EDRINGTON

LOOKING FORWARD

ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

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For the year ended 31 March 2012

Cover Image:
Wing Yeung at the Edrington Hong Kong office during a master class for The Macallan.

www.edringtongroup.com
Company Registration No: SC36374

EDRINGTON

Edrington Looking Forward with

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Emerging opportunities

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Increased optimism for Scotch whisky and rum

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Confidence in our ability

Last year the Company* celebrated its 150th anniversary. Our heritage remains a source of inspiration as we focus on the future opportunities in premium spirits. In this year's Annual Report we cover the results for 2011/12 and explain why Edrington is Looking Forward.

* In the context of the Annual Report, the 'Company' 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 auditors' report from page 38 onwards.

Financial Highlights

Group turnover

2012	£556.1m
2011	£553.4m
2010	£468.3m
2009	£419.9m

+0.5%
increase in group turnover

Profit before tax*

2012	£148.8m
2011	£141.5m
2010	£118.6m
2009	£94.8m

+5.2%
increase in profit before tax

*excluding exceptional items

Shareholders' earnings*

2012	£70.5m
2011	£65.0m
2010	£54.1m
2009	£41.4m

+8.5%
increase in Shareholders' earnings

*excluding exceptional items

Dividend per share

2012	30.0p
2011	27.0p
2010	23.25p
2009	18.6p

+11.1%
increase in dividends per share payable


12
YEARS
OLD
The
ACALLAN®
FINE OAK
MATURED
AND SINGLE MALT
OTCH WHISKY
12
TWELVE YEARS OLD
DISTILLERS LTD
PRODUCT OF SCOTLAND
700 ml

1 Emerging opportunities

New York never sleeps

Edrington recently opened an office on 5th Avenue, New York City. The team in NYC is responsible for the company's activity in the Americas.

North America continues to be a large scale opportunity for premium spirits with exciting demand for perfectly mixed drinks. Establishing closer links to the consumer has made it possible to scale up marketing programmes to capitalise on this trend.

The Macallan remains the flagship brand in North America and has been joined recently by Brugal 1888, the ultra-premium expression in the Brugal range.

The New York launch of Brugal 1888, capturing the spectacular setting of the rooftop bar at ink48.


EXIT

Emerging opportunities

Clockwise from top:

Juan Campos, brand development manager Brugal.

Paul Ross (centre), international development director and his senior team.

Morgan Shobert, finance analyst, and Shibani Bhujle, team co-ordinator, on the rooftop garden of Edrington Americas.

Chairman's Statement

The theme of this year's report is "Looking Forward", reflecting the current optimism surrounding the Scotch whisky and rum markets. In the last year the industry has performed strongly, breaking export records for a 7th consecutive year.

The economic contribution of the industry to the UK balance of payments is even more critical than before. Whilst debate rages about the best way to stimulate economic recovery, Scotch whisky steadfastly contributes £134 per second to UK Plc. In the context of the Scottish economy the value of Scotch whisky has grown at an impressive pace, accounting for over 80% of all food and drink exports.

However export success is dependent on our ability to compete on an equitable basis with other spirits categories. Unfortunately there are still many international instances of protective trade barriers preventing fair competition and favouring local spirits. We hope that the UK government continues and builds on its international support for the removal of barriers to trade to provide a level playing field on which we can compete effectively.

Scotch whisky is a growth story and the impressive performance is a result of hard work and entrepreneurship. Struggling economies in Southern Europe continue to place a drag on performance but the industry and Edrington have energetically pursued exciting new markets. Emerging opportunities for Scotch reflect a wide range of countries where economies are in growth and forecast to remain so.

In these fast developing economies Scotch whisky arrives at the start line alongside many other global spirits categories, and some local ones too. Years spent developing Scotch whisky's image as an iconic emblem of Scotland give it an advantage but investment must continue in order to remain competitive. In the past year our company has sustained its high level of investment in brands, operations and people to take advantage of growth opportunities.

Edrington's frontier now extends to Europe, Asia, North and South America. These overseas teams have allowed us to get closer to consumers in all four continents and to be flexible about their local priorities. It's a successful model that has been rewarded with further investment. For example, our Americas office in New York opened in 2011 and has added a further 31 staff during 2012.

This is an exciting and challenging time to be working in the international development of rum and Scotch whisky. With the right people in the right places and a wonderful brand portfolio, I am confident about the future prospects for Edrington.

Finally, I am also pleased to welcome Norman Murray to the board of directors. Norman was appointed as a non-executive director on 1 April 2012. I am certain that his extensive experience in business will be an important asset as Edrington plans its next phase of growth.

Ian Good.

Sir Ian Good
Chairman

12 June 2012

2
Dynamic key brands

Our brands in flight

Stockholm is the regional centre for Edrington's operations in Central and Northern Europe. The Famous Grouse is a strong brand in the region and enjoys more than a 50% share of Scotch whisky sales in the Swedish on-premise. Getting closer to the consumer has allowed the team to build on the brand's strengths in the region. The Nordic team's rapid progress was recently rewarded with the increased responsibility of managing Edrington's travel retail business in Europe.

Pictured are Kasper Andersen, regional marketing manager, and Josefine Andersson, regional marketing co-ordinator.

Swedish consumers have a longstanding affection for The Famous Grouse and have recently taken the newest member of the family, The Snow Grouse, to their hearts.

Highland Park's northerly origins and award-winning whiskies strike a chord with Nordic whisky lovers.

Looking forward in the Nordics

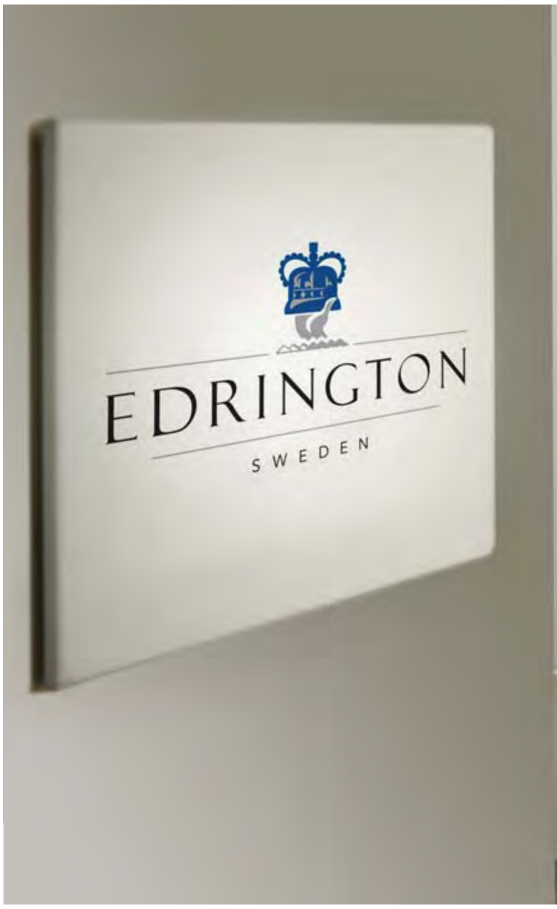
Clockwise from top:

Neville Ross, finance director and Richard Viitanen, regional sales director.

Tellis Baroutsis, regional managing director (centre), Malcolm Leijonhielm, regional marketing director, and Cecilia Berg, HR manager.

Emelie Hellman, finance controller.

Isabelle Hamilton, office co-ordinator.



Chief Executive's Review

"Great people dedicated to providing exceptional spirits brands to consumers around the world"

Chief Executive's Review
continued

I am pleased to report that Edrington continues to make good progress. We have grown earnings, reduced our debt and strengthened our strategic position with brand growth in emerging markets and the addition of distribution companies in China and Hong Kong.

Shareholders' earnings of £70.5m (pre-exceptionals) grew by 8.5% in the current year maintaining the momentum which has seen a 70% growth over the last 3 years. Our financial capacity has improved due to strong cash flows and a debt reduction of £52.5m during the year.

In recent years Edrington has increased its international reach and this year we have taken further important steps to harmonise and develop our business interests. Following the acquisition of the distribution companies in China and Hong Kong, and the rapid expansion of our New York office, all our overseas companies are now trading under the Edrington name.

The presentation of the company has also evolved with new branding and a simplified name – Edrington.

In recognition of the important contribution made by all of our employees, we introduced the Edrington Achievement Awards. We are pleased by the high standards of performance throughout Edrington. The winners (featured later in this report), based in Scotland and Korea, represent the collaborative spirit that is very much evident in the Edrington family.

Brands

The market for premium spirits continued to grow, with both Scotch whisky and premium rum at the forefront of this growth. Scotch whisky in particular is benefitting from years of investment in its iconic image and quality reputation. Much of this growth is coming from the world's emerging economies where the increasing middle class is driving the interest in premium international brands.

The Macallan continues to excel as the world's most premium Scotch whisky. The brand has enjoyed significant value and volume growth with sales increasing in its key US and Asian markets.

Brugal has maintained its leading position in Spain and the Dominican Republic despite lower volumes due to challenging economic conditions and significant competitor activity. In Spain, reduced consumer spending has impacted volume, however Brugal has maintained its No.1 position in the rum sector and increased its market share. Our consistent investment in emerging rum markets is bearing fruit. This, together with the launch of the super-premium 1888 and introduction of Extra Dry Especial, will pave the way for future growth.

The Famous Grouse reported modest overall growth. The brand strengthened its position as No.1 in Scotland, whilst encouraging results in developing markets were held back by more challenging economic and competitive conditions in mature European markets. Innovation and premiumisation together with expansion into emerging economies are the focus for future brand growth.

Cutty Sark has experienced difficult trading conditions due to the economic and financial dynamics in its core Southern European markets. The brand communication and packaging has been refreshed as we target emerging markets for future growth.

Highland Park has benefitted from the growth in the single malt category. The brand has recorded further value and volume growth driven by strong performances in the UK, US and Nordics. Stronger pricing and special editions have also contributed to this encouraging performance.

Looking Forward

The theme of this year's report is Looking Forward. This reflects our confidence about the long term potential of our premium spirits brands and the growth in demand in the emerging world economies.

In order to harness this potential we plan to invest in our brands, our people, route to market and maturing inventory. Our brand investment will target emerging markets, consumer communication, innovation and premiumisation.

Our growth in the US and Asia will be complemented by increased investment in South East Asia, Russia, emerging Europe, the Middle East and Sub-Saharan Africa. Much of this will focus on new partnerships and brand investment as we seek to expand our international reach.

In order to support this growth further significant investment is planned at our operational sites in Scotland and the Dominican Republic.

I believe that Edrington is characterised by great people. Our success has been driven by their commitment and dedication and we will continue to invest in their development.

I remain optimistic about the potential of our brands and I would like to take this opportunity to thank all our employees for their continued support.

Ian Curle
Chief Executive

12 June 2012


The
MACALLAN
HIGHLAND SINGLE MALT
SCOTCH WHISKY
18

3
A growing international family

For Asian consumers The Macallan is the first word in luxury. For Jonathan Mather, sales manager and May Wong, assistant product manager, it's the perfect way to enjoy a moment of relaxation at the end of the business day.

Edrington Hong Kong

Edrington opened its first office in Asia in 2003. Almost ten years later the company has offices in Seoul, Taipei, Hong Kong, and Shanghai. The regional office will relocate from Shanghai to Hong Kong (pictured) this summer.

A deeper understanding of the consumer has allowed The Macallan to become a leading brand in the region and Edrington Hong Kong was a dynamic contributor with annual profit growth of 64%.

Financial Review

Results for the Year

The Company's financial performance in 2012 has been satisfactory in terms of shareholder earnings, although underlying brand performance reflects a mix of economic conditions around the world.

Pre-exceptional shareholder earnings have reached £70.5m, an 8.5% rise from £65.0m in 2011. Within these results, brand contribution grew moderately, as excellent growth in certain markets contrasted with the challenges faced in markets more heavily impacted by prevailing economic conditions. Brand performance was complemented by strong results within our expanded distribution network and gains on other activities. The Company invested in the expansion of its distribution network in China and Hong Kong during the year driving improved brand performance in those geographies, but sluggish performance in Western and Southern Europe meant that worldwide operating profit was in line with last year.

Administrative expenses were £2.0m higher than last year principally as a result of continuing investment in the Company's distribution infrastructures around the world, including the USA, Asia and Russia, where opportunities for brand growth are strong.

The Company's net interest cost in 2012 is £5.9m lower than last year reflecting an overall reduction in net debt, plus improved margins as the Company continues to outperform its bank covenant obligations.

Exceptional costs of £11.8m (2011: gains of £13.2m) reflect the cost of restructuring activities undertaken within the Company's distribution network and in certain operational functions in the Dominican Republic. Last year included the gains on disposal of The Glenrothes Single Malt whisky brand and certain other assets.

The Company has reported a reduction in the effective rate of taxation applied to global profits to 20.0% from 27.0% last year through a combination of lower headline rates in corporation tax, effective tax management in the UK, and the utilisation of tax losses in overseas jurisdictions. The Company's average rate of taxation is likely to increase to more normal levels next year.

A growing international family

Kirsteen Campbell
Master Blender, Cutty Sark

Kirsteen assumed complete control of Cutty Sark in 2010 and, as the creative force behind the blend, she represents a new whisky generation – respectful of heritage but with eyes fixed firmly on the future.

A further interim dividend of 22.6p (2011: 20.0p) has been proposed, making a total for the year of 30.0p (2011: 27.0p), an increase of 11.1%.

Balance sheet position

Intangible assets

The Company's consolidated balance sheet includes the historic cost of brands acquired, less any provision for impairment. In 2012, the value of intangible assets reduced to £941.6m from £976.7m at March 2011 driven by the currency devaluation experienced in the euro, which affects certain brand values, and the continuing amortisation of the Cutty Sark brand over ten years. The directors have

The 25 year old is showcased at the Highland Park Cigar Experience at MGM.

conducted an annual assessment of the fair value of those brands with indefinite useful lives and concluded that they were again in excess of the book value reported in the balance sheet.

Tangible fixed assets

Tangible fixed assets have increased by £8m this year, representing further investment in casks and production equipment, offset by the annual depreciation charge. Included in capital expenditure this year was a £7m investment in a new blending vat facility in Glasgow and a further £19m for the specially selected casks used to mature our brands, both in Scotch whisky and rum.

Edrington has also invested in improvements to its bottling facilities, both in Scotland and in the Dominican Republic in response to the increase in demand for our premium brands. In distilling operations, the automation of the mash house and tun room at Macallan facilitated an increase in overall production.

Stocks

In 2012 total stocks increased by £17.0m principally driven by increased laydown of stocks for The Macallan, together with the transfer of cased goods back into Brugal's newly established Spanish branch from the Maxxium España joint venture as part of a restructuring of the Company's distribution channel in Spain.

Financial Review
continued

Liquidity

The Company reduced net debt by £52.5m over the course of the year through strong cash generation from trading whilst increasing the level of cash invested in whisky stocks as part of its plan to meet future demand for its key brands. In addition, cash returns on joint venture investments grew in 2012, whilst cash outflows for interest, dividends and capital investment were broadly in line with previous levels.

There has been no significant change in the profile of the Company's working capital in the year. Credit control, particularly in the current economic climate, is tightly managed by the Company, together with supplier payment terms to ensure there is sufficient liquidity in the business to meet short term cash requirements.

Financing

The Company manages finance under three principal borrowing arrangements:

> The Edrington arrangement comprises a multicurrency revolving credit facility of €330m (£275m) of which £225m was drawn down at March 2012. This facility is due to expire in November 2012; however the Company is planning to extend the existing facility through to mid-2013 to take advantage of beneficial borrowing rates, and to schedule the renewal of the facility in line with the 1887 subsidiary group facility. The Company has obtained indications from its existing bank lenders that they will be willing, in principle, to provide a competitive financing structure at equivalent debt levels at that time, thus allowing the directors to satisfy their going concern obligations.

> The 1887 arrangements comprise a revolving credit facility of £240m, of which £190m was drawn down at March 2012 and which is due to expire in July 2013, together with new borrowings from US private placement investors totalling $300m (£189m) expiring in 7 and 10 years, which were drawn down in April 2011.

The Company has been in compliance with all borrowing covenants throughout the year.

Hedging

The Company maintains a policy of hedging future cash flows relating to interest and foreign currency in order to protect financial performance against sudden changes in interest or exchange rates.

The hedging policy on interest rates extends over a 5 year period and involves swapping variable interest rates for fixed rate commitments under a policy agreed by the board.

As part of the US private placement, the Company entered into a swap to fix the interest payments over the term of the placement which has increased the overall level of fixed debt above our normal level. The directors are satisfied that this additional fixing of interest rates is appropriate in the current circumstances.

The Company also hedges foreign currency cash inflows over a prospective two year rolling period and uses hedging instruments to reduce volatility in the accounting translation of earnings from subsidiaries reporting under foreign functional currencies, such as Brugal. Coverage is subject to ongoing review by the Group's Treasury Committee and adjustments have been made to existing currency hedges to address potential uncertainty in Greek euro cash flows.

Impact of eurozone uncertainty

Edrington, like other multi-national concerns, conducts business in several European countries which have been affected by economic uncertainty around the future of the euro and the impact of austerity measures on consumer spending. The Company's primary exposures relate to the overall levels of trade and corresponding risks of customer default within those territories.

The Company's earnings in Spain, Portugal and Greece in 2012 have been impacted by the economic downturn, with our rum and blended Scotch whisky brands bearing the brunt of that decline. Profit contribution in these territories amounts to some 25% of the total and therefore, whilst significant, represents only a limited proportion of total market exposure. Contribution from Greece, arguably the territory most affected by recent events, is only 3% of total brand contribution and the potential exposure to customer receivables in Greece at the balance sheet date of approximately £3m is considered acceptable in relation to annual trading profits in that market. Credit insurance is currently not available for Greece at a commercially sensible cost.

On the basis of continued good progress in other territories, the directors do not see the current uncertainty in the eurozone economies as a barrier to the continued growth and long term profitability of Edrington overall.

Company pension schemes

The reported deficit on the Company's pension schemes at 31 March 2012 amounted to £43.8m (after deferred tax) and compares to a figure of £33.5m at March 2011. The deficit increase is principally driven by lower market-based

A growing international family

Clockwise from top right:

The Macallan bar in Galaxy, Macau, is ready for its press launch.

A Hong Kong VIP sips The Macallan 60 year old in Lalique.

The Macallan Masters of Photography edition takes to the catwalk in Hong Kong.

assumptions on discount rates and long-term asset returns which have the effect of increasing the Company's estimate of future pension liabilities. The current cost of providing pension benefits and the net interest on scheme liabilities are broadly in line with last year. The Company has maintained the funding plan it agreed with the schemes' Trustees in 2011 which it believes addresses the deficit within a reasonable timescale.

Capital structure

Edrington has made no significant change in its capital structure or the way it manages its equity. The board approves dividend distributions on an annual basis taking into account the performance and financial position of the Company.

The Robertson Trust owns a controlling interest in the Company's authorised 65.3 million 'B' Ordinary shares, with some 3.4 million shares owned by an employee benefit trust for purposes of employee remuneration and a further 11.7 million shares owned directly by present and former employees. The Robertson Trust also owns all of the 550,000 issued 'A' Ordinary shares carrying 500 voting rights each.

Richard Hunter
Group Finance Director

12 June 2012

Directors & Advisers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1 **Sir Ian Good (68)**
Chairman

Ian Good joined Edrington in 1969, has been on the Company board since 1979 and chairman since 1994. He is also chairman of The Robertson Trust.

2 **Ian Curle (50)**
Chief Executive

Ian Curle was appointed as chief executive of Edrington in 2004, having joined in 1986. He is a trustee of The Robertson Trust, chairman of The North British Distillery, and chairman of The Scotch Whisky Association Council.

3 **Richard Hunter (57)**
Group Finance Director

Richard Hunter has been Group finance director since 1994, having joined Edrington in 1981. He is currently president of Brugal and a trustee of The Robertson Trust. Elsewhere, Richard is a member of the Court of The University of Strathclyde and a governor of The High School of Glasgow.

4 **Graham Hutcheon (49)**
Group Operations Director

Graham Hutcheon joined Edrington in 2000 as director of distillation. He was appointed Group operations director in 2003. He is a member of the operations committee of The Scotch Whisky Association, chairing the environment committee. Graham is chairman of The Scotch Whisky Research Institute and is a director of The North British Distillery. Graham also serves on the Council of CBI Scotland.

5 **Bill Farrar (54)**
Group Sales and Marketing Director

Bill Farrar joined Edrington in 1989 and was appointed to the Edrington board in 2003. He is chairman of Highland Distillers and a member of the board of the Edrington/Beam Global alliance. He is a Fellow of the Marketing Society of Scotland and school governor of Craigclowan School, Perth.

6 **Ronnie Bell (62)**
Non-Executive Director

Ronnie Bell was appointed a non-executive director of the company in 2005. He is a former group vice president with Kraft Foods Inc and spent his 30 year executive career at Kraft including 5 years as president of Kraft Europe. He is currently non-executive chairman of Milk Link, a large farmer owned dairy business, and a director of Ansell an international healthcare group. He is a former chairman of Premier Foods and former director of Gallaher Plc.

7 **Callum Barton (62)**
Non-Executive Director

Callum Barton, former president and CEO of Richemont North America, was appointed a non-executive director of the Company in 2007. Callum has over 30 years' experience of the luxury goods business with the Richemont Group, and during his career was chief executive of Alfred Dunhill in London. Prior to that he held a number of senior management positions with Cartier in Paris and with Piaget, Baume & Mercier in Geneva.

8 **Norman Murray (64)**
Non-Executive Director

Norman Murray was appointed a non-executive director of the Company in April 2012. He is currently the chairman of Petrofac Limited, a FTSE 100 international oil services company. He combines this role with senior independent director positions at Greene King Plc and until recently Robert Wiseman Dairies Plc and Cairn Energy Plc where he was chairman until last year.

9 **Martin Cooke (50)**
Group Company Secretary

Martin Cooke joined Edrington in 1988 and was appointed company secretary in 1997. He is a trustee of the Company's pension schemes and a director of Dunard Insurance (Isle of Man), Edrington's own insurance company. He also chairs the Company's risk management committee and is a member of the corporate social responsibility team.

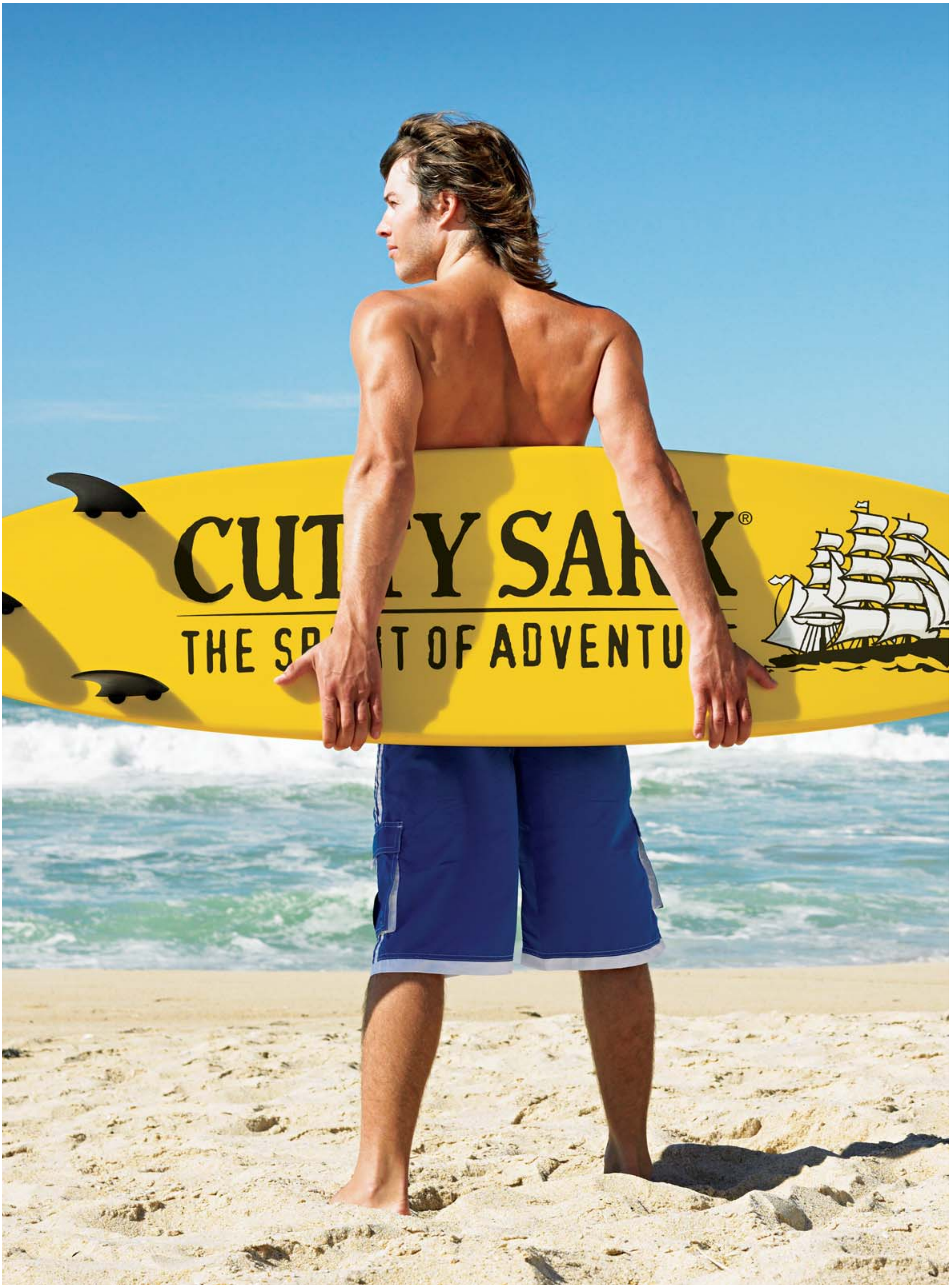
Directors
Sir J.J.G. Good, C.B.E., Chairman
I.B. Curle, Chief Executive
R.J.A. Hunter
R.W. Farrar
G.R. Hutcheon
R.J.S. Bell
K.C.O. Barton
N.L. Murray

Secretary
M.A. Cooke

Registered Office
2500 Great Western Road
Glasgow
G15 6RW

Independent Auditors
Grant Thornton UK LLP
Chartered Accountants

Solicitors
Maclay Murray & Spens LLP



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Increased optimism for Scotch whisky and rum

Catching the wave

Both the Scotch whisky and rum markets continue to grow, spearheaded by thriving premium segments. Emerging economies, where Scotch whisky is an emblem of success and a guarantor of quality, continue to drive the growth. Edrington's portfolio of premium brands is well-placed to capitalise on this momentum.

Cutty Sark stands outside the conventions of Scotch whisky. The first Scotch whisky to be created for mixing, it reaches emerging market consumers with its bold and adventurous take on life.

Directors' Report

The directors present the audited financial statements for the year ended 31 March 2012.

Results for the year

The Company's financial results, which are detailed in the profit and loss account on page 39, cover the year to 31 March 2012.

An interim dividend of 7.4p (2011: 7.0p) per share was paid on 9 November 2011. The directors agreed a further interim dividend of 22.6p per share which will be paid on 6 July 2012, making a total of 30.0p per share (2011: 27.0p per share).

The aggregate dividends recognised in the year amounted to £17.8m (2011: £4.4m) excluding proposed dividends that were not approved by the balance sheet date.

The retained profits for the year attributable to Edrington shareholders was £65.4m (2011: £72.7m).

Principal activities

The Company owns some of the leading premium Scotch whisky and rum brands in the world, including The Famous Grouse, The Macallan, Highland Park, Cutty Sark and Brugal.

It directly controls its route to market in eight countries, and operates the remainder through joint venture and third party agreements. The Company produces its brands at a number of specialist operations covering every facet of distilling, blending and bottling.

The Company's principal investments at 31 March 2012 are listed in Note 11.

Review of the business

A review of the year's trading, together with the directors' view of future prospects, is included in the Chairman's Statement, the Chief Executive's Review and the Financial Review.

The key performance indicators of the Company against which its success is measured are growth in shareholders' earnings, brand performance and net debt, which are further detailed in the Chief Executive's Review and Financial Review.

Charitable and political contributions

In 2012 Edrington extended the principle of charitable donations to its international markets. Both the Nordics and Asia responded by setting up committees to supervise the donation of a portion of profits to good causes in their markets. Significant donations during the year are set out in the Corporate Social Responsibility section on pages 32 and 33.

Corporate governance

As a private business, the Company is not obliged to follow the UK Corporate Governance Code. It is however committed to high standards of both governance and corporate citizenship, and recognises the significant benefits that can accrue from so doing. The Company therefore aims to adopt those elements of governance that are appropriate and add value to the organisation and for its stakeholders. Having reviewed the code in detail, together with the associated guidance, the directors consider that the Company has taken the steps appropriate to its particular circumstances as outlined below.

Edrington's core values (the 4 "I"s) are *Integrity*, *Independence*, *Innovation* and *Involvement*, and the Company is committed to demonstrating these values in all of its operations and interactions.

The board, which has a schedule of matters specifically reserved to it, meets at least five times a year to ensure that it maintains full and effective control over financial, operational and compliance issues. The board sets and reviews the strategic aims of the Company and ensures that resources are in place to meet those objectives. The composition of the board - size, mix of skills and experience and balance of executive and non-executive directors - is considered to be appropriate. All non-executive directors, including Norman Murray, who was appointed on 1 April 2012, are considered to be independent.

The Remuneration & Nominations committee is chaired by Ronnie Bell. Together with the chairman, chief executive, Group HR director and Norman Murray, who joined the committee with effect from 1 April 2012, the committee determines directors' remuneration 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. Senior executive succession and development programmes also feature on an annual basis. The most recent review was carried out by Hewitt New Bridge Street in March 2011.

The Audit Committee, chaired by Callum Barton, meet periodically with the auditors to discuss audit planning, review statutory accounts and address issues arising from the audit. It also considers the ongoing independence of the external auditors and the effectiveness of the audit process. The conclusions of the committee are reported to

Increased optimism for Scotch whisky and rum

Cutty Sark's 'Spirit of Adventure' captures the imagination of cities around the world.

the board before the board approves the annual results. The committee approves risk management plans, thereafter receiving reports on material matters arising and actions taken.

Risk management

The Company goes to considerable lengths to ensure that the principal risks it faces are identified, evaluated, managed and monitored appropriately.

At least once a year the board undertakes a formal review of the Company's risk profile, assesses the application of the principal controls operated throughout the Company, and ensures that appropriate action is taken on risks so identified.

A Group Risk Management Committee meets at least twice a year, under the chairmanship of the Group company secretary with senior representatives from every discipline across Edrington, to complete a process of evaluating and assessing risks and reviewing the adequacy of existing procedures to manage and/or reduce risk. During the year the board reviewed the work of the committee over the last 10 years and adopted and updated the Group Risk Management Policy and Remit for the committee.

The work of the Group Risk Management Committee is wide ranging, from establishing and testing policies to ensure that the potential impact of major incidents is minimised and can be quickly remediated, through to compliance with the Company's various legislative and regulatory obligations. The committee also conducts simulations of incidents which could affect the business, and then proactively applies the lessons learned from dealing with those simulations. Steps continue to be taken to integrate the Company's international locations into the committee's management process.

Corporate Social Responsibility continues to be a major focus of attention with a dedicated team monitoring developments and ensuring that the Company is taking all appropriate action. More details on the Company's approach in this area are set out on pages 32 and 33.

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, accurate financial information of a quality appropriate to enable it to discharge its duties.

The principal operational risks are associated with the performance of the Company's key brands around the world. In particular, the Company has a significant proportion of trade in Southern European markets which continue to be impacted by the eurozone crisis.

Reduced levels of customer demand, especially in those markets, may potentially lead to price discounting and intensify competition for market share, impacting volumes and the profitability of the Company. Edrington aims to offset these risks with increased focus and investment in new markets.

Trading in overseas markets is impacted by prevailing currency rates and the Company's results, when retranslated into sterling, can be significantly affected by variances in exchange rates. The Company is also subject to extensive regulatory requirements in certain markets which can significantly impact the cost of doing business as well as the reputation of the Company and its brands.

The Company addresses its principal operational risks by investing in experienced, professional teams in each key market, who operate within an established internal control framework and who are supported by senior operational and commercial management. Where necessary, the Company may use the services of local professional advisers to drive effective business performance and limit exposure to risk.

The Company's undertakings expose it to a variety of financial risks including changes in interest rates, credit and liquidity risks. These risks are mitigated through actions undertaken by the Group's Treasury Committee to monitor and manage the quantity and cost of debt finance. Policies

Directors' Report
continued

are also in place that require appropriate credit checks on potential customers and the establishment and periodic review of credit limits, together with the insurance of certain trade receivables.

The Company actively maintains a mixture of long and short term debt finance designed to ensure it has sufficient funds available for the Group's activities, and has a policy of stabilising interest costs at acceptable levels through a mixture of borrowing over those different time periods and fixing interest rates on other portions of debt using approved financial instruments.

As the Company makes sales, purchases and investments in a variety of foreign currencies, it is similarly exposed to exchange rate movements, and therefore has a policy which specifies the profile of trading exposures to be hedged and the hedging instruments the Company may use.

An expanded risk finance function has responsibility for ensuring that the financial risk profile across the Company is understood and is well managed with appropriate controls in place. A financial risk management framework operates in tandem with the Risk Management Committee and external auditors. During the year, and as a result of the UK Bribery Act, the board approved a code of conduct, an Anti-Corruption policy and a Speaking Up policy, the last of which provides details of how to contact, in confidence, the Group company secretary and Group HR director. On-line and face to face training processes and monitoring are in place to ensure compliance. The Group finance director continues to act as the Company's Senior Accounting Officer.

The external auditors are engaged to express an opinion on the financial statements. They independently review and assess certain aspects of the system of internal financial control, referencing the work of the Group risk finance manager as appropriate, and review and test the information contained in the financial statements to the extent necessary for expressing that opinion.

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. UK company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting standards and applicable law). 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 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 estimates that are reasonable and prudent;

> state whether UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

> prepare the financial statements on a 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 which are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the persons who is a director at the date of approval of this report confirms that:

> so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and

> the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Increased optimism for Scotch whisky and rum

Left:

Cutty Sark is renowned for its quirky take on merchandising. Along with surf boards, there are a host of 'cool' products available for the adventurous consumer.

Below:

Brugal's new Tu eres el Origen campaign, launched last year.

Going concern

In April 2011, the 1887 subgroup successfully completed a private debt placement in the US which significantly increased the maturity of £189m of its net debt to 7 and 10 years.

The Edrington Group holds a revolving credit facility of €330m which is due for renewal in November 2012.

The Company intends to open renewal negotiations with its bankers in due course and, whilst no written confirmation of renewal has been sought, the Company has obtained indications from its existing bank lenders that they should be able to provide a competitive financing structure at equivalent debt levels at that time.

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 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.

Directors' Report
continued

Increased optimism for whisky and rum

Clockwise from top left:

Malcolm Leijonhielm, regional marketing director, Edrington Sweden with the 50 year old Highland Park.

Samuel Yu, senior key account executive, Edrington Hong Kong with Brugal 1888.

The Macallan display at the Hong Kong Tatler Ball 2011.

Guests enjoy the Snow Grouse at 'The Landing', Hong Kong.

Jason Craig, global brand controller of the Cutty Sark.

Employees

The Company's success depends on the contribution of each of its employees. The Company's selection, training, development and promotion policies ensure equal opportunities for all employees regardless of factors such as gender, race, age, religion or belief, or disability. All decisions are based on merit.

Employee training and development is important to the Company and it will continue to give full support in this key area.

The Company has maintained its policy of regular communication with employees on matters of concern to them.

Employee share schemes

The Company operates two share schemes for employees.

The ShareSave Scheme is an annual scheme enabling Company 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 profit and loss account 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 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 profit and loss account, if the performance criteria have been met.

The ShareReward Scheme was triggered in respect of the years ended 31 March 2012 and 2011.

Executive incentive plans

The Company operates two incentive plans for senior executives.

An Annual Incentive Plan rewards (a) executive directors based on the Company's financial results and the executives' individual performance against business objectives, and (b) senior executives based on the Company's performance and the executives' individual performance against business objectives. The Annual Incentive Plan was partially triggered in respect of the year to 31 March 2012 and the associated costs of this plan have been charged to the profit and loss account.

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 profit and loss account over the period of the plan. The performance conditions, which are more demanding than that of the Annual Incentive Plan, were met in respect of the three year period ended 31 March 2012.

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.

by order of the board

Martin Cooke
Group Company Secretary

12 June 2012

5
Confidence in our ability

Custodians of the future

Edrington is confident about the long term potential for Scotch whisky and rum. Throughout the supply chain there is a relentless focus on quality. Employees understand that their contribution may not be fully realised until many years into the future.

Clockwise from left:

Martin Markvardsen, Highland Park brand ambassador for the Nordic region.

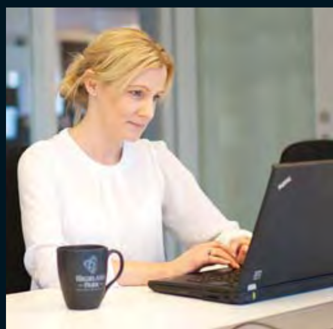
William Chan, managing director, Hong Kong.

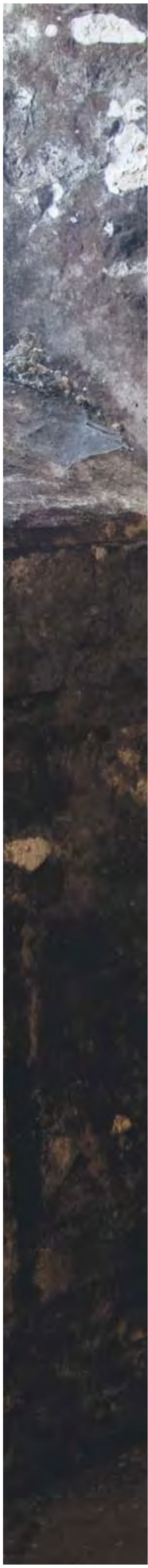
Helena Avellan, controller for Finland and Norway.

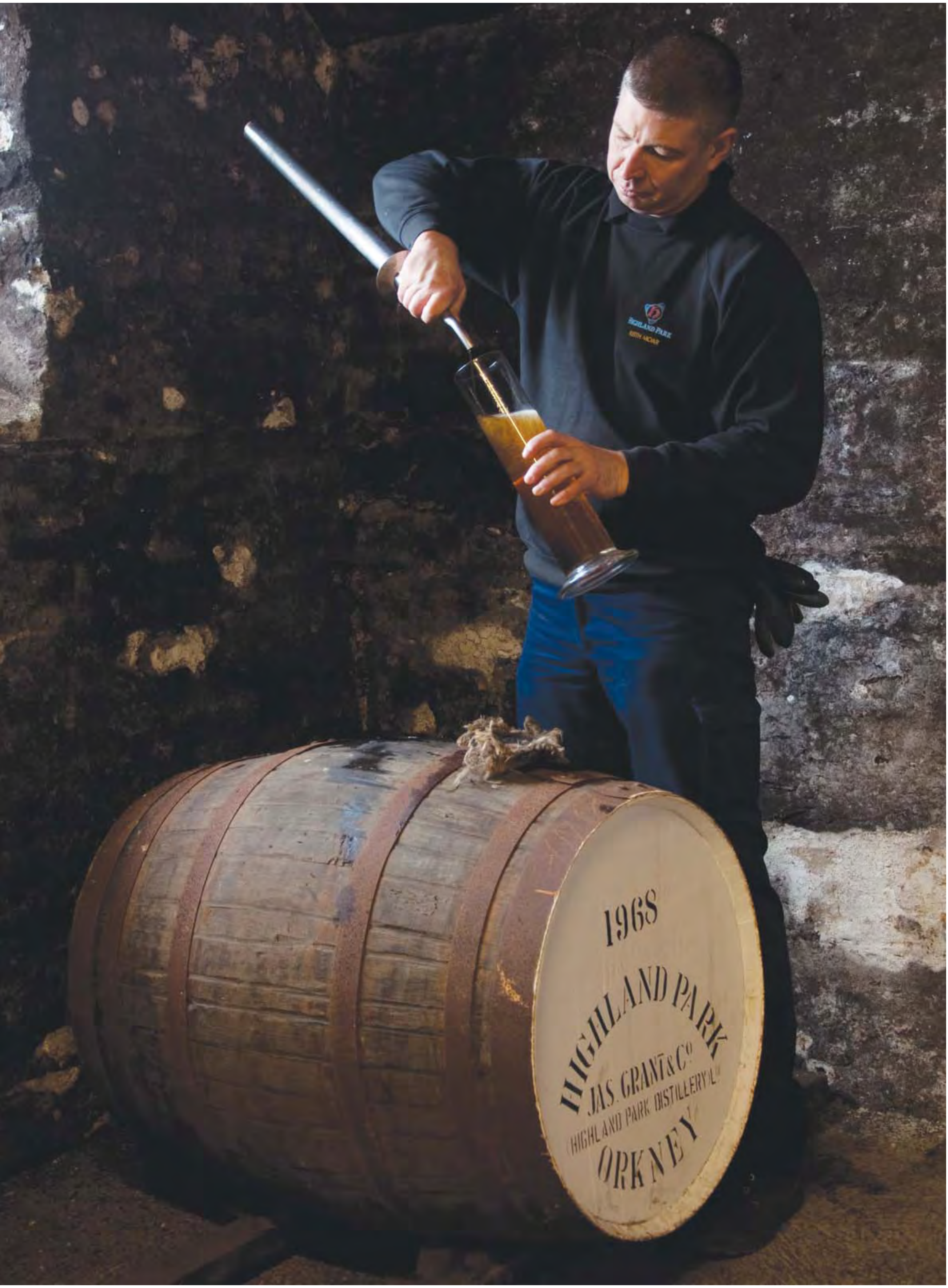
Keith Moar, Highland Park.

Robbie Drever, Highland Park.

Ryan Hill, regional director, Asia travel retail, Hong Kong.






1968
HIGHLAND PARK
JAS. GRANT & Co.
HIGHLAND PARK DISTILLERY
ORKNEY

Corporate Social Responsibility

In the last year Edrington took important steps to increase the international uptake of its CSR agenda. The Company also made progress on several commitments in the areas of environment and responsible consumption.

Alcohol in society

Edrington recognises the potential problems associated with alcohol misuse and actively promotes responsible consumption. Consumed responsibly, Scotch whisky and rum bring enjoyment to millions of adults and play a uniquely positive role in social occasions

Edrington believes that we work best when we work together to promote responsible consumption of alcohol. That is why we were pleased to sign up to the UK Public Health Responsibility Deal in 2010. As a partner to the deal we committed that over 80% of products on shelf (by December 2013) would have labels with clear unit content, NHS guidelines, and a warning about drinking when pregnant. At the end of March 2012 we were pleased to report that 98% of Edrington products already carried the required responsibility messages.

A further commitment to the UK Responsibility Deal encompassed support for the alcohol information charity, Drinkaware, and funding in kind for the all-industry *"Why Let Good Times Go Bad?"* campaign.

Edrington was pleased to extend its direct funding of Drinkaware to a fourth consecutive year. Through Maxxium UK it promoted the *Why Let Good Times Go Bad* message on The Famous Grouse marketing materials and delivered funding in kind equivalent to £189,000.

Making information available to consumers is an important feature of our approach as well as following our own Sales & Marketing Code, and abiding by industry Marketing Codes. In the last year we were pleased to extend these principles internationally by signing up to a new all-industry Marketing Code of Practice in Taiwan.

At Macau International Airport in February, the Asia Pacific Travel Retail Association (APTRA) launched its Code of Conduct governing the sale of alcohol in travel retail stores. The airport's duty free operator, King Power Group (HK), is

the first travel retailer in Asia Pacific to introduce the Code and Macau International Airport the first to endorse it. Edrington was pleased to be a founding signatory to this new code that introduces a set of guiding principles and working practices for the sale, promotion and marketing of alcoholic beverages in the travel retail channel in the Asia Pacific region.

Edrington's compliance with its Sales & Marketing Code was reviewed once again by the board's annual Marketing Committee which was pleased to report full compliance with the code during the year.

Environment

Edrington is committed to actions that will improve the sustainability of our industry and the natural environment it relies on.

One year on from a commitment to its pioneering Environmental Strategy it is estimated that the Scotch whisky industry will achieve its targets earlier than the 2020 deadline.

Edrington's support for the keynote commitment to ensure that 20% of our industry's primary energy requirements will be delivered from non-fossil fuel sources will increase significantly when a new biomass energy plant, CordE, begins operating in 2013.

A breakthrough was achieved this year when Edrington pioneered the introduction of an ultra-lightweight bottle to carry The Famous Grouse brand. Working with Zero Waste Scotland and glass supplier O-I, Edrington developed a 340 gram bottle, a reduction of 14% on the current light-weight bottle.

The bottle is currently being trialled in the UK. Assuming it continues to present no adverse performance issues, the potential weight reduction across the range amounts to 2,160 tonnes of glass per annum, a significant contribution to the company's promise to reduce packaging weight by 10% by 2020.

Brand initiatives

The Famous Grouse extended its current funding to the RSPB for the protection of the black grouse by a further three years. Since its launch in 2008 the partnership with the RSPB has raised £300,000 which has been allocated to programmes that restore the bird's natural habitat. For the first time since the campaign began in 2008 there is evidence that the activity is resulting in an upturn in numbers of black grouse in the UK. At the RSPB's reserve in Geltsdale the number of black grouse has more than doubled from 18 to 45.

International donations

In 2012 Edrington extended the principle of the charitable donations to its international markets. Both the Nordics and Asia responded by setting up committees to supervise the donation of a portion of profits to good causes in their markets.

Three trusts have now been set up collectively for Norway, Denmark, Finland and Sweden. Funding will be allocated to good causes that support: financially and/or socially disadvantaged people, protecting nature and environment, and cultural and sporting activities.

In Asia the first donations were made in Taiwan and Korea. Edrington Taiwan contributed to the Scholarship for High Potential Development to support university students in High Technology and Sports. Taipei Physical Education College and NCKU (National Cheng Kung University) are the charitable bodies that will oversee the funding of 40 high potential students. In March, Edrington Korea also announced a Charitable Scholarship Programme to support talented students in adverse circumstances.

In October 2011, Edrington presented the Tohoku Children Earthquake Relief Fund Project with a cheque for £250,000. Earlier this year Suntory jointly launched this relief fund with Save the Children Japan. The charity came into being in response to the devastating earthquake and tsunami that hit Tohoku in March 2011.

The Robertson Trust

Overview of Giving in 2012

In its milestone 50th year The Robertson Trust awarded £14.7m to 746 Scottish charities (2011: £11.4m, 559). This included a special £2.5m Award Programme to mark the Trust's 50th Anniversary. Since its inception in 1961 the Trust has awarded over £110m to Scottish Charities.

The spread of donations in 2012 continues to reach across Scotland and covers both large and small organisations. The chart on the right shows the award programme for 2012 across each category of award as well as showing the average donation in each.

The Trust's aims remain unchanged: to be an accessible and flexible funder that is able and willing to react to the changing needs of the sector.

Giving is Rewarding

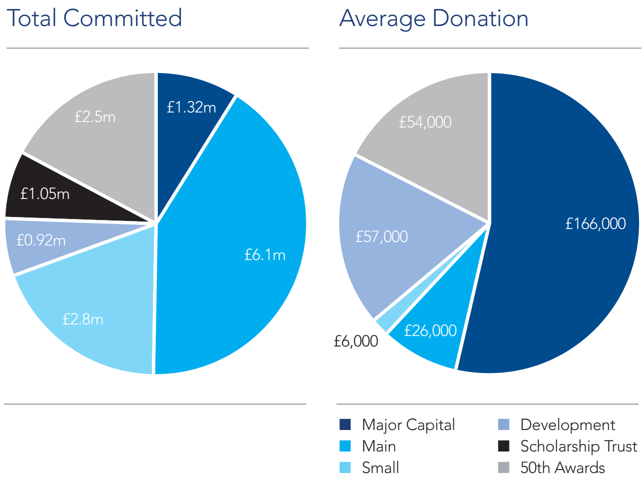
For the anniversary year any Edrington employee could receive double the funds he or she raised up to a £5k limit resulting in a tripling of the amount that a supported charity could receive. 192 Giving is Rewarding awards were made totalling £355,000 (2011: 74 awards, £46,000). This in turn meant that over £530,000 was given to Scottish charities as a direct result of Edrington employees' fundraising efforts.

As well as fundraising, employees can also give their time to charities and the Trust double-matches the time contributed and translates that into a donation for the charity. Due to the remarkable response and engagement from employees across Edrington, the Trustees have decided to continue the double-match funding for another year to encourage this increased level of fundraising.

Main awards

The Trust is unusual amongst funders in that it is able to fund the core running costs of an organisation. In the current economic landscape the demand for this type of funding is increasing. In response to this growing need, the Trust is making an increasing number of awards that allow charities to continue operating.

As the Government reduces the level of statutory funding across the sector, the need for independent Trusts becomes greater. The Robertson Trust benefitted from an increased Edrington dividend enabling it to maintain, and in a growing number of cases increase its support to those organisations that need it most.



The Robertson Scholarship Programme

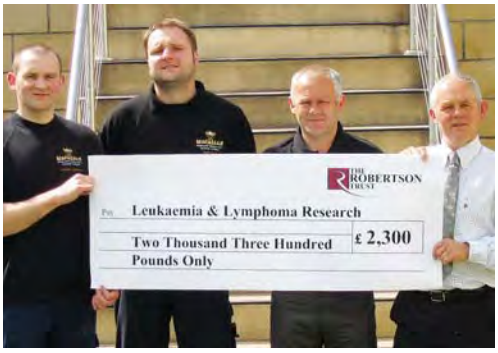
The Scholarship programme continues to help around 50 pupils every year from Glasgow schools make the transition to university education. With a current bursary roll of over 200 The Robertson Scholarship programme is a diverse and dynamic group of young people.

As well as its undergraduate members, the programme also has over 300 alumni members. This year the Trust set about making contact with our alumni to create a network of past recipients willing to share their experiences and achievements since graduation. Adele McLean is typical of the responses we received:

> Adele is currently working in Australia within a small biotechnology company named EnGeneIC who are developing a new nanoparticle-based cancer treatment. On being contacted by the alumni team at the Trust she commented on the recurring appearance of the Robertson Trust throughout her scientific training.
>
> "The Robertson Trust seem to have been ubiquitous throughout my training as a scientist. After graduating from Edinburgh University, I went to Glasgow University to undertake my PhD. The lab where I completed my research was situated in the Robertson Building. For my post-doctoral studies I moved to the Beatson Institute for Cancer Research where I attended lectures in a new building which had also been funded by The Robertson Trust. It feels as if The Robertson Trust has been with me throughout my scientific studies in Scotland. I am very fortunate and proud to be associated with The Robertson Trust."

Giving is Rewarding

Speyside employees, L-R: Chas Jamieson, Gary Rizza, Gordon Tweedie, and Alexander Tweedie presented £2,300 to Leukaemia and Lymphoma Research in memory of Alexander's son, Callum, who tragically lost his fight against the disease in 2010.



Adele Mclean

Victoria Drive Secondary, graduated in Chemistry, Edinburgh University 2002 and a former recipient of a Robertson Trust scholarship.

Russell Anderson and members of the Highland Park team gathered to present their three chosen charities: Multiple Sclerosis Society, (Orkney Branch), Dial-a-Bus and Diabetes UK Orkney Voluntary Group with individual cheques for £3,000.

Inspiring the next generation of Scottish rugby talent

Scottish rugby's leading role model, Chris Patterson, is one of this year's four John Macphail award recipients and is shown with Stephen Gemmell (Head of Performance Development), Dominic McKay (Director of Communications & Public Affairs), Graham Lowe (Head of Performance) and Kenneth Ferguson (Director of The Robertson Trust). The other recipients for 2012 are the players Gregor Hunter and Jonny Gray and the coach Ben Fisher all of whom will head to New Zealand to train in summer 2012.

The Brugal Foundation

Brugal volunteers help the Vida Azul (Blue Life) Foundation to clean up the local beaches.

In 2012 The Brugal Foundation focussed on the issues posed by environmental change in the Dominican Republic.

The Dominican side of the Hispanola Island contains some of the richest biodiversity to be found in the Caribbean islands. The Foundation has provided both funding and resource to protect this environment and continue the tradition of supporting causes that improve the wellbeing of the Dominican people.

Brugal runs operations in two locations within The Dominican Republic. In the south, San Pedro de Macoris is the centre for distillation, and Puerto Plata in the north is home to production and warehousing. Both locations have developed exciting programmes to preserve the environment and improve the wellbeing of local residents.

At the distillery in San Pedro de Macoris, located at the Higuamo river basin, Brugal has created a nursery for the reproduction of mangrove plants, possibly the only one of its kind in the country. Restoring the natural habitat for mangroves has in turn contributed to the reforestation of the area surrounding the Higuamo River, the National Aquarium site, and the shore of the Caracol Beach to the south west.

The Ministry of Environment and Natural Resources recently acknowledged the company's sustainability efforts with the award of The National Cleanest Production prize. Run in conjunction with the Ministry of Trade and Commerce, this award is a fitting accolade for the way in which Brugal has simultaneously raised awareness of environmental issues and taken action.

Employees have embraced the issue enthusiastically, signing up to the company's drive to be energy efficient and use natural resources sparingly. Their enthusiasm extended to volunteering for a number of activities organised by NGOs and foundations that support the Dominican environment.

Brugal's band of volunteers joined the International Coastal Clean-up Day co-ordinated globally by the Ocean Conservancy. Local organisers, The Vida Azul (Blue Life) Foundation, welcomed a large team who gave up their time to remove debris and restore the coast to its picturesque best.

The company has also been keen to transfer knowledge on sustainability. In recognition of its leading role, The Brugal Foundation was invited to join the board of directors of the first Environmental Institute of the Dominican Republic. This will allow it to continue to support good causes in sustainability and help protect one of the most diverse ecosystems in the Caribbean region.

Edrington Achievement Award
International Winner

The competition to showcase employee achievements has been expanded to include Edrington's worldwide workforce.

Following a review of all regional winners, the international winners of the Edrington Achievement Award were Chris Thomson, logistics development manager - Scotland, and Helen Lee, supply chain manager - Korea. Chris and Helen received the award for working together to achieve 'approved exporter status' in Korea. This was a significant breakthrough that required high levels of perseverance, involvement and excellence in communication. The potential benefit to Edrington and the industry over five years is anticipated to be £1m.

2011/12 joint winner of the Edrington Achievement Award, Helen Lee.

Ian Curle with joint winner of the Edrington Achievement Award, Chris Thomson.

Independent Auditors' 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 2012 which comprise the Group profit and loss account, the Group and company balance sheets, the Group cash flow statement, the statement of total recognised gains and losses, the reconciliation of movement in shareholders' funds and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 26, 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 (APB'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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

> give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2012 and of the group's profit for the year then ended;

> have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the 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

12 June 2012

Group Profit and Loss Account

year ended 31 March 2012

	Note	Pre-Exceptional 2012 £m	Exceptional 2012 (Note 2) £m	Total 2012 £m	Pre-Exceptional 2011 £m	Exceptional 2011 (Note 2) £m	Total 2011 £m
Group turnover and share of joint venture turnover	1	687.3	-	687.3	668.3	-	668.3
Share of joint venture turnover		(131.2)	-	(131.2)	(114.9)	-	(114.9)
Group turnover		556.1	-	556.1	553.4	-	553.4
Continuing operations		528.0	-	528.0	553.4	-	553.4
Acquisitions		28.1	-	28.1	-	-	-
Cost of sales		(382.2)	(8.9)	(391.1)	(381.5)	-	(381.5)
Gross profit		173.9	(8.9)	165.0	171.9	-	171.9
Administrative expenses		(11.3)	(2.9)	(14.2)	(9.3)	(1.4)	(10.7)
Group operating profit		162.6	(11.8)	150.8	162.6	(1.4)	161.2
Continuing operations		152.9	(11.8)	141.1	162.6	(1.4)	161.2
Acquisitions		9.7	-	9.7	-	-	-
Share of operating profit in joint ventures		14.5	-	14.5	13.2	-	13.2
Exceptional gain on disposal	2	-	-	-	-	14.6	14.6
Profit on ordinary activities before interest and taxation		177.1	(11.8)	165.3	175.8	13.2	189.0
Income from investments	3	0.3	-	0.3	0.2	-	0.2
Net interest payable and similar charges	4	(28.6)	-	(28.6)	(34.5)	-	(34.5)
Profit on ordinary activities before taxation	5	148.8	(11.8)	137.0	141.5	13.2	154.7
Taxation	7	(30.9)	3.6	(27.3)	(38.4)	(3.3)	(41.7)
Profit on ordinary activities after taxation		117.9	(8.2)	109.7	103.1	9.9	113.0
Attributable to equity minority interests		(47.4)	3.1	(44.3)	(38.1)	(2.2)	(40.3)
Retained profit attributable to The Edrington Group Limited	20	70.5	(5.1)	65.4	65.0	7.7	72.7

All the activities of the group are classed as continuing.

There is no material difference between the profit on ordinary activities before taxation and the retained profit attributable to the Group stated above and their historical cost equivalents.

Balance Sheets

as at 31 March 2012

	Note	Company 2012 £m	Company 2011 £m	Group 2012 £m	Group 2011 £m
Fixed assets					
Intangible assets	9	-	-	941.6	976.7
Tangible assets	10	-	-	203.6	195.6
Investments in subsidiaries	11	260.2	258.1	-	-
Investments in joint ventures	11	-	-	56.8	57.0
- Gross assets		-	-	210.3	205.8
- Gross liabilities		-	-	(153.5)	(148.8)
Other investments	11	-	-	9.1	9.9
		260.2	258.1	1,211.1	1,239.2
Current assets					
Stocks	12	-	-	390.8	373.8
Investments	13	-	-	0.8	10.4
Debtors – due within one year	14	23.8	26.0	115.8	109.6
Group debtors – due after one year	14	334.2	350.9	-	-
Cash at bank and in hand		53.0	51.6	153.9	125.7
		411.0	428.5	661.3	619.5
Creditors					
Amounts falling due within one year	15	(261.5)	(21.4)	(408.0)	(274.1)
Net current assets		149.5	407.1	253.3	345.4
Total assets less current liabilities		409.7	665.2	1,464.4	1,584.6
Creditors					
Amounts falling due after more than one year	16	-	(282.8)	(380.5)	(515.7)
Provision for liabilities	18	-	-	(38.1)	(46.0)
Net assets (excluding retirement benefit liabilities)		409.7	382.4	1,045.8	1,022.9
Retirement benefit liabilities	26	-	-	(46.2)	(36.2)
Net assets		409.7	382.4	999.6	986.7
Capital and reserves					
Share capital	19	6.6	6.6	6.6	6.6
Share premium	20	0.5	0.5	0.5	0.5
Merger reserve	20	-	-	29.5	29.5
Capital reserve	20	-	-	35.8	35.8
Capital redemption reserve	20	1.0	1.0	1.0	1.0
Revaluation reserve	20	-	-	8.1	8.3
Share based payments reserve	20	2.1	-	2.1	2.8
Profit and loss account	20	399.5	374.3	453.0	433.8
Shareholders' funds		409.7	382.4	536.6	518.3
Equity minority interests		-	-	463.0	468.4
		409.7	382.4	999.6	986.7

The consolidated financial statements of The Edrington Group Limited (registered number SC36374) were approved by the board of directors and authorised for issue on 12 June 2012. They were signed on behalf of the board by:

I.B. Curle
Director

R.J.A. Hunter
Director

Group Cash Flow Statement

year ended 31 March 2012

	Note	2012 £m	2012 £m	2011 £m	2011 £m
Net cash inflow from operating activities	21		157.6		187.7
Dividends received from joint ventures			4.0		4.9
Returns on investments and servicing of finance					
Interest paid		(25.3)		(38.4)	
Interest received		3.5		2.6	
Dividends received		0.3		0.2	
Dividends paid to minority interests in subsidiaries		(33.4)		(22.4)	
Net cash outflow from returns on investments and servicing of finance			(54.9)		(58.0)
Taxation					
Corporation tax			(36.7)		(27.4)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(30.0)		(30.5)	
Purchase of own shares		(7.6)		(6.5)	
Sale of own shares		5.2		3.6	
Sale of tangible fixed assets		7.6		4.1	
Inflow/(outflow) from joint venture investments		0.9		(0.1)	
Net cash outflow from capital expenditure and financial investment			(23.9)		(29.4)
Acquisitions and disposals					
Acquisition of distribution subsidiaries	11	(2.9)		-	
Net cash acquired in distribution subsidiaries	11	13.6		-	
Acquisition of Cutty Sark		-		(18.0)	
Proceeds from disposal of Glenrothes brand		-		9.0	
Proceeds from disposal of assets related to the Cutty Sark acquisition		-		5.3	
Net cash inflow/(outflow) from acquisitions and disposals			10.7		(3.7)
Equity dividends paid			(17.8)		(15.7)
Net cash flow before use of liquid resources and financing			39.0		58.4
Management of liquid resources					
Repayment of share premium from current asset investment			8.9		-
Financing	22				
Bank loans		(206.7)		(4.0)	
US private placement		189.0		-	
Loan notes		(0.2)		(0.1)	
Other loans		-		(0.9)	
			(17.9)		(5.0)
Increase in cash in the year	22		30.0		53.4

Other Statements

year ended 31 March 2012

Statement of total recognised gains and losses

	2012 £m	2011 £m
Profit for the year	65.4	72.7
Actuarial (loss)/gain recognised in the pension schemes (net of minority interests)	(19.4)	1.2
Movement on deferred taxation relating to pension liability (net of minority interests)	3.8	(1.3)
Actuarial (loss)/gain recognised in the pension schemes of joint ventures	(2.1)	5.5
Movement on deferred taxation relating to pension liability of joint ventures	0.3	(1.7)
Exchange adjustments on the net assets of joint ventures (net of minority interests)	(1.8)	(0.5)
Currency translation difference on foreign investments	(21.4)	(6.3)
Currency translation difference on related borrowings	14.4	1.1
Total recognised gains and losses relating to the year	39.2	70.7

Reconciliation of movement in shareholders' funds

	2012 £m	2011 £m
Profit for the year	65.4	72.7
Equity dividends payable in the year	(17.8)	(4.4)
Actuarial (loss)/gain recognised in the pension schemes (net of minority interests)	(19.4)	1.2
Movement on deferred taxation relating to pension liability (net of minority interests)	3.8	(1.3)
Actuarial (loss)/gain recognised in the pension schemes of joint ventures	(2.1)	5.5
Movement on deferred taxation relating to pension liability of joint ventures	0.3	(1.7)
Movement in own shares	(2.4)	(2.9)
Net movement in share based payment reserve	(0.7)	(0.3)
Exchange adjustments on the net assets of joint ventures (net of minority interests)	(1.8)	(0.5)
Currency translation difference on foreign investments	(21.4)	(6.3)
Currency translation difference on related borrowings	14.4	1.1
Net addition to shareholders' funds	18.3	63.1
Opening shareholders' funds	518.3	455.2
Closing shareholders' funds	536.6	518.3

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 have been prepared on the going concern basis and under the historical cost convention (with the exception of certain investments in the company's balance sheet which are recorded at valuation in 1974 and certain land and buildings in the Group balance sheet which are recorded at valuation in 1990) and in accordance with the Companies Act 2006 and applicable accounting standards with the exception of a true and fair override as detailed below.

The Group financial statements consolidate the financial statements of the ultimate parent company (The Edrington Group Limited), all entities controlled by the company (its subsidiaries) and the Group's share of its interests in joint ventures and associates.

Subsidiaries are entities in which the Group has an interest in the voting share capital of greater than 50%.

Joint ventures 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 partners under a contractual arrangement. Associates are entities in which the Group has an investment of at least 20% of the shares and over which it exerts significant influence. To the extent that joint ventures and associates are material, the Group financial statements include the appropriate share of their post-acquisition results and reserves. Investments in joint ventures and associates are carried in the consolidated balance sheet at the Group's share of their net assets at the date of acquisition and of their post-acquisition retained profit or losses together with any goodwill arising on the acquisition, net of amortisation. The investor's share of the results is included within the consolidated profit and loss. The profit and loss account also shows the Group's share of the joint ventures' turnover and the balance sheet shows the gross assets and liabilities of the net investment in joint ventures.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Other exchange differences are taken to the profit and loss account when they arise.

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 and of any related loans 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.

Turnover

Turnover is defined as the invoiced value of sales, excluding value added tax and duty. Turnover from the sale of cased goods and bulk whisky is recognised when title and risk of ownership are passed to the customer.

Exceptional items

Exceptional items are those that, in the directors' judgement, need to be disclosed by virtue of their size or incidence. These items are included within the profit and loss caption to which they relate, and are separately disclosed either in the notes to the accounts, or the face of the consolidated profit and loss account.

Taxation

Current taxation, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on tax rates and law enacted or substantively enacted at the balance sheet date. Timing differences arise from the inclusion of items in income and expenditure in taxation computations, in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on un-remitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Accounting Policies
continued

Brands

Acquired brands with a material value, which are long term in nature, are recorded at cost less appropriate provision for impairment. 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. This is a departure from the requirements of the Companies Act 2006 which requires all fixed assets to be amortised, however, is permitted by FRS 10 Goodwill and Intangible Assets. The directors are unable to estimate the effect of this true and fair override. 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 net present value based on discounted future cashflow.

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

Fixed assets and depreciation

Fixed 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 lives 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%

Stocks

Stocks are 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.

Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources 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. Liquid resources comprise term deposits of less than one year (other than cash).

Provisions

Provisions are liabilities of uncertain timing or amount. 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 is likely to 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

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

Defined benefit scheme assets are measured at fair value. Scheme liabilities 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, adjusted for deferred tax, 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 total recognised gains and losses.

For defined contribution schemes the amount charged to the profit and loss account 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 balance sheet.

In addition, the Group pays other post retirement discretionary benefits which are accounted for in accordance with FRS 17 Retirement Benefits. In the view of the directors, there is no future legal commitment to pay these benefits. However, as it has been custom and practice to pay them in the past, they believe that the most appropriate treatment is to provide for the full potential liability in the accounts.

Financial instruments

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. 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.

Derivatives

The Group uses derivative financial instruments to reduce its exposure to interest rate and exchange rate movements. The Group does not hold or use derivative instruments for speculative purposes and does not recognise them at fair value within the financial statements.

For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the period of the contracts.

For foreign exchange contracts the transactions to which they relate are translated at the contracted rate of agreement.

Share based payments

The Group issues equity-settled share based payments to certain employees (ShareReward Scheme). The fair value of the shares granted is charged to the Group's profit and loss account over the vesting period with a corresponding credit to 'Share based payments reserve' in the balance sheet.

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

The fair value of shares/options granted is calculated at grant date using the Black-Scholes model and in accordance with FRS 20 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. This represents a change in accounting policy from the prior year, however, the directors are satisfied that the amounts which relate to prior periods is not material and as such the comparatives have not been restated.

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 company's accounts as it has 'de facto' control of those assets and liabilities. The company 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 in arriving at shareholders' funds.
- Other assets and liabilities (including borrowings) of the Employee Benefit Trust are recognised as assets and liabilities of the company.
- 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 reconciliation of movements in shareholders' funds.
- No gain or loss is recognised in the profit and loss account or statement of total recognised gains and losses 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 deducted from the aggregate of dividends paid.

Notes on Financial Statements

1 Turnover and segmental disclosure

The analysis of turnover, 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 Group's interests.

2 Exceptional items

	2012 £m	2011 £m
Reported before Group operating profit:		
Brugal Spain reorganisation costs	(8.9)	-
Restructuring costs	(2.9)	(1.4)
Reported after Group operating profit:		
Gain on disposal of The Glenrothes brand and related assets	-	14.6
	(11.8)	13.2
Taxation	3.6	(3.3)
Minority interest	3.1	(2.2)
Net impact on retained earnings	(5.1)	7.7

The Group recorded non-recurring costs of establishing a Brugal branch in Spain, together with the costs of restructuring its wholly-owned and joint venture distribution entities.

3 Income from investments

	2012 £m	2011 £m
Income from other fixed asset investments	0.3	0.2

4 Net interest payable and similar charges

	2012 £m	2011 £m
Interest payable on bank loans & overdrafts	(26.4)	(34.7)
Interest payable on US private placement	(4.8)	-
Interest payable by joint ventures	(0.7)	(1.1)
Interest received	3.5	2.6
Interest on defined benefit pension schemes	(0.1)	(0.8)
Interest on discretionary post-retirement benefits	(0.2)	(0.2)
Share of other financial income/(costs) in joint ventures	0.1	(0.3)
	(28.6)	(34.5)

5 Profit on ordinary activities before taxation

	2012 £m	2011 £m
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	12.9	13.9
Gain on sale of tangible fixed assets	(1.8)	(0.3)
Brand amortisation	3.3	3.3
Fees payable to the Group auditors:		
- audit of the group financial statements	0.1	0.1
- audit of the company's subsidiaries	0.1	0.1
- valuation and actuarial 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 stocks of Scotch whisky and is not released to the profit and loss account until the relevant stock 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

	2012 Number	2011 Number
The average number of employees during the year was as follows:		
Engaged in distilling, coopering, blending, bottling and marketing of Scotch whisky & rum	2,265	2,178

	2012 £m	2011 £m
Employment costs during the year amounted to:		
Wages and salaries	48.6	43.4
Social security costs	4.9	4.5
Other pension costs (Note 26)	4.6	5.3
Employee share schemes	1.9	2.4
Bonuses and other incentive payments	10.8	8.1
	70.8	63.7

	2012 £m	2011 £m
Remuneration in respect of the board of directors was as follows:		
Emoluments (excluding pension contributions)	1.4	1.3
Benefits	0.4	0.4
Employee share schemes	0.1	0.1
Performance related Annual Incentive Plan	0.6	1.0
Performance related Long Term Incentive Plan	1.4	0.7
	3.9	3.5

Notes on Financial Statements
continued

6 Employees (continued)

	2012 £000	2011 £000
The amounts set out above include remuneration in respect of the highest paid director each year as follows:		
Emoluments (excluding pension contributions)	390	373
Benefits	159	153
Employee share schemes	27	26
Performance related Annual Incentive Plan	270	416
Performance related Long Term Incentive Plan	494	259
	1,340	1,227

Employee share schemes reflect 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.

During the year, 2 directors (2011: 4 directors) exercised share rights under the ShareSave Scheme. The aggregate of gains by directors exercising share rights during the year was £4,000 (2011: £11,000). During the year, 2 directors (2011: 2 directors) participated in defined benefit pension schemes. No other directors participated in any other Group 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 £138,000 (2011: £131,000).

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, following their withdrawal from the Group pension scheme.

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

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

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 fully achieved both 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 (2011: £0.5m) and for the highest paid director was £165,000 (2011: £161,000).

Further details of the incentive and share schemes are included in the Directors' Report.

7 Taxation

	2012 £m	2011 £m
The tax charge represents:		
Current tax:		
UK Corporation tax at 26% (2011: 28%)	22.1	23.6
Adjustment in respect of prior periods	(3.4)	(2.0)
Foreign tax	7.4	9.8
Tax on share of profits of joint ventures	3.5	6.4
Total current tax	29.6	37.8
Deferred tax:		
Deferred tax (credit)/charge for the year	(3.9)	0.8
Adjustment in respect of prior periods	-	0.6
Deferred tax charge for joint ventures	0.2	0.4
Pension contribution relief in excess of net pension cost charge	1.4	2.1
Tax on profit on ordinary activities	27.3	41.7

Factors affecting the current tax charge for the year

	2012 £m	2011 £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 26% (2011: 28%)	35.6	43.3
Expenses not deductible for tax purposes	2.3	3.1
Lower tax charge on overseas earnings	(0.6)	(1.6)
Non-taxable income	(1.4)	(3.3)
Difference between tax depreciation and accounting depreciation	(2.4)	(1.7)
Other timing differences	2.7	0.9
Adjustment in respect of prior periods	(3.4)	(2.0)
Pension contribution relief in excess of net pension cost	(1.4)	(2.1)
Losses (utilised)/incurred	(1.8)	1.2
	29.6	37.8

8 Dividends

	2012 £m	2011 £m
Dividends payable from profit and loss reserves:		
- Final of 20.0p (2011: Nil)	13.2	-
- Interim of 7.4p (2011: 7.0p)	4.9	4.6
Less: dividends paid to the Employee Benefit Trust	(0.3)	(0.2)
	17.8	4.4
Proposed after the year end (not recognised in the balance sheet at 31 March):		
Further interim of 22.6p (2011 Final: 20.0p)	14.9	13.2

9 Intangible fixed assets

	Brands £m
Group	
Costs	
At 1 April 2011	980.0
Exchange adjustment	(31.8)
At 31 March 2012	948.2
Amortisation	
At 1 April 2011	(3.3)
Charge for the year	(3.3)
At 31 March 2012	(6.6)
Net book value at 31 March 2012	941.6
Net book value at 31 March 2011	976.7

Intangible assets are carried at their cost to the business, less any provision for impairment, and are subject to annual review to establish that no impairment to their book value exists.

Notes on Financial Statements
continued

9 Intangible fixed assets (continued)

In establishing whether impairment exists, the directors consider detailed cash flow forecasts over a minimum five year period, or over a ten year period where this provides a more accurate reflection of brand growth, before applying an estimated terminal value at the end of such period. These cash flows and terminal values are discounted at appropriate rates to give a net present value for each brand.

In assessing the cash flows and terminal values, the directors consider, on a market specific basis, forecast growth rates, the position of the relevant brands relative to competitors and brand investment plans. The discount rates are based on the company's weighted average cost of capital, including appropriate risk premia.

The long term growth rates used, which do not exceed 2.5% (2011: 2.0%), were applied to terminal cash flows and were based on a prudent view of long-term weighted average rates for key brand markets.

Based on the valuation exercise carried out at 31 March 2012, the directors have established that no impairment to the book value of indefinite-life brand assets exists.

10 Tangible fixed assets

	Freehold land & buildings £m	Plant, vehicles & equipment £m	Casks £m	Total £m
Group				
Cost or valuation				
At 1 April 2011	89.2	132.6	145.5	367.3
Additions	5.0	6.3	18.7	30.0
Acquisition of subsidiary undertakings	0.1	0.1	-	0.2
Disposals	(1.6)	(7.6)	(6.9)	(16.1)
Exchange adjustment	(0.4)	(0.9)	(0.1)	(1.4)
At 31 March 2012	**92.3**	**130.5**	**157.2**	**380.0**
Depreciation				
At 1 April 2011	30.2	87.8	53.7	171.7
Charge for year	2.2	7.7	6.4	16.3
Disposals	(1.2)	(5.6)	(3.5)	(10.3)
Exchange adjustment	(0.2)	(1.0)	(0.1)	(1.3)
At 31 March 2012	**31.0**	**88.9**	**56.5**	**176.4**
Net book value at 31 March 2012	**61.3**	**41.6**	**100.7**	**203.6**
Net book value at 31 March 2011	59.0	44.8	91.8	195.6

Included in freehold land and buildings is £1.8m (2011: £1.8m) in respect of freehold land which is not depreciated.

Certain of the Group's land and buildings were revalued on 30 November 1990 on a depreciated replacement cost basis. No provision has been made for the estimated deferred tax that would arise as a result of this valuation, because in the opinion of the directors, those land and buildings which were revalued are unlikely to be disposed of in the foreseeable future. The transitional arrangements set out in FRS 15 Tangible Fixed Assets have been applied on the implementation of this standard. Accordingly, the 1990 valuation is being retained and will not be updated.

The figures stated above for cost or valuation at 31 March 2012 are as follows:

	Freehold land & buildings £m	Plant, vehicles & equipment £m	Casks £m	Total £m
Group				
Cost	73.7	130.5	157.2	361.4
Valuation 1990	18.6	-	-	18.6
	92.3	130.5	157.2	380.0

If the land and buildings had not been revalued, they would have been stated under the historical cost basis at the following amounts:

	Freehold land & buildings £m
Cost	78.5
Accumulated depreciation	(30.5)
Net book value at 31 March 2012	**48.0**
Net book value at 31 March 2011	48.4

11 Fixed asset investments

	Joint ventures £m	Associates and other investments £m	Total investments £m
Group			
At 1 April 2011	57.0	9.9	66.9
Movement in share of retained profits of joint ventures	6.2	-	6.2
Actuarial loss on pension scheme	(2.0)	-	(2.0)
Movement on deferred tax relating to pension scheme	0.4	-	0.4
Disposals	-	(0.5)	(0.5)
Transfer to subsidiary undertakings	(4.3)	-	(4.3)
Exchange adjustments	(0.8)	(0.3)	(1.1)
Other adjustments	0.3	-	0.3
At 31 March 2012	**56.8**	**9.1**	**65.9**

	Investments in subsidiaries £m
Company	
Cost or valuation at 1 April 2011	258.1
Additions	2.1
Cost or valuation at 31 March 2012	**260.2**

The addition to investments in subsidiary undertakings represents the fair value of shares issued to subsidiary undertakings to meet their obligations under the share based payments schemes.

Notes on Financial Statements
continued

11 Fixed asset investments (continued)

Principal investments

At 31 March 2012 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 2012	Nature of business
Edrington Distillers Limited	Ordinary shares	100%*	Blending, bottling, sales and marketing of Scotch whisky
Brugal & Co., S.A. (Dominican Republic)	Ordinary shares	61%	Distilling, sales and marketing of Dominican rum
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
The 1887 Company Limited	Ordinary shares	75%**	Management of Scotch whisky companies

The 1887 Company Limited owns the following principal investments:

Name of company/(country of registration)	Holding	Proportion held at 31 March 2012	Nature of business
Highland Distillers Group Limited	Ordinary shares	100%	Management of Scotch whisky companies
Highland Distillers Limited	Ordinary shares	100%	Distilling, sales and marketing of Scotch whisky
The Macallan Distillers Limited	Ordinary shares Preference shares	75% 100%	Distilling, sales and marketing of Scotch 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 Taiwan Limited† (Taiwan)	Ordinary shares	87.5%	Sale and distribution of alcoholic beverages

Principal investments (continued)

Name of company/(country of registration)	Holding	Proportion held at 31 March 2012	Nature of business
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

* Indicates that the investment is held directly by the company.
** The company has 70% of the voting rights in respect of The 1887 Company Limited.
† These companies have been renamed from Maxxium to Edrington during the year.

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

	2012 £m	2011 £m
Profit and loss account		
Gross turnover **	306.4	305.8
Profit on ordinary activities before interest and taxation	14.5	13.2
Interest and other finance costs	(0.6)	(1.4)
Taxation	(3.7)	(6.8)
	10.2	5.0
Balance sheet		
Fixed assets	17.0	17.1
Current assets	193.3	188.7
	210.3	205.8
Liabilities due within one year	(144.6)	(141.6)
Liabilities due after one year	(8.9)	(7.2)
	(153.5)	(148.8)
Net assets	56.8	57.0

** Before elimination of Group transactions with joint venture undertakings.

Notes on Financial Statements
continued

11 Fixed asset investments (continued)

Acquisition of subsidiary undertakings

On 1 April 2011, the Group acquired from Beam Global Spirits & Wine, Inc., the remaining 50% of the issued share capital of Edrington Hong Kong Limited and Edrington Shanghai Limited. The net consideration paid was £2.9m. The purchases of these subsidiary undertakings have been accounted for using the acquisition method of accounting and have been included in the Group's balance sheet at their fair value at the date of acquisition.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group.

	Book and fair value to Group £m
Tangible fixed assets	0.2
Stocks	9.1
Debtors	15.2
Cash in hand	13.6
Creditors due within one year	(30.9)
Less: fair value of previously held interest	(4.3)
Net assets	2.9
Net cash consideration	(2.9)
Goodwill	-

Net cash flows in respect of the acquisition comprised:

	£m
Net cash consideration	(2.9)
Cash acquired	13.6
Net cash inflow	**10.7**

Prior to acquisition, the Group held 50% of the issued share capital of Edrington Hong Kong Limited and its subsidiary Edrington Shanghai Limited. In the year ended 31 March 2011 the Group results included share of turnover of £3.6m and share of operating loss of £0.4m.

From 1 April 2011 the Group consolidated 100% of the results generated from Edrington Hong Kong Limited and Edrington Shanghai Limited. For the year ended 31 March 2012 the Group results included the following amounts in respect of the acquired entities:

	£m
Gross turnover	28.1
Cost of sales	(17.6)
Administrative costs	(0.8)
Operating profit	**9.7**

12 Stocks

	2012 £m	2011 £m
Group		
Raw materials	5.5	6.4
Scotch whisky	340.1	337.2
Rum	23.0	13.0
Packaging materials	15.0	10.5
Other stocks	7.2	6.7
	390.8	373.8

13 Current asset investments

	2012 £m	2011 £m
Group		
Maxxium Worldwide BV	0.8	10.4

14 Debtors

	Company		Group	
	2012 £m	2011 £m	2012 £m	2011 £m
Amounts falling due within one year:				
Trade debtors	-	-	61.1	52.4
Loan to Group undertakings	21.1	21.1	-	-
Amounts owed by Group undertakings	0.3	0.4	-	-
Amounts owed by joint ventures	-	-	26.4	31.7
Other debtors & prepayments	1.1	3.1	28.3	25.5
UK corporation tax group relief receivable	1.3	1.4	-	-
	23.8	26.0	115.8	109.6
Amounts falling due after one year:				
Loan to Group undertakings	334.2	350.9	-	-

Notes on Financial Statements
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15 Creditors: amounts falling due within one year

	Company		Group	
	2012 £m	2011 £m	2012 £m	2011 £m
Amounts falling due within one year:				
Bank loans (Note 16)	226.0	-	226.0	125.0
Bank overdraft	-	-	12.7	13.0
Loan notes	-	-	0.2	0.4
Trade creditors	-	-	24.0	24.7
Amounts owed to Group undertakings	35.0	21.2	-	-
Amounts owed to joint ventures	-	-	36.6	19.9
Accruals and other creditors	0.5	0.2	78.8	61.5
Other taxes and social security costs	-	-	15.3	13.6
Corporation tax	-	-	14.4	16.0
	261.5	21.4	408.0	274.1

16 Creditors: amounts falling due after more than one year

	Company		Group	
	2012 £m	2011 £m	2012 £m	2011 £m
Bank loans	-	283.3	190.0	513.4
US private placement	-	-	189.0	-
Less: deferred arrangement fees	-	(0.5)	(1.8)	(3.0)
	-	282.8	377.2	510.4
Other creditors	-	-	3.0	5.0
Other loans	-	-	0.3	0.3
	-	282.8	380.5	515.7

Bank borrowings and other loans are repayable as follows:

	Company		Group	
	2012 £m	2011 £m	2012 £m	2011 £m
Amounts falling due:				
Within one year	226.0	-	238.9	138.4
Between one and two years	-	283.3	190.0	283.4
Between two and five years	-	-	0.3	230.3
After five years	-	-	189.0	-
	226.0	283.3	618.2	652.1

16 Creditors: amounts falling due after more than one year (continued)

The Group has access to banking facilities under three principal arrangements:

The Edrington Group Limited has a five year, multicurrency, revolving credit facility of €330m which is renewable in November 2012. At 31 March 2012 £225.0m (€270m) (2011: £282.4m (€320m)) had been drawn down under the facility. Interest payable on this loan is linked to EURIBOR.

At 31 March 2012 the subsidiary 1887 Group had a revolving credit facility of £240m repayable in July 2013. At the balance sheet date The 1887 Group had drawn down £190m (2011: £355m) under this facility. Interest payable on this loan is linked to LIBOR.

On 4 April 2011 The 1887 Group entered into new financing facilities in the form of a US private placement for $75m repayable in April 2018 and $225m repayable in April 2021. The 1887 Group entered into cross currency interest rate swaps and a series of forward exchange currency contracts to hedge the US dollar principal amounts and interest payments. At 31 March 2012, the Group had drawn down £189.0m (2011: nil) under this facility.

The borrowings of the Group and of the subsidiary 1887 Group are secured by guarantees from, and floating charges over, the assets of those respective groups.

The 1887 Group has guaranteed bank borrowings for certain distribution companies totalling £19.9m (2011: £18.4m).

17 Fair value of hedging instruments

The Group operates a prudent hedging policy of fixing forward the rates for both currency and interest via forward exchange contracts and swaps. The Group does not enter into currency or interest hedges for speculative purposes. As required by Statutory Instrument 2008/410, the following table sets out the fair value of the (liability)/asset for those hedges outstanding at the year end.

Fair value of financial instruments held to manage interest rates:

	Fair value 2012 £m	Fair value 2011 £m
Interest rate swaps	(20.9)	(14.9)

Fair value of financial instruments held to hedge the currency exposure on net cash flows:

Forward exchange currency contracts	8.8	(0.2)

The Group's interest rate swaps were taken out to hedge interest rate risk on bank borrowings and the US private placement. The Group's forward exchange currency contracts were taken out to hedge the Group's risk across its overseas markets.

Notes on Financial Statements
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18 Provisions for liabilities

	Deferred taxation £m	Other provisions £m	Total £m
At 1 April 2011	16.5	29.5	46.0
Provided in the year	(6.1)	-	(6.1)
Exchange adjustments	-	(1.8)	(1.8)
At 31 March 2012	10.4	27.7	38.1

Other provisions include an estimate of the potential liability related to the termination of a distribution agreement by Brugal.

Deferred tax is provided as follows:

	2012 Provided £m	2011 Provided £m
Group		
Capital allowances in excess of depreciation	27.6	27.2
Other timing differences	(17.2)	(10.7)
	10.4	16.5

Certain investments held by the Group have previously been revalued. No deferred tax has been provided on the uplift arising from the revaluations as the Group has no intention to dispose of these investments in the foreseeable future. If such a disposal did occur, the tax which would be payable is estimated to be £0.6m (2011: £0.7m).

19 Share capital

	£m
Group and company	
Called up, allotted and fully paid	
At 1 April 2011 and 31 March 2012:	
550,000 'A' ordinary equity shares of 10p each	0.1
65,318,400 'B' ordinary equity shares of 10p each	6.5
	6.6

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.

20 Reserves

(i) Profit and loss account

	£m
Group	
Balance at 1 April 2011	433.8
Retained profit for year	65.4
Equity dividends payable in the year (Note 8)	(17.8)
Exchange adjustments on the net assets of joint ventures	(0.7)
Net currency translation difference on foreign investments & related borrowings	(8.1)
Transfer from revaluation reserve	0.2
Purchase of own shares	(7.6)
Receipts from sale of own shares	5.2
Actuarial loss on pension scheme	(21.5)
Movement on deferred tax relating to pension liability	4.1
Balance at 31 March 2012	**453.0**

(ii) Other reserves

	Share premium £m	Merger reserve £m	Capital reserve £m	Capital redemption reserve £m	Revaluation reserve £m	Share based payments reserve £m
Group						
Balance at 1 April 2011	0.5	29.5	35.8	1.0	8.3	2.8
Transfer to retained profit	-	-	-	-	(0.2)	-
Share based payment credit	-	-	-	-	-	(0.7)
Balance at 31 March 2012	**0.5**	**29.5**	**35.8**	**1.0**	**8.1**	**2.1**

The cumulative amount of negative goodwill arising from acquisitions credited to reserves prior to 31 December 1998 was £3.8m. This negative goodwill would only be credited to the profit and loss account on any subsequent disposal of the business to which it related. Negative goodwill arising after that date will be carried forward under intangible assets in the balance sheet and amortised over its useful life.

	Share premium £m	Capital redemption reserve £m	Share based payments reserve £m	Retained profit £m
Company				
Balance at 1 April 2011	0.5	1.0	-	374.3
Retained profit for the year	-	-	-	45.4
Equity dividends payable in the year	-	-	-	(17.8)
Purchase of own shares	-	-	-	(7.6)
Receipts from sale of own shares	-	-	-	5.2
Share based payment expense	-	-	2.1	-
Balance at 31 March 2012	**0.5**	**1.0**	**2.1**	**399.5**

Notes on Financial Statements
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20 Reserves (continued)

(ii) Other reserves (continued)

The profit and loss account reserve includes the reserves of The Edrington Group Limited Employee Benefit Trust amounting to £11.8m (2011: £11.8m) and a deduction from the company's reserves for their own shares held by the Employee Benefit Trust amounting to £22.6m (2011: £20.2m). 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.

A profit and loss account 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 amounts to £45.4m (2011: £38.2m).

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 3,429,691 'B' ordinary shares (2011: 3,355,002 shares) with a cost of £22.6m (2011: £20.2m).

The charge to the Group profit and loss account this year in respect of share awards by the ShareReward Scheme was £1.6m (2011: £2.2m).

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 2012 the Employee Benefit Trust held a further 271,807 (2011: 378,851) 'B' ordinary shares in its own name as security against employee loans of £0.4m (2011: £0.4m).

21 Net cash inflow from operating activities

	2012 £m	2011 £m
Group operating profit	150.8	161.2
Depreciation and amortisation	16.2	17.2
Gain on sale of fixed assets	(1.8)	(0.3)
Disposal of investments	0.4	0.2
Difference between pension charge and cash contributions	(10.2)	(9.1)
Increase in stocks	(5.9)	(0.4)
Decrease in debtors	14.4	2.0
(Decrease)/increase in creditors	(5.6)	17.3
Share based payments credit	(0.7)	(0.4)
Net cash inflow from operating activities	157.6	187.7

22 Analysis of net debt

	Note	At 1 April 2011 £m	Exchange adjustment £m	Cash flow £m	Non cash movement £m	At 31 March 2012 £m
Cash in hand		125.7	(1.5)	29.7	-	153.9
Bank overdrafts		(13.0)	-	0.3	-	(12.7)
		112.7	(1.5)	30.0	-	141.2
Bank loans		(638.4)	15.7	206.7	-	(416.0)
US private placement		-	-	(189.0)	-	(189.0)
Loan notes		(0.4)	-	0.2	-	(0.2)
Other loans		(0.3)	-	-	-	(0.3)
Total loans		(639.1)	15.7	17.9	-	(605.5)
Current asset investments		10.4	(1.3)	(8.9)	0.6	0.8
Total net debt	23	(516.0)	12.9	39.0	0.6	(463.5)

23 Reconciliation of net cash flow to movement in net debt

	2012 £m	2011 £m
Increase in cash in hand in the year	30.0	53.4
Net cash outflow from loans	17.9	5.0
Decrease in current asset investments	(8.9)	-
Change in net debt resulting from cash flows	39.0	58.4
Non cash movement in current asset investments	0.6	(2.0)
Exchange adjustment	12.9	(2.3)
Movement in net debt in year	52.5	54.1
Net debt at 1 April	(516.0)	(570.1)
Net debt at 31 March	(463.5)	(516.0)

Notes on Financial Statements
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24 Transactions with related parties

During the year, in the normal course of business, The Edrington Group Limited and its subsidiaries entered into the following transactions with related parties as defined in FRS 8 Related Party Transactions.

The Group made purchases of £12.6m (2011: £10.3m) and received services to the value of £5.5m (2011: £5.3m) from Lothian Distillers Limited. The Group also made purchases of £4.8m (2011: £5.5m) from Row & Company Limited and made sales to that company of £8.9m (2011: £9.8m). The Group made sales to other joint ventures amounting to £166.2m (2011: £181.0m) and received services to the value of £48.9m (£45.4m). The balances due to/from joint ventures in respect of these transactions are as disclosed in Notes 14 and 15.

The Group has an interest-free loan from Lothian Distillers Limited included in Note 15.

The Edrington Group Limited received dividends of £45.5m (2011: £42.9m) from its subsidiary, The 1887 Company Limited. The directors of The Edrington Group Limited received dividends from the Group totalling £0.3m in the year (2011: £0.3m).

The directors have taken advantage of the exemption offered by FRS 8 not to disclose transactions with wholly-owned subsidiaries.

25 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 £1.9m relating to equity-settled share based payment transactions in the year to 31 March 2012 (2011: £2.4m).

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 during the year are as follows:

	2012		2011	
	Number of share options	Weighted average exercise price (in £)	Number of share options	Weighted average exercise price (in £)
Outstanding at 1 April	778,407	£5.03	843,181	£4.92
Granted during the year	171,728	£8.11	245,442	£5.52
Exercised during the year	(230,806)	£5.30	(256,865)	£5.18
Forfeited during the year	(16,394)	£5.46	(53,351)	£5.18
Outstanding at 31 March	702,935	£5.68	778,407	£5.03

The weighted average share price at the date of exercise for share options exercised during the period was £5.30 (2011: £5.18). The options outstanding at 31 March 2012 had a weighted average exercise price of £5.68 (2011: £5.03), and a weighted average remaining contractual life of 2 years (2011: 2 years). The fair value of the options granted on 1 April 2011 was £0.3m (on 1 April 2010: £0.3m).

The fair value of shares and options granted is calculated at grant date using the Black-Scholes model and in accordance with FRS 20 Share Based Payments. The inputs into the Black-Scholes model are as follows:

Grant date	1 April 2011	1 April 2010	1 April 2009
Share price at grant date	£10.14	£6.90	£5.52
Exercise price at grant date	£8.11	£5.52	£4.42
Expected volatility	21%	12%	10%
Expected life	3 years	3 years	3 years
Risk free rate	1.9%	1.9%	1.8%
Expected dividend yield	2.9%	3.1%	3.6%

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

26 Retirement benefit liabilities

Retirement benefit liabilities after deferred tax comprise:

	2012 £m	2011 £m
Defined benefit liabilities in principal subsidiaries	(42.6)	(32.8)
Defined benefit liabilities in Edrington Taiwan Limited	(1.2)	(0.7)
Other post-retirement benefits	(2.4)	(2.7)
	(46.2)	(36.2)

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. 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 2010. Both valuations, which were updated to 31 March 2012 were performed by independent, professionally qualified actuaries.

Edrington Taiwan Limited, in which the Group has an 87.5% holding, also has a defined benefit pension scheme.

The notes below do not include amounts relating to Edrington Taiwan's scheme on the grounds of materiality to the Group.

The major assumptions used by the actuary were as follows:

	2012	2011
Rate of increase in salaries	4.2%	4.4%
Rate of increase of pensions in payment	2.5% - 3.6%	3.3% - 5.0%
Discount rate	4.7%	5.5%
Inflation assumption (RPI/CPI)	3.2/2.2%	3.4%
Medical benefits inflation assumption	5.6%	5.7%

In 2012, as permitted by scheme rules, the company has linked the deferred pension valuation in excess of Guaranteed Minimum Pension to CPI. Inflation-linked pension increases continue to be based on RPI. The effect of this immaterial change is reflected in the statement of total recognised gains and losses.

The post retirement mortality assumptions used to value the benefit obligation at 31 March 2012 and 2011 were S1PXA adjusted by 115% for both males and females, plus an allowance for long cohort projections. Assumed life expectancy for scheme members currently aged 65 is 22 years for males, and 24 years for females, and for members currently aged 45 is expected to be, 25 years (male) and 27 years (female) upon reaching 65.

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26 Retirement benefit liabilities (continued)

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

	2012 Rate of return %	2012 Value £m	2011 Rate of return %	2011 Value £m
Equities	7.3%	70.3	7.5%	107.5
Corporate bonds	4.6%	63.7	5.5%	37.7
Bonds	3.3%	63.1	4.4%	29.4
Cash	0.5%	0.7	0.5%	0.4
Property	6.7%	14.7	6.9%	14.5
Insured pensions	4.7%	6.7	5.5%	5.7
Total fair value of assets		219.2		195.2
Present value of scheme liabilities		(275.3)		(239.5)
Deficit in pension schemes		(56.1)		(44.3)
Related deferred tax asset		13.5		11.5
Net deficit in pension schemes		(42.6)		(32.8)

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

	2012 £m	2011 £m
Current service cost	(4.0)	(4.8)
Gain on curtailment of pension liabilities	0.2	-
	(3.8)	(4.8)

Analysis of net charge to finance costs

	2012 £m	2011 £m
Expected return on pension schemes assets	13.0	11.8
Interest on pension liabilities	(13.1)	(12.6)
Net charge to finance costs	(0.1)	(0.8)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2012 £m	2011 £m
Actual return less expected return on assets	3.8	0.3
Experience gains and losses on liabilities	4.4	(1.0)
Changes in assumptions	(29.6)	2.7
Actuarial (loss)/gain recognised in the STRGL	(21.4)	2.0

The cumulative actuarial gains and losses recognised in the STRGL at 31 March 2012 were £(40.6)m (2011: £(19.2m)).

	2012 £m	2011 £m
Reconciliation of fair value of scheme assets		
Opening fair value of scheme assets	195.2	175.6
Expected return on assets	12.9	11.8
Employers' contributions	13.6	13.6
Members' contributions	1.1	1.1
Actuarial gains	3.7	0.3
Benefits paid	(7.3)	(7.2)
Closing fair value of scheme assets	219.2	195.2

The expected return on assets is based on long term expectations for each asset class at the beginning of the year. The actual return on plan assets was £16.8m (2011: £12.0m).

	2012 £m	2011 £m
Reconciliation of defined benefit obligation		
Opening defined benefit obligation	(239.5)	(229.9)
Current service cost	(4.0)	(4.8)
Interest cost	(13.0)	(12.6)
Members' contributions	(1.1)	(1.1)
Actuarial (losses)/gains	(25.2)	1.7
Curtailment of liabilities	0.2	-
Benefits paid	7.3	7.2
Closing defined benefit obligation	(275.3)	(239.5)

	2012 £m	2011 £m
Movement in deficit during the year		
Deficit in schemes at beginning of year	(44.3)	(54.3)
Current service cost	(4.0)	(4.8)
Gain on curtailment of scheme liabilities	0.2	-
Contributions	13.6	13.6
Net interest cost	(0.1)	(0.8)
Actuarial (losses)/gains	(21.5)	2.0
Deficit in schemes at end of year	(56.1)	(44.3)

Notes on Financial Statements
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26 Retirement benefit liabilities (continued)

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Five year history:					
Total fair value of assets	219.2	195.2	175.6	126.3	139.9
Present value of scheme liabilities	(275.3)	(239.5)	(229.9)	(167.1)	(162.5)
Deficit in pension scheme	(56.1)	(44.3)	(54.3)	(40.8)	(22.6)
History of experience gains and losses					
Experience adjustments on schemes' assets	3.8	0.3	36.2	(31.8)	(10.1)
Percentage of schemes' assets	1.7%	0.2%	20.6%	25.0%	7.2%
Experience adjustments on schemes' liabilities	4.4	(1.0)	0.2	(1.1)	5.2
Percentage of schemes' liabilities	1.6%	0.4%	0.1%	0.7%	3.2%
Total amount recognised in statement of total recognised gains and losses	(21.4)	2.0	(17.7)	(25.7)	22.2
Percentage of schemes' liabilities	7.8%	0.8%	7.7%	15.4%	13.7%

Sensitivity analysis on scheme liabilities

The sensitivity of the present value of scheme liabilities to changes in the principle assumptions used at 31 March 2012 is set out below:

	Sensitivity	Impact on scheme liabilities
Assumption		
Discount rate	+/- 0.5%	+/- 8%
Mortality – increase in life expectancy	+ 1 year	+ 4%
Increase in salaries	+/- 0.5%	+/- 2%
Increase in inflation	+/- 0.5%	+/- 6%

Defined benefit schemes

The Group paid contributions of 28% of pensionable salary and deficit reduction payments of £10.2m (2011: £7.1m) to the pension schemes during 2012. It is anticipated that the Group will continue to pay 22% of pensionable salary and will make additional deficit payments of £9.8m in the year to March 2013.

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 £6.5m (2011: £5.5m).

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 £0.6m (2011: £0.5m).

Other post-retirement benefits

Other post retirement benefits reflected in the accounts

	2012 £m	2011 £m
Potential liability for discretionary post retirement benefits	(2.5)	(3.5)
Related deferred tax asset	0.6	0.7
Net potential liability for discretionary post retirement benefits deficit	(1.9)	(2.8)

27 Other contractual obligations

	2012 £m	2011 £m
Contracted but not provided for		
- material purchase commitments	6.2	9.5
- capital commitments	22.5	15.8
	28.7	25.3

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 buildings and casks.

28 Control

The company is controlled by The Robertson Trust, a charitable organisation.

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