1,101	1,283

Employee share schemes reflects the costs for both the annual ShareSave scheme and the ShareReward scheme (when it is awarded), which rewards employees including directors for achievement of performance targets.

Performance related payments include Annual Incentive Plan and Long Term Incentive Plan costs for Edrington and its subsidiaries' employees.

Amounts disclosed under other benefits for both the directors and the highest paid director, includes a non-pensionable salary supplement made to certain directors in lieu of the Company's contribution to the pension scheme.

The Annual Incentive Plan rewards directors and senior executives on both personal targets and on annual performance results. The annual performance targets were partially met in the current and prior year.

6 Employees (continued)

The award made under the Long Term Incentive Plan is in the form of shares and is based on a rolling three year performance target. This was partially achieved this year and last year. The amount awarded reflects the increase in share price over the three year period of each scheme. The annual cost of the board's Long Term Incentive Plan based on the share price at the time of inception was £0.5m (2015: £0.4m) and for the highest paid director was £168,000 (2015: £240,000).

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

During the year, 2 directors (2015: 3 directors) exercised share rights under the ShareSave Scheme. The aggregate of gains by directors exercising share rights during the year was £7,000 (2015: £9,000). During the year, no directors (2015: 0 directors) participated in defined benefit pension schemes and 3 participated in the defined contribution scheme (2015: 2). No other directors participated in any other Company pension schemes during the year.

The highest paid director exercised share rights under the ShareSave Scheme this year and last year. The highest paid director's accrued pension at the year-end was £150,000 (2015: £150,000).

The group defines key management personnel to be the Board of directors, as noted on page 1.

7 Taxation

Corporation tax is calculated at 20% (2015: 21%) of the estimated taxable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

	2016 £m	2015 £m
The tax charge represents:		
Current tax:		
UK Corporation tax at 20% (2015: 21%)	**15.6**	21.2
Adjustment in respect of prior periods	**0.8**	1.3
Foreign tax	**8.1**	6.4
Tax on share of profits of joint ventures	**2.4**	3.7
Tax on exceptional costs	**-**	(0.3)
Total current tax	**26.9**	32.3
Deferred tax:		
Deferred tax charge for the year	**3.2**	3.5
Deferred tax credit on rate change	**(10.7)**	-
Tax on exceptional items	**2.3**	(67.5)
Adjustment in respect of prior periods	**(0.7)**	(0.4)
Total deferred tax	**(5.9)**	(64.4)
Tax on profit/(loss) on ordinary activities	**21.0**	(32.1)

Factors affecting the tax charge for the year

	2016 £m	2015 £m
The current tax charge for the year is different than the standard rate of corporation tax in the UK.		
The differences are explained below:		
Profit on ordinary activities before tax at 20% (2015: 21%)	**29.0**	8.7
Expenses not deductible for tax purposes	**14.6**	1.3
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(4.1)**	(0.3)
Non-taxable income	**(9.0)**	(3.0)
Other differences	**(1.0)**	1.8
Adjustment relating to prior period corporation tax	**0.1**	0.5
Effect on deferred tax balances due to changes in tax rates	**(10.7)**	-
Deferred tax assets previously unrecognised	**(0.2)**	-
Pension contribution relief in excess of net pension cost charge	**-**	(0.4)
Tax on exceptional costs	**2.3**	(40.7)
	21.0	(32.1)

8 Dividends

	2016 £m	2015 £m
Dividends payable from profit and loss reserves:		
– Second interim of 29.4p (2015: 26.4p)	**19.2**	17.3
– Interim of 11.8p (2015: 11.8p)	**7.6**	7.8
Less: dividends paid to the Employee Benefit Trust	**(1.3)**	(1.5)
	25.5	23.6
Proposed after the year end (not recognised as a liability):		
Second interim of 26.3p (2015 second interim: 29.4p)	**16.8**	19.2

9 Intangible assets

Group	Brands £m	Software £m	Total £m
Cost			
At 1 April 2015	916.4	11.3	927.7
Additions	-	6.2	6.2
Disposals	-	(4.9)	(4.9)
Exchange adjustment	-	0.1	0.1
Cost at 31 March 2016	916.4	12.7	929.1
Amortisation			
At 1 April 2015	530.0	7.1	537.1
Charge for year	3.3	1.1	4.4
Disposals	-	(2.0)	(2.0)
Exchange adjustment	-	0.2	0.2
Amortisation at 31 March 2016	533.3	6.4	539.7
Net book value at 31 March 2016	**383.1**	**6.3**	**389.4**
Cost			
At 1 April 2014	949.9	10.8	960.7
Additions	-	0.2	0.2
Exchange adjustment	(33.5)	0.3	(33.2)
Cost at 31 March 2015	916.4	11.3	927.7
Amortisation			
At 1 April 2014	288.0	6.8	294.8
Charge for the year	3.3	0.1	3.4
Exchange adjustment	-	0.2	0.2
Brugal Brand impairment (see note 2)	238.7	-	238.7
Amortisation at 31 March 2015	530.0	7.1	537.1
Net book value at 31 March 2015	**386.4**	**4.2**	**390.6**
Net book value at 31 March 2014	661.9	4.0	665.9

At 31 March 2016, the carrying amounts of the principal brands acquired by the group are as follows:

	2016 £m
Cash generating unit	
Famous Grouse Family	32.0
The Macallan	324.1
Highland Park	13.9
Cutty Sark	13.1
	383.1

The brands are protected by trademarks, which are renewable indefinitely, in all of the major markets they are sold. There are not believed to be any legal, regulatory or contractual provisions that limit the useful lives of these brands. The nature of the premium drinks industry is that obsolescence is not a common issue, with indefinite brand lives being commonplace. Accordingly, with the exception of Cutty Sark, management believe that it is appropriate that the brands are treated as having indefinite lives for accounting purposes and are therefore not amortised.

The Cutty Sark brand is deemed to have a finite life and is amortised in line with the Group accounting policy on page 36.

Impairment testing and sensitivity analysis

Impairment tests are carried out annually or more frequently if events or circumstances indicate that the carrying amount may not be recoverable.

The recoverable amount of a cash generating unit (CGU) is determined based on the value in use calculations. These calculations use pre-tax discounted cash flow projections based on financial budgets approved by the board which cover a five year period. These cash flows reflect expectations of sales growth, operating costs and margin, based on past experience and industry growth forecasts. Cash flows beyond the five years are extrapolated using the growth rates stated below.

The pre-tax discount rates and terminal growth rates used for impairment testing are as follows:

	Pre-tax discount rate %	Terminal growth rate %
Americas	9.0%	2.5%
Asia	9.0%	2.5%
Global Travel Retail	9.0%	2.6%
Europe	9.0%	2.1%
REEMEAT	9.0%	3.4%

The pre-tax weighted average cost of capital (WACC) is the basis for the discount rate. The WACC reflects the pre-tax cost of debt-financing and the pre-tax cost of equity finance. Further risk premiums are also applied according to management's assessment of any specific risks impacting on each operating unit.

The terminal growth rates applied at the end of the five-year forecast period are based on the long-term annual inflation rate of the each operating unit obtained from external sources.

As at 31 March 2016, based on internal valuations, management concluded that the values in use of the CGUs exceed their net asset value.

Sensitivity analysis was also carried out on the above calculations to review possible levels of impairment after adjusting discount rates. At a pre-tax discount rate of 15%, none of the CGUs were impaired. Therefore, whilst cash flow projections used within the impairment reviews are subject to inherent uncertainty, management has concluded that changes within reason to the key assumptions applied in assessing the value in use calculation would not result in a change to the impairment conclusions reached.

10 Property, plant and equipment

Group	Freehold land & buildings £m	Plant, vehicles & equipment £m	Casks £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2015	110.4	149.9	204.3	22.7	487.3
Additions	4.9	10.2	28.8	40.0	83.9
Disposals	(1.1)	(3.1)	(4.7)	-	(8.9)
Exchange adjustment	0.1	0.4	0.1	-	0.6
At 31 March 2016	114.3	157.4	228.5	62.7	562.9
Depreciation					
At 1 April 2015	39.1	99.9	62.1	-	201.1
Charge for year	3.0	7.7	9.4	-	20.1
Disposals	(1.1)	(2.9)	(3.0)	-	(7.0)
Exchange adjustment	0.2	0.1	-	-	0.3
At 31 March 2016	41.2	104.8	68.5	-	214.5
Net book value at 31 March 2016	**73.1**	**52.6**	**160.0**	**62.7**	**348.4**
Net book value at 31 March 2015	71.3	50.0	142.2	22.7	286.2

Group	Freehold land & buildings £m	Plant, vehicles & equipment £m	Casks £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2014	102.2	131.7	185.3	3.0	422.2
Additions	7.9	16.5	25.9	19.7	70.0
Disposals	(1.1)	(1.1)	(7.4)	-	(9.6)
Exchange adjustment	1.4	2.8	0.5	-	4.7
At 31 March 2015	110.4	149.9	204.3	22.7	487.3
Depreciation					
At 1 April 2014	35.6	91.2	57.5	-	184.3
Charge for year	3.1	7.7	8.3	-	19.1
Disposals	-	(0.8)	(3.9)	-	(4.7)
Exchange adjustment	0.4	1.8	0.2	-	2.4
At 31 March 2015	39.1	99.9	62.1	-	201.1
Net book value at 31 March 2015	**71.3**	**50.0**	**142.2**	**22.7**	**286.2**
Net book value at 31 March 2014	66.6	40.5	127.8	3.0	237.9

Included in freehold land and buildings is £1.8m (2015 and 2014: £1.8m) in respect of freehold land which is not depreciated.

Certain of the Group's land and buildings were previously revalued on a depreciated replacement cost basis. The transitional arrangements set out in IFRS 1 have been applied. Accordingly the valuation will be used as deemed cost under IFRS 1.

11 Fixed asset investments

Group	Joint ventures £m	Associates and other investments £m	Total investments £m
At 1 April 2015	49.6	9.1	58.7
Share of retained profits of joint ventures less dividends received	2.3	-	2.3
Actuarial loss on pension scheme	(2.1)	-	(2.1)
Disposal of joint venture	(1.2)	-	(1.2)
Movement on deferred tax relating to pension scheme	0.3	-	0.3
Exchange adjustments	0.7	-	0.7
Movement on profit in inventory	(1.4)	-	(1.4)
Other movements	0.1	(3.8)	(3.7)
At 31 March 2016	**48.3**	**5.3**	**53.6**
At 1 April 2014	55.3	8.0	63.3
Share of retained profits of joint ventures less dividends received	2.6	-	2.6
Actuarial loss on pension scheme	(5.2)	-	(5.2)
Movement on deferred tax relating to pension scheme	1.0	-	1.0
Exchange adjustments	(4.4)	-	(4.4)
Movement on profit in inventory	0.3	-	0.3
Other movements	-	1.1	1.1
At 31 March 2015	**49.6**	**9.1**	**58.7**

In the year the group purchased 100% of the share capital of Edrington European Travel Retail (formally Maxxium Travel Retail) from Maxxium UK (see note 25). No gain on sale was recognised at a group level.

Company	Investments in subsidiaries £m
Cost at 1 April 2015	304.2
Other movements	0.1
Cost or valuation at 31 March 2016	**304.3**
Cost at 1 April 2014	260.6
Additions	191.4
Brugal brand impairment	(146.7)
Other movements	(1.1)
Cost or valuation at 31 March 2015	**304.2**

Other movements of investments represent the fair value of shares issued to subsidiary undertakings in the year to enable them to meet their obligations under share based payment incentive schemes. The group's accounting policy is to treat these issues as an additional investment in the parent undertaking.

11 Fixed asset investments (continued)

Investments

At 31 March 2016 the group held more than 20% of the equity, and no other share or loan capital, of the following companies (all companies are registered in the UK unless stated otherwise):

Name of Company/(country of registration)	Holding	Proportion held at 31 March 2016	Nature of business
Subsidiary undertakings:			
Edrington Distillers Limited	Ordinary shares	100%[a]	Blending, bottling, sales and marketing of Scotch whisky
The 1887 Company Limited	Ordinary shares	75%[b]	Management of Scotch whisky companies
Brugal & Co., S.A. (Dominican Republic)	Ordinary shares	61%	Distilling, bottling, sales and marketing of Dominican rum
Snow Leopard Vodka Limited	Ordinary shares	80%	Sale and distribution of vodka
Clyde Bonding Company Limited	Ordinary shares	100%	Dormant
The Clyde Cooperage Company Limited	Ordinary shares	100%	Dormant
Edrington Distillers Finance Limited	Ordinary shares	100%	Dormant
Hepburn & Ross Limited	Ordinary shares	100%	Dormant
R & B (West Nile Street) Limited	Ordinary shares	100%	Dormant
Robertson & Baxter Limited	Ordinary shares	100%	Dormant
Joint venture and associated undertakings:			
Lothian Distillers Limited	Ordinary shares	50%	Distillation and maturation of Scotch grain whisky
Row & Company Limited	Ordinary shares	50%	Sale and marketing of Scotch whisky
Edrington Kyndal India Private Ltd (India)	Ordinary shares	50%	Sale and distribution of alcoholic beverages

Key:

a. Investment is held directly by the Company.

b. The Company has 70% of the voting rights in respect of The 1887 Company Limited.

The 1887 Company Limited owns the following investments:

Name of Company/(country of registration)	Holding	Proportion held at 31 March 2016	Nature of business
Subsidiary undertakings:			
Highland Distillers Group Limited	Ordinary shares	100%	Management of Scotch whisky companies
The Macallan Distillers Limited	Ordinary shares	75%	Distilling, sales and marketing of Scotch
	Preference shares	100%	whisky
Edrington Korea Limited (Korea)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington Sweden AB (Sweden)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington Danmark A/S (Denmark)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington Norge AS (Norway)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington Finland OY (Finland)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington Shanghai Limited (China)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington Hong Kong Limited (Hong Kong)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington Singapore Pte Limited (Singapore)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
The Edrington Group USA, LLC (United States)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington European Travel Retail	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington Taiwan Limited (Taiwan)	Ordinary shares	87.5%	Sale and distribution of alcoholic beverages
Highland Distribution Company Limited	Ordinary shares	100%	Activities of distribution holding companies
Highland Distribution Holdings Limited	Ordinary shares	100%	Activities of distribution holding companies
Highland Distribution Ventures Limited	Ordinary shares	100%	Activities of distribution holding companies
HS (Distillers) Limited	Ordinary shares	100%	Activities of distribution holding companies
Highland Distribution Netherlands Limited	Ordinary shares	100%	Activities of distribution holding companies
Highland Distillers Group Limited	Ordinary shares	100%	Activities of holding companies
Macallan Property Development Company Limited	Ordinary shares	75%	Development of building projects
Highland Distillers Finance Limited	Ordinary shares	100%	Dormant
James Grant & Company (Highland Park Distillery) Limited	Ordinary shares	100%	Dormant
Macallan Property Company Limited	Ordinary shares	75%	Letting and operating of real estate
Matthew Gloag & Son Limited	Ordinary shares	100%	Dormant
Joint venture undertakings:			
Maxxium UK Limited	Ordinary shares	50%	Sale and distribution of alcoholic beverages
Maxxium España SL (Spain)	Ordinary shares	50%	Sale and distribution of alcoholic beverages
Denview Limited (t/a Maxxium Russia) (Russia)	Ordinary shares	50%	Sale and distribution of alcoholic beverages
Maxxium Nederland BV (The Netherlands)	Ordinary shares	50%	Sale and distribution of alcoholic beverages
EFME Limited (Cyprus)	Ordinary shares	50%	Sale and distribution of alcoholic beverages
Edrington WEBB Tavel Retail Americas, LLC (United States)	Ordinary shares	50%	Sale and distribution of alcoholic beverages

11 Fixed asset investments (continued)

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

	Place of incorporation and principle place of business	Proportion of ownership interests and voting rights held by non-controlling interests	Profit (loss) allocated to non-controlling interests			Accumulated non-controlling interests		
		2016, 2015, 2014	**2016 £m**	2015 £m	2014 £m	**2016 £m**	2015 £m	2014 £m
The Macallan Distillers Limited	UK	25%	**23.7**	24.1	20.5	**121.2**	105.3	89.2
1887 Company Limited	UK	25%	**30.4**	45.2	29.3	**139.3**	120.4	139.6
Brugal & Co., S.A.	Dominican Republic	39%	**0.4**	(62.3)	2.0	**30.9**	30.7	132.0
Edrington Taiwan	Taiwan	12.5%	**0.1**	0.1	0.2	**0.6**	0.6	0.6

The following information is given in respect of the group's share of its joint ventures on an aggregate basis:

	2016 £m	2015 £m	2014 £m
Income Statement			
Gross revenue (before elimination of group transactions with joint ventures)	**267.0**	301.9	300.3
Profit on ordinary activities before interest and taxation	**14.6**	14.1	10.0
Interest and other finance costs	**(1.8)**	(1.4)	(1.8)
Taxation	**(2.4)**	(3.7)	(3.2)
Profit after taxation	**10.4**	9.0	5.0
Statement of Financial Position			
Non-current assets	**16.4**	17.7	18.0
Current assets	**197.4**	199.7	205.2
	213.8	217.4	223.2
Current liabilities	**(153.2)**	(156.2)	(157.2)
Non-current liabilities	**(12.3)**	(11.6)	(10.7)
	(165.5)	(167.8)	(167.9)
Total assets and liabilities	**48.3**	49.6	55.3

In the year the Group purchased 100% of the share capital of Edrington European Travel Retail (formerly Maxxium Travel Retail) from Maxxium UK (see note 25).

12 Inventories

Group	**2016 £m**	2015 £m	2014 £m
Raw materials	**4.6**	4.8	3.7
Scotch whisky	**388.6**	364.1	344.8
Rum	**19.5**	20.7	21.0
Packaging materials	**12.9**	12.1	9.9
Other inventory	**6.8**	6.0	4.8
	432.4	407.7	384.2

13 Assets held for sale

Group	2016 £m	2015 £m	2014 £m
Maxxium Worldwide BV	**0.9**	0.9	1.1

14 Trade and other receivables

	Company		Group		
	2016 £m	2015 £m	**2016 £m**	2015 £m	2014 £m
Amounts falling due within one year:					
Trade debtors	**-**	-	**80.6**	64.2	64.9
Amounts owed by Group undertakings	**-**	0.8	**-**	-	-
Amounts owed by joint ventures	**-**	-	**23.4**	42.5	38.2
Other debtors & prepayments	**-**	0.5	**25.3**	16.5	23.6
UK corporation tax group relief receivable	**-**	0.3	**-**	-	-
Current tax asset	**0.2**	-	**5.7**	13.2	16.8
	0.2	1.6	**135.0**	136.4	143.5

Information on financial assets past due and associated impairment is as follows:

Group	Gross 2016 £m	Impairment 2016 £m	Gross 2015 £m	Impairment 2015 £m	Gross 2014 £m	Impairment 2014 £m
Not past due	**67.3**	**-**	53.8	-	57.5	-
Past due 1 to 30 days	**8.8**	**-**	9.0	-	6.5	-
Past due 31 to 60 days	**2.4**	**-**	1.7	(0.2)	0.8	-
Past due 61+ days	**5.5**	**(3.4)**	2.3	(2.3)	2.4	(2.2)
Total	**84.0**	**(3.4)**	66.8	(2.5)	67.2	(2.2)

In respect of trade and other receivables, the group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

Movement in the group provisions for impairment of trade receivables were as follows:

Group	2016 £m	2015 £m	2014 £m
At start of year	**2.5**	2.2	1.8
Net provision (utilised)/charged during the year	**(0.9)**	0.3	0.4
At end of year	**3.4**	2.5	2.2

The provision allowance in respect of trade receivables is used to record impairment losses unless the group and Company are satisfied that no recovery of the amount owing is possible. At that point, the amounts are considered irrecoverable and are written off against the trade receivable directly, with a corresponding charge being recorded in administration costs. Where trade receivables are past due, an assessment is made of individual customers and the outstanding balance. No provision is required in respect of amounts owed by subsidiary companies.

The creation and release of the trade receivables provision has been included within administration costs in the income statement.

The other classes within trade and other receivables do not contain impaired assets.

15 Trade and other payables

	Company		Group		
	2016 £m	2015 £m	**2016 £m**	2015 £m	2014 £m
Amounts falling due within one year:					
Trade payables	**-**	-	**27.6**	22.5	27.0
Amounts owed to Group undertakings	**15.4**	8.9	**-**	-	-
Amounts owed to joint ventures	**-**	-	**23.0**	31.9	24.4
Accruals and other payables	**0.1**	2.2	**85.6**	90.8	84.5
Other taxes and social security costs	**-**	-	**14.9**	17.4	15.8
Corporation tax	**-**	-	**21.5**	18.7	25.6
	15.5	11.1	**172.6**	181.3	177.3

The tables below analyse the Group and Company's financial liabilities into the relevant maturity.

16 Borrowings

	Company		Group		
	2016 £m	2015 £m	**2016 £m**	2015 £m	2014 £m
Current					
Bank overdraft	**4.1**	2.5	**12.4**	20.0	19.3
Bank borrowings	**94.0**	55.3	**192.6**	183.9	122.4
Loan notes	**-**	-	**0.1**	0.1	0.1
Total Current Borrowings	**98.1**	57.8	**205.1**	204.0	141.8
Non-current					
Bank borrowings	**-**	11.7	**25.0**	97.1	191.8
Private placements	**-**	-	**328.7**	202.1	179.9
Deferred arrangement fees	**-**	-	**(1.4)**	(0.9)	(1.5)
Total Non-current Borrowings	**-**	11.7	**352.3**	298.3	370.2
Total Borrowings	**98.1**	69.5	**557.4**	502.3	512.0

Bank overdrafts are provided as an ancillary facility to the multicurrency revolving credit facilities maturing in May 2018. Interest on bank overdrafts is linked to LIBOR.

At 31 March 2016 the 1887 Company Limited had US Private Placement debt denominated in USD, $75m repayable April 2018 and $225m repayable in April 2021 at fixed interest rates of 5.01% and 4.25% respectively. The 1887 Company uses Cross Currency Swaps to hedge the foreign currency risk on the dollar denominated debt, these are designated as cash flow hedges. On 29 May 2015 the 1887 Company Limited entered into a new US Private Placement denominated in Sterling, £100m repayable in April 2025 and £20m repayable in April 2027 at fixed interest rates of 2.84% and 2.91% respectively.

With the exception of the long term fixed private placement debt the book value of borrowings equates to the fair value as the outstanding bank debt is short term and at floating market rates. The fair value of the private placement debt, calculated on a discounted cash flow basis, as at 31 March 2016 was £276.7m (2015: £188.5m, 2014: £168.3m).

Borrowings of the group are secured by guarantees from and floating charges over some of the assets of the group.

The group has guaranteed bank borrowings for distribution companies totalling £18.8m (2015 £38.9m, 2014 £36.1m). The group does not expect this to be called in so this is not provided for.

The Group had available undrawn committed bank facilities as follows:

	2016 £m	2015 £m	2014 £m
Expiring within one year	**42.0**	-	-
Expiring between one and two years	**-**	62.6	18.3
Expiring after two years	**127.5**	154.3	180.4
	169.5	216.9	198.7

Any non-compliance with covenants could, if not waived, constitute an event of default with respect to any such arrangement, and any non-compliance with covenants may, in particular circumstances lead to an acceleration of maturity on certain borrowings. Edrington was in full compliance with its financial covenants throughout each of the years presented.

	Company		Group		
	2016 £m	2015 £m	2016 £m	2015 £m	2014 £m
Borrowings will mature as follows:					
Within one year	**98.1**	57.8	**205.1**	204.0	141.8
Between one and two years	**-**	11.7	**7.0**	90.7	103.8
Between two and five years	**-**		**68.9**	56.0	131.8
Beyond five years	**-**	-	**276.4**	151.6	134.6
	98.1	69.5	**557.4**	502.3	512.0

17 Risk Management

Market Risk

The Group's funding, liquidity and exposure to foreign currency and interest rate risks are managed by the group's treasury department. The treasury department use a range of financial instruments to manage the underlying risks. Treasury operations are conducted within a framework of board approved policies and guidelines, which are recommended and monitored by the Treasury Committee, chaired by the Chief Financial Officer. All transactions in derivative financial instruments are initially undertaken to manage risks arising from underlying business activities. The group does not use derivatives for speculative purposes.

Currency risk

Hedge of foreign currency debt

The group uses cross currency interest rate swaps to hedge the foreign currency risk associated with certain foreign currency denominated borrowings.

Transaction exposure hedging

It is the group policy to enter into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions out to 24 months.

The group implement a rolling policy which ensures that by the end of the current year, 65% of anticipated sales and purchases will be hedged within the next 12 months and 25% in the following 12 months.

Refer to Derivatives note for further detail on derivatives outstanding as at the reporting date.

Interest rate risk

The 1887 Company has an element of fixed debt issued through GBP and USD Private Placements with maturities ranging from 2018 to 2027. The remainder of the group debt is bank debt at floating rates. The 1887 group policy is to hedge the average net debt as forecast in the 5 year plan up to 90% in the first year, 75% in year 2 and on a 5% reducing scale thereafter. The group policy is to hedge the average net debt in the 5 year plan up to 90% in year one 60%, 40%, 20% and 20% thereafter respectively in years 2 to 5.

Interest rate derivatives are used to swap debt from fixed to floating and designated as cash flow hedges.

The following table shows the split of debt between fixed and floating at each reporting date including the impact of interest rate derivatives and cross currency swaps.

17 Risk Management (continued)

	2016 £m	2015 £m	2014 £m
Fixed rate debt	**502.7**	369.1	350.0
Floating rate debt	**54.7**	133.2	162.0
	557.4	502.3	512.0

The average interest rate across the portfolio of debt including the impact of derivatives is 3.0% (2015: 3.2%, 2014: 3.4%).

The following table details the group's sensitivity to a 10% increase and decrease in currency rates and a 10 basis point (bps) increase and decrease in interest rates and the impact on profit and loss and equity. 10% sensitivity rate applied to foreign currency and 10bps movement applied to interest represents management's assessment of the reasonably possible change on foreign exchange rates and interest rates within a 12 month period. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. Similarly the interest rate sensitivity is based only on outstanding debt. The analysis includes the impact of financial derivatives. The results of the sensitivity analysis should not be considered as projections of likely future events, gains or losses as actual results may differ materially in the future as a result of developments in global financial markets impacting exchange rates and interest rates.

	Impact on income statement gain/(loss)			Impact on Comprehensive Income gain/(loss)		
	2016 £m	2015 £m	2014 £m	2016 £m	2015 £m	2014 £m
10% weakening of sterling	**14.9**	25.1	11.3	**18.4**	13.2	24.5
10% strengthening of sterling	**(12.2)**	(20.5)	(9.2)	**(15.1)**	(10.8)	(20.0)
10bps increase in interest rates	**(0.1)**	(0.1)	(0.2)	**-**	-	-
10bps decrease in interest rates	**0.1**	0.1	0.2	**-**	-	-

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. Credit risk arises on cash balances, derivative financial instrument and credit exposures to customers.

The carrying amount of financial assets represents the group's exposure to credit risk at the balance sheet date.

Credit risk is managed through application of risk management policies approved and monitored by the board. Financial credit risk is managed by limiting counterparties to major banks and financial institutions who are relationship banks providing revolving credit facilities. The group's policy is to spread the risk by using a number of banks to avoid significant concentrations of credit risk.

Trade and other receivable exposures are managed locally in the operating units where they arise and credit limits are set as deemed appropriate for the customer.

The group has a large number of customers which are internationally dispersed. The group uses credit insurance to limit its risk to 3rd party customers.

Reconciliation of Financial Instruments

31 March 2016	Fair Value £m	Loans and Receivables £m	Liabilities at amortised cost £m	Total £m	Current £m	Non-Current £m
Financial Assets						
Trade and other receivables	-	129.3	-	129.3	129.3	-
Cash and Cash equivalents	-	72.1	-	72.1	72.1	-
Derivatives in a hedge relationship	17.4	-	-	17.4	1.1	16.3
Derivatives not classified as hedges	-	-	-	-	-	-
	17.4	201.4	-	218.8	202.5	16.3
Financial Liabilities						
Trade and other payables	-	(136.2)	-	(136.2)	(136.2)	-
Borrowings	-	(12.3)	(545.1)	(557.4)	(205.1)	(352.3)
Derivatives in a hedge relationship	(11.8)	-	-	(11.8)	(5.7)	(6.1)
Derivatives not classified as hedges	(1.4)	-	-	(1.4)	(1.4)	-
	(13.2)	(148.5)	(545.1)	(706.8)	(348.4)	(358.4)
	4.2	**52.9**	**(545.1)**	**(488.0)**	**(145.9)**	**(342.1)**

31 March 2015	Fair value £m	Loans and Receivables £m	Liabilities at amortised cost £m	Total £m	Current £m	Non-Current £m
Financial Assets						
Trade and other receivables	-	123.2	-	123.2	123.2	-
Cash and Cash equivalents	-	56.5	-	56.5	56.5	-
Derivatives in a hedge relationship	7.7	-	-	7.7	1.1	6.6
Derivatives not classified as hedges	-	-	-	-	-	-
	7.7	179.7	-	187.4	180.8	6.6
Financial Liabilities						
Trade and other payables	-	(145.2)	-	(145.2)	(145.2)	-
Borrowings	-	(20.0)	(482.3)	(502.3)	(204.0)	(298.3)
Derivatives in a hedge relationship	(4.2)	-	-	(4.2)	(1.2)	(3.0)
Derivatives not classified as hedges	(1.0)	-	-	(1.0)	(0.9)	(0.1)
	(5.2)	(165.2)	(482.3)	(652.7)	(351.3)	(301.4)
	2.5	**14.5**	**(482.3)**	**(465.3)**	**(170.5)**	**(294.8)**

17 Risk Management (continued)

31 March 2014	Fair value £m	Loans and Receivables £m	Liabilities at amortised cost £m	Total £m	Current £m	Non-Current £m
Financial Assets						
Trade and other receivables	-	126.7	-	126.7	126.7	-
Cash and Cash equivalents	-	85.2	-	85.2	85.2	-
Derivatives in a hedge relationship	13.9	-	-	13.9	6.5	7.4
Derivatives not classified as hedges	-	-	-	-	-	-
	13.9	211.9	-	225.8	218.4	7.4
Financial Liabilities						
Trade and other payables	-	(135.9)	-	(135.9)	(135.9)	-
Borrowings	-	(19.3)	(492.7)	(512.0)	(141.8)	(370.2)
Derivatives in a hedge relationship	(21.1)	-	-	(21.1)	(19.4)	(1.7)
Derivatives not classified as hedges	-	-	-	-	-	-
	(21.1)	(155.2)	(492.7)	(669.0)	(297.1)	(371.9)
	(7.2)	**56.7**	**(492.7)**	**443.2**	**(78.7)**	**(364.5)**

Liquidity risk

Liquidity risk is the risk that the group may encounter difficulties in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets. The group manages liquidity risk through use of committed revolving credit facilities provided by a syndicate of banks with various maturity profiles. As at 31 March 2016 the Edrington Group Limited had £190m (2015: €225m, 2014: €225m) of committed facilities. As at 31 March 2016 the 1887 Company had £190m (2015: £310m, 2014: £310m) of committed facilities. Liquidity risk is reviewed further at Note 18.

18 Liquidity risk

The following table provides an analysis of the anticipated contractual cash flows for the groups' financial liabilities including derivative instruments on an undiscounted basis. Where interest rate payments are on a floating rate basis, rates of each cash flow until maturity of the instruments are calculated based on the forward yield curve prevailing at 31 March 2016, 31 March 2015 and 31 March 2014.

The gross cash flows of derivative contracts are presented for the purposes of this table, although in practice, the group uses netting arrangements to reduce its liquidity requirements on these instruments.

Contractual cash flows

31 March 2016	Notes	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 and thereafter £m	Total £m
Loans and other borrowings	(i)	(205.1)	(7.0)	(70.0)	-	-	(276.6)	(558.7)
Interest on borrowings	(ii)	(16.6)	(16.3)	(15.0)	(13.3)	(12.8)	(22.1)	(96.1)
Payables		(172.6)	-	-	-	-	-	(172.6)
Non-derivative financial liabilities		(394.3)	(23.3)	(85.0)	(13.3)	(12.8)	(298.7)	(827.4)
Gross amounts receivable from foreign exchange contracts		209.0	120.2	16.2	8.4	8.4	4.2	366.4
Gross amounts payable on foreign exchange contracts		(203.8)	(118.2)	(15.5)	(7.8)	(7.8)	(3.9)	(357.0)
Notional amount payable under cross currency swaps		-	-	4.6	-	-	11.9	16.5
Net interest payable under cross currency swaps		-	-	-	-	(0.1)	-	(0.1)
Derivative instruments		5.2	2.0	5.3	0.6	0.5	12.2	25.8

31 March 2015	Notes	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 and thereafter £m	Total £m
Loans and other borrowings	(i)	(204.0)	(90.7)	(6.5)	(50.2)	-	(148.7)	(500.1)
Interest on borrowings	(ii)	(10.6)	(11.1)	(10.7)	(9.2)	(8.1)	(11.2)	(60.9)
Payables		(181.3)	-	-	-	-	-	(181.3)
Non-derivative financial liabilities		(395.9)	(101.8)	(17.2)	(59.4)	(8.1)	(159.9)	(742.4)
Gross amounts receivable from foreign exchange contracts		167.2	97.7	12.9	9.3	8.1	12.2	307.4
Gross amounts payable on foreign exchange contracts		(165.9)	(95.1)	(12.5)	(8.9)	(7.8)	(11.7)	(301.9)
Notional amount payable under cross currency swaps		-	-	-	2.9	-	6.9	9.8
Net interest payable under cross currency swaps		(0.2)	(0.3)	(0.3)	(0.3)	(0.2)	(0.5)	(1.8)
Derivative instruments		1.1	2.3	0.1	3.0	0.1	6.9	13.5

31 March 2014	Notes	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 and thereafter £m	Total £m
Loans and other borrowings	(i)	(142.0)	(103.8)	(82.0)	(6.0)	(45.7)	(137.9)	(517.4)
Interest on borrowings	(ii)	(12.7)	(10.0)	(9.9)	(9.0)	(8.0)	(17.2)	(66.8)
Payables		(177.3)	-	-	-	-	-	(177.3)
Non-derivative financial liabilities		(332.0)	(113.8)	(91.9)	(15.0)	(53.7)	(155.1)	(761.5)
Gross amounts receivable from foreign exchange contracts		164.9	81.7	13.9	10.0	8.9	19.4	298.8
Gross amounts payable on foreign exchange contracts		(159.4)	(78.6)	(13.1)	(9.3)	(8.3)	(18.1)	(286.8)
Notional amount payable under cross currency swaps		-	-	-	-	(1.6)	(3.9)	(5.5)
Net interest payable under cross currency swaps		(1.4)	(1.3)	(1.3)	(1.2)	(1.0)	(6.1)	(12.3)
Derivative instruments		4.1	1.8	(0.5)	(0.5)	(2.0)	(8.7)	(5.8)

(i) For the purpose of these tables above, borrowings are defined as gross borrowings excluding fair value derivative instruments.
(ii) Carrying amount of interest on borrowings is included within interest payable in note 15.

Interest on other borrowings represents the gross interest payable on Private Placement denominated in GBP and in USD at prevailing forward rate and net interest including the impact of interest rate swaps on bank borrowings.

The facilities can be used for general corporate purposes. Certain of the borrowings include cross default provisions and negative pledges.

The committed bank facilities are subject to financial covenants, being EBITDA/Net Debt must not exceed 3.25 and Net Interest/EBITDA must exceed 3.0.

Any non-compliance with covenants could, if not waived, constitute an event of default with respect to any such arrangement, and any non-compliance with covenants may, in particular circumstances lead to an acceleration of maturity on certain borrowings. Edrington was in full compliance with its financial covenants throughout each of the years presented.

19 Derivative financial instruments

Fair Value Hierarchy

Fair value measurements of financial instruments are presented through use of a three level fair value hierarchy that prioritises the valuation techniques used in fair value calculations.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: inputs for the asset of liability are not based on observable market data.

	2016		2015		2014	
	Assets	**Liabilities**	Assets	Liabilities	Assets	Liabilities
Current:						
Hedging derivatives - Cash flow hedges						
– Foreign exchange rates	**1.1**	**(5.0)**	1.1	(0.9)	7.3	-
– Cross currency swaps	**-**	**-**	-	-	-	-
– Interest rate swaps	**-**	**(0.7)**	-	(0.3)	0.1	(1.7)
Non-hedging derivatives						
– Foreign exchange rate	**-**	**(1.4)**	-	(0.9)	-	-
Total current	**1.1**	**(7.1)**	1.1	(2.1)	7.4	(1.7)
Non-current:						
Hedging derivatives - Cash flow hedges						
– Foreign exchange rates	**0.9**	**(4.9)**	0.2	(2.8)	6.1	-
– Cross currency swaps	**15.4**	**-**	6.4	-	-	(16.7)
– Interest rate swaps	**-**	**(1.2)**	-	(0.2)	0.4	(2.7)
Non-hedging derivatives						
– Foreign exchange rate	**-**	**-**	-	(0.1)	-	-
Total non-current	**16.3**	**(6.1)**	6.6	(3.1)	6.5	(19.4)
	17.4	**(13.2)**	7.7	(5.2)	13.9	(21.1)

All fair values are level 2, based on discounted cash flows using quoted market prices for interest rates and exchange rates.

Foreign Exchange contracts

It is the group policy to enter into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions out to 24 months.

At the end of the reporting period the total notional amount of outstanding forward foreign exchange contracts to which the Company is committed is £354.8m (2015: £307.4m, 2014: £302.1m). Changes in the fair value of derivatives that are designated as and are effective cash flow hedges amounting to £4.4m (2015: £7.5m, 2014: £0.3m) have been recognised in other comprehensive income. A profit of £nil has been transferred out of other comprehensive income to finance costs (2015: £1.4m, 2014: £nil).

Change in fair value of derivatives not designated as hedges amount to £0.5m have been recognised in finance costs (2015: £1.4m, 2014: £nil).

20 Other liabilities

	Total £m
At 1 April 2015 and 31 March 2016	-
At 1 April 2014	14.9
Provided in the year	-
Utilised	(14.9)
At 31 March 2015	-

Other provisions in 2014 included an estimate of the potential liability related to the termination of a distribution agreement by Brugal. The provision was reduced during the year following payment of a second interim settlement. Following legal advice the Directors do not expect any further liability as a result of the on-going appeal process.

21 Deferred Tax

	Cash flow Hedges £m	Accelerated tax depreciation £m	Intangible Assets £m	Retirement benefit obligations £m	Withholding tax on Distributable Reserves £m	Other temporary differences £m	Property revaluation £m	Tax Losses £m	Total £m
At 1 April 2014	(0.1)	(27.4)	(147.4)	15.0	(2.2)	10.0	(1.5)	-	(153.6)
Reallocation from current tax creditor	-	-	-	-	-	4.1	-	-	4.1
Charge to income statement	-	(1.8)	73.5	(7.8)	-	0.5	-	-	64.4
Charge to other comprehensive income	1.8	-	-	4.5	(0.4)	(0.4)	-	-	5.5
At 31 March 2015	1.7	(29.2)	(73.9)	11.7	(2.6)	14.2	(1.5)	-	(79.6)
Charge to income statement	-	0.6	7.1	(2.2)	-	0.2	-	0.2	5.9
Charge to other comprehensive income	0.9	-	-	(5.9)	-	-	-	-	(5.0)
At 31 March 2016	**2.6**	**(28.6)**	**(66.8)**	**3.6**	**(2.6)**	**14.4**	**(1.5)**	**0.2**	**(78.7)**

Deferred tax assets and liabilities are offset where the group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2016 £m	2015 £m	2014 £m
Deferred tax asset	**17.3**	14.8	16.4
Deferred tax liability	**(96.0)**	(94.4)	(170.0)
	(78.7)	(79.6)	(153.6)

21 Deferred Tax (continued)

Company	Derivatives £m	Withholding tax on Distributable Reserves £m	Total £m
At 1 April 2014			
Charge to income statement	-	1.7	1.7
Charge to other comprehensive income	-	0.3	0.3
At 31 March 2015	**-**	**2.0**	**2.0**
Charge to income statement	-	0.1	0.1
Charge to other comprehensive income	(0.1)	-	(0.1)
At 31 March 2016	**(0.1)**	**2.1**	**2.0**

UK corporation tax rate changes

Finance (No.2) Act 2015, which was enacted in October 2015, provides that the main UK rate of corporation tax for the financial year commencing 1 April 2017 will be reduced to 19% and that the rate from 1 April 2020 will be 18%. Consequently, the deferred tax has been provided at a rate of 18%, being the rate at which the majority of temporary differences are expected to unwind.

Unrecognised deferred tax assets:

	2016 £m	2015 £m	2014 £m
Tax losses (capital in nature)	**1.6**	1.7	1.8

22 Called up share capital

Group and Company

	£m
Called up, allotted and fully paid	
At 1 April 2014 and 2015:	
550,000 'A' ordinary equity shares of 10p each	0.1
65,159,010 'B' ordinary equity shares of 10p each	6.5
	6.6
At 1 April 2015	6.6
Buy back and cancellation of shares	(0.2)
At 31 March 2016	6.4

The 'A' ordinary shares carry 500 votes per share on a poll. The 'B' ordinary shares carry 1 vote per share on a poll on a resolution affecting their rights, or to sanction a reduction of capital, or winding up of the Company or a sale of part of its undertaking, but no vote otherwise. Foreign controlled shares carry no voting rights. Dividends are paid according to the amount paid up per share. On a winding up, subject to the Articles, a liquidator may value any assets and determine how such assets shall be divided between the members or different classes of members.

In the year, the Company repurchased and cancelled £0.2m of shares.

23 Reserves

The retained earnings reserve includes the reserves of The Edrington Group Limited Employee Benefit Trust amounting to £40.1m (2015: £13.3m). There are restrictions on the parent Company's ability to distribute the reserves of the Employee Benefit Trust, while the realised profit of the Company is unaffected by the deduction from reserves for the own shares held by the Employee Benefit Trust.

An income statement is not presented in respect of the Company, as allowed by section 408 of the Companies Act 2006. The profit attributable to the shareholders dealt with in the financial statements of the Company amounted to £29.4m (2015: a loss of £103.6m).

Own shares

The Edrington Employee Benefit Trust was established by Trust Deed in June 1992 to act as a market for shares in The Edrington Group Limited, and it will, so far as possible, look to satisfy the demand for Edrington shares on maturity of the group's approved ShareSave Schemes.

The Employee Benefit Trust will also sell shares to the trustees of The Edrington Group ShareReward Scheme for those trustees to allocate in accordance with the rules of that Scheme. The Employee Benefit Trust also distributes shares under a shadow ShareReward Scheme for those directors not entitled to participate in the approved Edrington Group ShareReward Scheme.

The Employee Benefit Trust holds 2,717,813 'B' ordinary shares (2015: 3,829,834 shares) with a cost of £32.2m (2015: £40.6m).

The charge to the group consolidated income statement this year in respect of share awards by the ShareReward Scheme was £nil (2015: £1.1m).

Previously the Employee Benefit Trust offered certain individuals in the employment of The Edrington Group, the facility of a loan to assist in the purchase of shares in The Edrington Group Limited. The Employee Benefit Trust holds the shares in its own name on behalf of the employees, as security for the loans. At 31 March 2016 the Employee Benefit Trust held a further 134,750 (2015: 134,750) 'B' ordinary shares in its own name as security against employee loans of £0.2m (2015: £0.2m).

Share premium

Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

Merger reserve

This reserve arose as a result of a group reconstruction. This represents the issued share capital and share premium amount in the Company's subsidiary undertaking.

Capital reserve

This reserve represents the Company's long-term capital investment projects or any other large and anticipated expense(s) that will be incurred in the future.

Capital redemption reserve

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

Revaluation reserve

Subsequent to initial recognition, an item of property, plant and equipment and, in certain circumstances, an intangible asset, may be revalued to fair value. The revaluation surplus is recognised in equity, unless it reverses a decrease in the fair value of the same asset which was previously recognised as an expense, in which case it is recognised in the income statement.

Liability for share based payments

Share based payments include share awards and options granted to directors and employees. This reserve represents shares to be issued on potential exercise of those share options that have been accounted for under IFRS 2 Share based payments.

23 Reserves (continued)

Retained earnings

Retained earnings reflect the Company's accumulated earnings less dividends paid and payable.

Cash flow hedge reserve

This reserve represents the effective portion of gains and losses, net of tax, arising from the revaluation of a financial instrument designated as a cash flow hedge, is deferred in a separate component of equity.

24 Cash flow hedge reserve

	Company £m	Group £m
Balance at 1 April 2014	2.3	0.4
Gain/(loss) arising on changes in fair value of hedging instruments (cash flow hedges)		
– Forward foreign exchange contracts	-	(9.6)
– Cross currency swaps	-	1.0
– Interest rates swaps	-	0.8
Cumulative gain/(loss) arising on changes in fair value of hedging instruments reclassified to income statement		
– Forward foreign exchange contracts	-	(4.0)
– Cross currency swaps	-	-
– Interest rates swaps	(2.3)	2.5
Total movement in cash flow hedge reserve	-	(9.3)
Balance at 31 March 2015	**-**	**(8.5)**
Gain/(loss) arising on changes in fair value of hedging instruments (cash flow hedges)		
– Forward foreign exchange contracts	-	(4.7)
– Cross currency swaps	-	1.9
– Interest rates swaps	(0.8)	(1.6)
Cumulative gain/(loss) arising on changes in fair value of hedging instruments reclassified to income statement		
– Forward foreign exchange contracts	-	(0.3)
– Cross currency swaps	-	-
– Interest rates swaps	-	0.3
Total movement in cash flow hedge reserve	(0.8)	(4.4)
Balance at 31 March 2016	**(0.8)**	**(12.9)**

25 Acquisition of subsidiary

On 1 April 2015, the group acquired 100% of the issued share capital of Edrington European Travel Retail Ltd (formally Maxxium Travel Retail Ltd) obtaining control of the company. Edrington European Travel Retail is involved in the sale and distribution of alcoholic beverages and was acquired to secure route to market in the European travel retail sector.

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

	£m
Inventory	2.0
Trade and other receivables	12.6
Trade and other payables	(10.3)
Bank borrowings	(1.6)
Total identifiable assets	2.7
Goodwill	-
Total Consideration	**2.7**

	£m
Satisfied by:	
Cash	2.7
Total Consideration transferred	**2.7**
Net cash outflow arising on acquisition	
Cash consideration	(2.7)
Overdrafts acquired	(1.6)
	(4.3)

26 Analysis of net debt

	At 1 April 2015 £m	Exchange adjustment £m	Cash flow £m	**At 31 March 2016 £m**
Cash in hand (net of profits)	56.5	0.4	15.2	**72.1**
Bank overdrafts	(20.0)	-	7.6	**(12.4)**
	36.5	0.4	22.8	**59.7**
Bank loans	(281.0)	-	64.9	**(216.1)**
US private placement financing	(202.0)	(6.6)	(120.1)	**(328.7)**
Loan notes	(0.1)	-	-	**(0.1)**
Total loans	(483.1)	(6.6)	(55.2)	**(544.9)**
Net debt before current asset investments	(446.6)	(6.2)	(32.4)	**(485.2)**
Current asset investments	0.9	-	-	**0.9**
Total net debt	(445.7)	(6.2)	(32.4)	**(484.3)**

26 Analysis of net debt (continued)

Reconciliation of net cash flow to movement in net debt

	2016 £m	2015 £m	2014 £m
Increase/(decrease) in cash in hand in the year	**22.8**	(32.4)	14.4
Net cash (inflow)/outflow on loans	**(55.2)**	22.5	0.1
Change in net debt resulting from cash flows	**(32.4)**	(9.9)	14.5
Non cash movement in current asset investments	**-**	(0.2)	0.4
Exchange adjustment	**(6.2)**	(8.3)	7.7
Movement in net debt in year	**(38.6)**	(18.4)	22.6
Net debt at 1 April	**(445.7)**	(427.3)	(449.9)
Net debt at 31 March	**(484.3)**	(445.7)	(427.3)

27 Transactions with related parties

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its joint ventures and associates are disclosed below.

The group made purchases of £10.6m (2015: £13.3m) and received services to the value of £6.9m (2015: £5.9m) from Lothian Distillers Limited a joint venture of the group. The group also made purchases of £3.5m (2015: £3.3m) from its joint venture Row & Company Limited and made sales to that Company of £4.0m (2015: £4.5m). The group made sales to other joint ventures amounting to £106.6m (2015: £163.6m) and received services to the value of £52.7m (2015: £55.1m). The balances due to/from joint ventures in respect of these transactions are as disclosed in the table below. The group made sales amounting to £4.6m (2015: £5.5m) and made purchases amounting to £nil (2015: £0.7m) to Suntory Liquors Limited, a related party.

The group has an interest-free loan from Lothian Distillers Limited for £6.0m (2015: £6.0m) included in note 15.

The Edrington Group Limited received dividends of £31.5m (2015: £38.5m) from its subsidiary, The 1887 Company Limited. The directors of The Edrington Group Limited received dividends from the group totalling £0.2m in the year (2015: £0.2m).

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

	2016 £m	2015 £m	2014 £m
Balance Sheet Items			
Group Payables	**(23.0)**	(31.9)	(24.4)
Group Receivables	**23.4**	42.5	38.2
	0.4	10.6	13.8

28 Share based payments

Equity-settled share option scheme

The Company operates 2 share schemes for employees – a ShareSave scheme and a ShareReward scheme. The group recognised total expenses of £0.5m relating to equity-settled share based payment transactions in the year to 31 March 2016 (2015: £1.9m, 2014: £2.8m).

The ShareSave scheme is a share option scheme for all employees of the group. Options are exercisable at the market price of the Company's shares on the date of grant. The vesting period is 3 years. If the options remain unexercised after a period of 3½ years from the date of grant, the options expire. Substantially all options are exercised upon vesting. Options are forfeited if the employee leaves the group before the options vest.

Details of the share options outstanding in respect of the ShareSave scheme during the year are as follows:

	2016		2015		2014	
	Number of share options	**Weighted average exercise price (£)**	Number of share options	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)
Outstanding at 1 April	**512,729**	**£12.70**	434,811	£10.25	548,650	£7.54
Granted during the year	**164,147**	**£15.86**	251,098	£13.76	130,392	£13.31
Exercised during the year	**(134,238)**	**£10.14**	(164,400)	£7.92	(227,897)	£5.52
Forfeited during the year	**(11,116)**	**£13.67**	(8,780)	£11.22	(16,334)	£9.49
Outstanding at 31 March	**531,522**	**£14.30**	512,729	£12.70	434,811	£10.25

The weighted average share price at the date of exercise for share options exercised during the period was £10.14 (2015: £7.92, 2014: £5.52). The options outstanding at 31 March 2016 had a weighted average exercise price of £14.30 (2015: £12.70, 2014: £10.25), and a weighted average remaining contractual life of 2 years (2015: 2 years, 2014: 2 years). The fair value of the options granted on 1 April 2015 was £0.4m (on 1 April 2014: £0.8m, on 1 April 2013: £0.5m).

The fair value of shares and options granted is calculated at grant date using the Black-Scholes model. The inputs into the Black-Scholes model are as follows:

Grant date	1 April 2015	1 April 2014	1 April 2013
Share price at grant date	£19.82	£17.19	£16.64
Exercise price at grant date	£15.86	£13.76	£13.31
Expected volatility	8%	17%	25%
Expected life	3 years	3 years	3 years
Risk free rate	0.7%	1.2%	0.3%
Expected dividend yield	2.3%	2.4%	2.3%

Expected volatility was determined by calculating the historical volatility of the group's share price over the previous three years.

Share Reward disclosure requirements

The ShareReward scheme allows eligible employees to be awarded shares to the value of a common percentage of their earnings, dependant on the performance of the group up to a maximum of 10% of annual salary. The shares awarded are held in trust for five years. The ShareReward scheme was not triggered in 2016 and was partially triggered in 2015.

29 Retirement benefit liabilities

	2016 £m	2015 £m	2014 £m
Retirement benefit liabilities comprise:			
Defined benefit liabilities in principal subsidiaries	**(18.3)**	(56.4)	(69.0)
Other defined benefit liabilities	**(2.5)**	(2.4)	(1.9)
Other post-retirement benefits	**(1.8)**	(1.8)	(2.3)
	(22.6)	(60.6)	(73.2)

29 Retirement benefit liabilities (continued)

Defined benefit schemes

The group operates two defined benefit pension schemes in the UK providing benefits based on final salary, which have been closed to new employees since 2008. On 31 October 2014 the group ceased future accrual on the two defined benefit pension schemes. The benefit commitments are funded in advance and the assets of the schemes are held in separate trustee administered funds. The contributions are determined by a qualified actuary on the basis of regular valuations using the projected unit method.

The most recent actuarial valuations of the defined benefit pension schemes and other post-retirement benefits were undertaken in March 2013. Both valuations were performed by independent, professionally qualified actuaries.

The notes below relate only to the principal defined benefit schemes in the group on the basis of their materiality.

The major assumptions used by the actuary were as follows:

	2016	2015	2014
Rate of increase in salaries	**n/a**	n/a	4.4%
Rate of increase of pensions in payment	**1.9%-3.6%**	1.9%-3.6%	2.1%-3.7%
Discount rate	**3.6%**	3.3%	4.4%
Inflation assumption (RPI/CPI)	**3.1%/2.1%**	3.1%/2.1%	3.4%/2.4%
Medical benefits inflation assumption	**5.6%**	5.6%	5.7%

The post retirement mortality assumptions used to value the benefit obligation at 31 March 2014 - 2016 were those of the S1PXA actuarial index, adjusted by 94% (2015: 94%, 2014: 94%) for both males and females, plus an allowance for 'CMI 2015 with a long term improvement rate of 1.5%'. Assumed life expectancy for scheme members currently aged 65 is 23 years for males, and 25 years for females, and for members currently aged 50 is expected to be 24 years (male) and 27 years (female) upon reaching 65.

The assets in the schemes and the expected rates of return were:

	2016 Rate of return %	**2016 Value £m**	2015 Rate of return %	2015 Value £m	2014 Rate of return %	2014 Value £m
Equities	**-**	**30.4**	-	32.6	7.4%	40.3
Corporate bonds	**-**	**114.6**	-	112.9	4.3%	99.8
Bonds	**-**	**137.6**	-	128.2	3.4%	71.2
Cash	**-**	**1.3**	-	0.7	0.5%	0.7
Property	**-**	**-**	-	-	6.8%	13.6
Insured pensions	**-**	**6.0**	-	6.5	4.4%	5.4
Growth Fund	**-**	**28.7**	-	27.0	7.4%	24.8
Total fair value of assets		**318.6**		307.9		255.8
Present value of scheme liabilities		**(336.9)**		(364.3)		(324.8)
Deficit in pension schemes		**(18.3)**		(56.4)		(69.0)

Under IFRS the expected rate of return on scheme assets is restricted to the scheme discount rates, therefore individual asset expected returns have not been disclosed as they are no longer relevant.

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

	2016 £m	2015 £m
Current service cost	**-**	(2.8)
Past service cost	**-**	-
Gain/(loss) on curtailment of pension liabilities	**-**	29.1
	-	26.3

Analysis of net charge to finance costs

	2016 £m	2015 £m
Expected return on pension schemes assets	**10.2**	11.3
Interest on pension liabilities	**(11.8)**	(14.1)
Net charge to finance costs	**(1.6)**	(2.8)

Analysis of amount recognised in other comprehensive income (OCI)

	2016 £m	2015 £m	2014 £m
Actual return less expected return on assets	**(1.1)**	37.2	(4.3)
Experience gains and losses on liabilities	**(1.8)**	(1.5)	1.6
Changes in assumptions	**29.1**	(60.4)	(0.6)
Actuarial gain/(loss) recognised in the OCI	**26.2**	(24.7)	(3.3)

	2016 £m	2015 £m	2014 £m
Reconciliation of fair value of scheme assets			
Opening fair value of scheme assets	**307.9**	255.8	248.7
Expected return on assets	**10.2**	11.3	11.0
Employers' contributions	**13.5**	13.8	15.5
Members' contributions	**-**	0.6	1.1
Actuarial (losses)/gains	**(1.1)**	37.2	(4.3)
Assets distributed on settlements	**-**	-	(6.2)
Benefits paid	**(11.9)**	(10.8)	(10.0)
Closing fair value of scheme assets	**318.6**	307.9	255.8

	2016 £m	2015 £m	2014 £m
Reconciliation of defined benefit obligation			
Opening defined benefit obligation	**(364.3)**	(324.8)	(319.7)
Current service cost	**-**	(2.8)	(5.5)
Past service cost	**-**	-	(1.2)
Interest cost	**(11.8)**	(14.1)	(14.3)
Members' contributions	**-**	(0.6)	(1.1)
Actuarial gains/(losses)	**27.3**	(61.9)	1.0
Gain on curtailment	**-**	29.1	-
Liabilities extinguished on settlements	**-**	-	6.0
Benefits paid	**11.9**	10.8	10.0
Closing defined benefit obligation	**(336.9)**	(364.3)	(324.8)

29 Retirement benefit liabilities (continued)

	2016 £m	2015 £m	2014 £m
Movement in deficit during the year			
Deficit in schemes at beginning of year	**(56.4)**	(69.0)	(71.0)
Current service cost	**-**	(2.8)	(5.5)
Past service cost	**-**	-	(1.2)
Gain/(loss) on curtailment of scheme liabilities	**-**	29.1	(0.2)
Contributions	**13.5**	13.8	15.5
Net interest cost	**(1.6)**	(2.8)	(3.3)
Actuarial gains/(losses)	**26.2**	(24.7)	(3.3)
Deficit in schemes at end of year	**(18.3)**	(56.4)	(69.0)

The actual return on plan assets was £9.1m (2015: £48.5m, 2014: £5.2m).

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Five year history:					
Total fair value of assets	**318.6**	307.9	255.8	248.7	219.2
Present value of scheme liabilities	**(336.9)**	(364.3)	(324.8)	(319.7)	(275.3)
Deficit in pension scheme	**(18.3)**	(56.4)	(69.0)	(71.0)	(56.1)
History of experience gains and losses					
Experience adjustments on schemes' assets	**(1.1)**	37.2	(4.3)	13.5	3.8
Percentage of schemes' assets	**0.3%**	12.1%	1.7%	5.4%	1.7%
Experience adjustments on schemes' liabilities	**(1.8)**	(1.5)	1.6	(5.2)	4.4
Percentage of schemes' liabilities	**0.5%**	0.4%	0.5%	1.6%	1.6%
Total amount recognised in statement of other comprehensive income	**26.2**	(24.7)	(3.3)	(23.2)	(21.4)
Percentage of schemes' liabilities	**7.8%**	6.8%	1.0%	7.3%	7.8%

Sensitivity analysis

The sensitivity of the present value of scheme liabilities to changes in the principle assumptions used at 31 March 2016 is set out below:

Assumption	Sensitivity	Financial impact on overall liability Year to 31 March 2016	Financial impact on overall liability Year to 31 March 2015
Discount rate	+/- 0.5%	Decrease/increase by £33.0m	Decrease/increase by £37.5m
Mortality – increase in life expectancy	+/- 1 year	Decrease/increase by £9.3m	Decrease/increase by £10.6m
Increase in inflation	+/- 0.5%	Decrease/increase by £26.8m	Decrease/increase by £29.1m

Methods and assumptions used in preparing the sensitivity analysis

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Mortality Assumptions

	31 March 2016 Males	Females	31 March 2015 Male	Females	31 March 2014 Male	Females
Average future life expectancy (in years) for a member aged 65 at 31 March	**22.8**	**25.1**	23.0	25.5	22.9	25.3
Average future life expectancy (in years) at age 65 for a member aged 50 at 31 March	**24.4**	**26.9**	24.5	27.0	24.6	27.0

Defined benefit schemes

The group paid deficit reduction payments of £13.5m (2015: £11.6m) to the pension schemes during 2016.

In addition to the group defined benefit schemes, Maxxium UK Limited, Maxxium Nederland BV and Lothian Distillers Limited operate defined benefit schemes. The group's aggregate share of the net pension deficit of these joint ventures is £11.2m (2015: 11.8m).

Defined contribution schemes

The group operates a number of defined contribution schemes for employees in the UK and overseas. The pension cost charge for the year in respect of the group's defined contribution schemes amounted to £4.5m (2015: £2.5m).

	2016 £m	2015 £m	2014 £m
Other post-retirement benefits			
Potential liability for discretionary post-retirement benefits	**(1.8)**	(1.8)	(2.3)

30 Other contractual obligations

	2016 £m	2015 £m	2014 £m
Contracted but not provided for			
– material purchase commitments	**20.2**	22.0	24.4
– capital commitments	**111.4**	82.0	66.2
	131.6	104.0	90.6

Other contractual obligations comprise commitments for expenditure that has not been provided for in these financial statements.

Material purchase obligations include various long term purchase contracts entered into for the supply of certain materials, principally malt barley. The contracts are used to guarantee supply of these materials over the long term and to enable more accurate management of future costs.

Capital commitments represent contracts entered into for the provision of casks and buildings inclusive of a £46.9m (2015: £2.3m) commitment in respect of the expansion of The Macallan Distillery.

31 Control

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

32 Post Balance Sheet Events

On 1 April 2016 the Company acquired the additional 50% of Edrington FIX Middle East (EFME). The new business will continue to trade as EFME, responsible for distribution in the Middle East and Africa.

On 18 April 2016 the Company announced plans to move to a new Head Quarters in early 2017, at which point the office in West Kinfauns, Perth will close.

On 2 June 2016 the group entered into a new revolving credit facility of £430m, with amounts repayable each year to 2020 and with an accordion allowing a further £100m to be drawn down in 2017 (an accordion is an agreed understanding with the banks that we can increase the facility without a formal commitment).

33 First-time adoption of IFRS

The date of transition to IFRS is 1 April 2014. The group applied IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS) in preparing these first IFRS consolidated financial statements. The effect of the transition to IFRS on equity, total comprehensive income and reported cash flows are presented in this section and are further explained in the notes that accompany the tables.

33.1 First-time adoption exemptions applied

Upon transition, IFRS1 permits certain exemptions from full retrospective application of IFRS. The group has applied the mandatory exceptions as set out below. No optional exemptions were exercised.

Mandatory exceptions adopted by the group:

i. Financial assets and liabilities that had been de-recognised before the date of transition to IFRS previously under UK GAAP have not been recognised under IFRS.

ii. The group has only applied hedge accounting in the opening statement of financial position where all the requirements in IAS 39 were met at the date of transition.

iii. The group has used estimates under IFRS that are consistent with those previously applied under UK GAAP (with adjustment for accounting policy differences) unless there is objective evidence those estimates were in error.

33.2 Reconciliation of equity

			1 April 2014			31 March 2015	
Assets	Note	UK GAAP £m	Effect of transition to IFRS £m	IFRS £m	UK GAAP £m	Effect of transition to IFRS £m	IFRS £m
Non-current							
Intangible assets		661.9	4.0	665.9	386.4	4.2	390.6
Property, plant and equipment		241.9	(4.0)	237.9	290.4	(4.2)	286.2
Investment in subsidiaries		-	-	-	-	-	-
Investment in a joint venture		55.3	-	55.3	49.6	-	49.6
Other investments		8.0	-	8.0	9.1	-	9.1
Derivative financial instruments	a	-	6.5	6.5	-	6.6	6.6
Deferred tax assets	b, c	-	16.4	16.4	-	14.8	14.8
Total non-current assets		**967.1**	**22.9**	**990.0**	**735.5**	**21.4**	**756.9**
Current							
Inventories		384.2	-	384.2	407.7	-	407.7
Trade and other receivables		126.7	-	126.7	123.2	-	123.2
Current asset investments		1.1	-	1.1	0.9	-	0.9
Derivative financial instruments	a	-	7.4	7.4	-	1.1	1.1
Cash and bank balances		85.2	-	85.2	56.5	-	56.5
Current tax asset		-	16.8	16.8	-	13.2	13.2
Total current assets		**597.2**	**24.2**	**621.4**	**588.3**	**14.3**	**602.6**
Total assets		**1,564.3**	**47.1**	**1,611.4**	**1,323.8**	**35.7**	**1,359.5**

	Note	1 April 2014 UK GAAP £m	1 April 2014 Effect of transition to IFRS £m	1 April 2014 IFRS £m	31 March 2015 UK GAAP £m	31 March 2015 Effect of transition to IFRS £m	31 March 2015 IFRS £m
Capital and reserves							
Share capital		6.6	-	6.6	6.6	-	6.6
Share premium		0.5	-	0.5	0.5	-	0.5
Merger reserve		29.5	-	29.5	29.5	-	29.5
Capital reserve		35.8	-	35.8	35.8	-	35.8
Capital redemption reserve		1.0	-	1.0	1.0	-	1.0
Revaluation reserve		7.7	-	7.7	7.5	-	7.5
Liability for share based payments		3.2	-	3.2	2.0	-	2.0
Retained earnings	e	349.7	(97.1)	252.6	232.5	(48.2)	184.3
Cash flow hedge reserve	a	-	0.4	0.4	-	(8.5)	(8.5)
Non-controlling interest	d	363.0	(57.4)	305.6	287.4	(30.4)	257.0
Total equity		**797.0**	**(154.1)**	**642.9**	**602.8**	**(87.1)**	**515.7**
Non-current liabilities							
Borrowings	a	379.3	(9.1)	370.2	285.2	13.1	298.3
Retirement benefit obligation	c	58.2	15.0	73.2	48.9	11.7	60.6
Other liabilities		14.9	-	14.9	-	-	-
Deferred tax liabilities	b	15.2	154.8	170.0	13.1	81.3	94.4
Derivative financial instruments	a	-	19.4	19.4	-	3.1	3.1
Total non-current liabilities		**467.7**	**180.1**	**647.7**	**347.2**	**109.2**	**456.4**
Current liabilities							
Trade and other payables		51.5	(0.1)	51.4	54.4	-	54.4
Borrowings		142.0	(0.2)	141.8	204.0	-	204.0
Derivative financial instruments	a	-	1.7	1.7	-	2.1	2.1
Current tax liabilities		8.8	16.8	25.6	5.5	13.2	18.7
Other liabilities	a	97.4	2.9	100.3	109.7	(1.5)	108.2
Total current liabilities		**299.7**	**21.1**	**320.8**	**373.7**	**13.6**	**387.4**
Total liabilities		**767.4**	**201.2**	**968.5**	**721.0**	**122.8**	**843.8**
Total equity and liabilities		**1,564.4**	**47.1**	**1,611.4**	**1,323.8**	**35.7**	**1,359.5**

33.3 Reconciliation of total comprehensive income

Total comprehensive income for the reporting period ended 31 March 2015 can be reconciled to the amounts reported previously under UK GAAP as follows:

	Note	UK GAAP Pre-exceptional £m	UK GAAP Exceptional £m	UK GAAP Total £m	Effect of transition to IFRS £m	IFRS Pre-exceptional £m	IFRS Exceptional £m	IFRS Total £m
Group Revenue	f	**617.7**	**-**	**617.7**	**(42.2)**	**575.5**	**-**	**575.5**
Cost of Sales	f, g	(435.0)	-	(435.0)	43.0	(392.0)	-	(392.0)
Gross Profit		**182.7**	**-**	**182.7**	**0.8**	**183.5**	**-**	**183.5**
Other administration costs	c	(14.6)	(209.6)	(224.2)	11.7	(2.9)	(209.6)	(212.5)
Group Operating Profit		**168.1**	**(209.6)**	**(41.5)**	**12.5**	**180.6**	**(209.6)**	**(29.0)**
Share of Operating Profit in JV's		13.0	1.1	14.1	-	13.0	1.1	14.1
Income from investments		0.3	-	0.3	-	0.3	-	0.3
Earnings before interest and tax		**181.4**	**(208.5)**	**(27.1)**	**12.5**	**193.9**	**(208.5)**	**(14.6)**
Interest income		-	-	-	0.9	0.9	-	0.9
Interest payable and similar charges	h	(23.8)	(1.8)	(25.6)	(2.3)	(26.1)	(1.8)	(27.9)
Loss on ordinary activities before taxation		**157.6**	**(210.3)**	**(52.7)**	**11.1**	**168.7**	**(210.3)**	**(41.6)**
Taxation on profit on ordinary activities		(33.5)	(5.7)	(39.2)	71.3	(35.7)	67.8	32.1
Loss on ordinary activities after taxation		**124.1**	**(216.0)**	**(91.9)**	**82.4**	**133.0**	**(142.5)**	**(9.5)**
Attributable to non-controlling interests		(52.9)	89.0	36.1	(29.0)	(53.3)	60.4	7.1
Profit/(loss) for the financial year		**71.2**	**(127.0)**	**(55.8)**	**53.4**	**79.7**	**(82.1)**	**(2.4)**

Loss for the year attributable to owner	(2.4)
Loss for the year attributable to non-controlling interest	(7.1)
	(9.5)
Other comprehensive income:	
Items recognised in other comprehensive income under IFRS, net of tax	(52.5)
Total comprehensive income	**(62.0)**
Attributable to parent	(37.2)
Attributable to non-controlling interest	(24.8)

33.4 Notes to the reconciliations

The transition to IFRS has resulted in the following changes:

a) The fair value of derivative financial instruments is recognised under IFRS, and was not recognised under UK GAAP. Upon transition to IFRS, after recognition of deferred tax, the effect of the changes is a decrease in equity totalling £11.8m, of which £8.5m is recognised in the cash flow hedge reserve (2014: £0.4m).

b) The deferred tax liability was increased as follows:

	2014 £m	2015 £m
Recognition of the brand valuation deferred tax liability	154.8	81.3
Reallocation of deferred tax asset from pension liability (note c)	(15.0)	(11.7)
Recognition of derivative financial instruments	(1.5)	(2.0)
Withholding tax on distributable reserves	0.6	0.6
Other	(0.5)	(1.7)
Total	138.4	66.5

The net effect of the above changes is a reduction in equity (retained earnings) of £55.5m.

c) Under UK GAAP, the recognised pension liability included the deferred tax asset balance. Under IFRSs, the deferred tax liability is disclosed separately, resulting in an increase of £11.7m (2014: £15.0m) in the retirement benefit obligation which was offset by an equal and opposite increase in the deferred tax asset. The change does not affect equity.

d) The impact on non-controlling interests is a result of the reduction in retained earnings of the 1887 Group, primarily due to the recognition of the deferred tax liability on the intangible brand value.

e) The effect of the changes outlined above is a decrease in retained earnings of £48.2m:

	2014 £m	2015 £m
Deferred tax net of non controlling interests	98.1	48.7
Short-term employee benefits accrual	1.1	-
Non-controlling interest adjustments	(2.1)	(0.6)
Other	-	0.1
Effect of transition to IFRS on retained earnings	**97.1**	**48.2**

f) The comparative figures for revenue and cost of sales reflect the reclassification of £40.2m to better reflect certain sales costs incurred by the Company. This has no effect on reported gross margin.

g) The transition to IFRS has resulted in an increase of £0.7m in gross margin, and includes the unwind of a hedging instrument recognised under UK GAAP but no longer recognised under IFRS.

h) Interest costs have increased by £1.4m, as a result of adoption of IAS 19 restricting the recognised asset returns. The associated tax charge in respect of this adjustment is £0.2m.

33.5 Presentation differences

Certain presentation differences between UK GAAP and IFRS have no impact on reported profit or total equity.

Some line items are described differently (renamed) under IFRS compared to UK GAAP, although the assets and liabilities included in these lines are unaffected. These line items are as follows (with UK GAAP comparatives added in brackets):

> Property, plant and equipment (Tangible Assets)

> Share premium (Additional paid-in capital)

33.6 Statement of cash flows

The transition from UK GAAP to IFRS has not had a material impact on the statement of cash flows.

33.7 First-time adoption of FRS101

The date of transition to FRS 101 is 1 April 2014. The table below, with accompanying notes, details the reconciliation of total equity for the company for the year ended 31 March 2015 to highlight the impact of the transition.

	Note	UK GAAP 2014 £m	Effect of transition to FRS 101 £m	FRS 101 2014 £m	UK GAAP 2015 £m	Effect of transition to FRS 101 £m	FRS 101 2015 £m
Share capital		6.6	-	6.6	6.6	-	6.6
Share premium		0.5	-	0.5	0.5	-	0.5
Capital Redemption Reserve		1.0	-	1.0	1.0	-	1.0
Liability for Share based payments		3.2	-	3.2	2.0	-	2.0
Retained Earnings	a	321.6	18.7	340.3	187.8	25.3	213.1
Cash flow hedge reserve	b	-	2.3	2.3	-	-	-
Total equity		**332.9**	**21.0**	**342.6**	**197.9**	**25.3**	**223.2**

a. As the sponsoring company of The Edrington Group Limited Employee Benefit Trust, The Edrington Group Limited recognised the assets and liabilities of the EBT under UK GAAP. Upon transition to FRS 101, the EBT assets and liabilities are no longer recognised. The impact of this change is an increase in equity totalling £25.3m (2014: £18.7m), all of which is recognised through retained earnings.

b. The fair value of derivative financial instruments is recognised under IFRS, and was not recognised under UK GAAP.

There were no other material changes arising from the transition to FRS 101 for the Company.

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