EDRINGTON

New Frontiers

Annual Report & Financial Statements
for the year ended 31 March 2013

Annual Report and Financial Statements 2013

Contents

Review

Reports

Financial Statements

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 auditor's report from page 40 onwards.

Financial Performance

Group turnover

	Group turnover
13	£591.3m
12	£556.1m
11	£553.4m
10	£468.3m

Profit before tax*

	Profit before tax*
13	£168.6m
12	£148.8m
11	£141.5m
10	£118.6m

Shareholders' earnings*

	Shareholders' earnings*
13	£77.6m
12	£70.5m
11	£65.0m
10	£54.1m

Dividend per share

	Dividend per share
13	34.0p
12	30.0p
11	27.0p
10	23.2p

↑ 6.3%

Increase in Group turnover

↑ 13.3%

Increase in profit before tax

**excluding exceptional items*

↑ 10.1%

Increase in shareholders' earnings

**excluding exceptional items*

↑ 13.3%

Increase in dividends per share

New Frontiers

Edrington's optimism about the future has driven an enterprising spirit within the Company. In this year's Annual Report we set out the results for 2012/13 and reveal Edrington's quest for New Frontiers.

← Financial Highlights

Innovation and Enterprise

It lies at the heart of our business, from packaging technology, brand expressions through to business processes.

Facing the challenges

Mike Rose and his technical services team developed the lightest bottle of its kind for The Famous Grouse. The award-winning design saves 2,000 tonnes of glass and consumes less energy in production and transportation, yet still retains the integrity of the classic style it is renowned for.

Innovation and Enterprise

Ginger Grouse spreads its wings

Following its successful launch in Scotland, Ginger Grouse is taking off across the UK, confirming Edrington's commitment to innovation in the whisky category. Mixing a dash of The Famous Grouse with the tangy taste of ginger beer and zingy citrus, Ginger Grouse is attracting consumers to a new taste adventure.

Flying colours

Mike Rose, director of technical services, weighs up the advantages of the new lightweight bottle with his team (left to right) Andrew Clist, Michelle McMurray and Angela Spink. The design passed extensive trials for strength and durability and now runs at up to 600 bottles per minute on the bottling line – the fastest in Scotland.

Packed in lightweight cases and shipped throughout the world, it is testament to the innovation and enterprise of the team.

Highland Park Loki

Highland Park's Valhalla Collection has gained admirers and awards for Thor and Loki, the first two of its four limited editions.

Brugal Especial Extra Dry

A bartender makes the most of Brugal's refreshingly dry character at the New York launch of Brugal Especial Extra Dry, Edrington's aged premium white rum.

The Macallan, The Flask

The Macallan joined forces with Oakley, known for its high performance sports equipment, to create The Macallan – The Flask. The result is a near-indestructible vessel that is the last word in craftsmanship and engineering.

Emerging Markets

Africa is now the world's fastest-growing continent, and rapidly urbanising markets in sub-Saharan Africa offer exciting opportunities for Edrington's premium brands.

Exciting times

Brand ambassador Nicol Gongota celebrates success with colleagues. Edrington brands are growing fast in thriving markets like Angola.

Emerging Markets

Edrington FIX

Regional managing director Stewart MacRae and Igor Boyadjian in Dubai to sign an agreement that gives Edrington FIX the perfect base to develop our premium brands in the Middle East and north Africa.

African

The Edrington Africa team is building new relationships with bar owners in growing urban communities.

Eastern Europe

At The Macallan Six Pillars dinner in the Ukraine, guests embark on a journey through the different expressions of the world's most precious whisky.

South east Asia

South east Asia has played an increasing role in our recent success and Edrington's new Singapore hub will bring the brands closer to consumers in eight dynamic markets.

Attracting Consumers

Edrington is crossing new frontiers to reach more consumers with our luxury brands.

Strengthening the team in south east Asia

The sparkling skyline of Singapore attracts the world's highest concentration of millionaires. From their Singapore hub, Jeffrey Loo and Jeremy Ong are reaching even further across south east Asia to build our luxury brands.

Attracting Consumers

USA

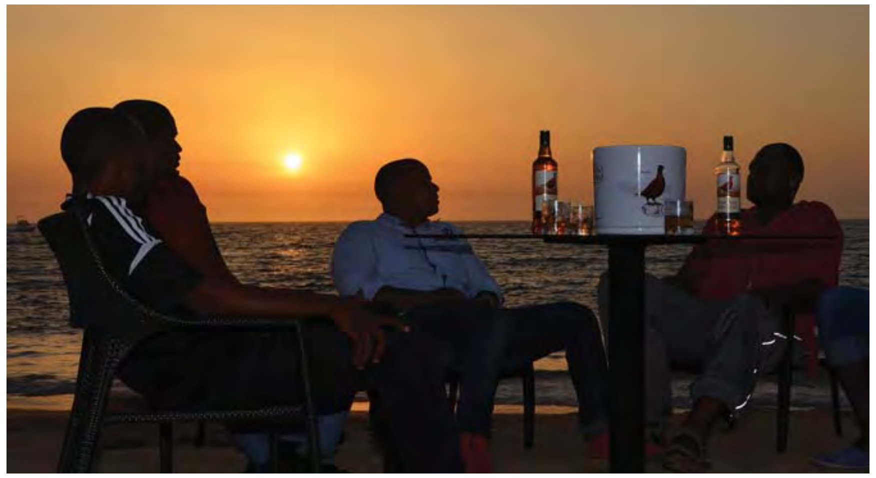
Brugal Especial Extra Dry has sparked interest among cocktail lovers in the US, the world's largest market for premium spirits. Aged in oak and triple filtered to provide a crystal-clear, smooth spirit, it is changing the way people think about rum.

Movers and Shakers

Cutty Sark shows its versatility at Speed Rack, a woman-only competition that attracts America's top female bartenders.

Angola

Sundown on a beach in Luanda. The Famous Grouse is now a leading Scotch whisky in Angola.



Masters of Photography

Kevin McKidd chats to journalists in New York at the launch of Masters of Photography: Annie Leibovitz. Kevin worked at The Macallan distillery as a young man before becoming an internationally famous actor and the most recent face of The Macallan's renowned Masters of Photography project.

Our Ambassadors

Our international growth is a credit to the talent and leadership of our people, the true ambassadors.

Inspiring consumers

Across continents and cultures, Edrington's people are blending global strategy with local knowledge to get closer to our consumers.

Our Ambassadors

↓

USA

The US market for premium spirits is growing by a million consumers a year, and Edrington's Scotch whiskies and Brugal rum are growing favourites with American consumers.

↓

Santo Domingo, Dominican Republic

Augusto Ramirez, Luis Concepcion and Franklin Baez celebrate the launch of Brugal XV.

↑

UK

Joy Elliott, brand ambassador for The Macallan launches The Macallan 1824 series in the UK.

←

Luanda, Angola

Jonas Sanders presents consumers in Angola with a brand full of personality.

→

Amsterdam, Netherlands

Sietse Offringa holds aloft Highland Park Loki, the second edition in the acclaimed Valhalla Collection.

Chairman's Statement
Sir Ian Good

"The theme for this year's annual report is New Frontiers, capturing the enterprising spirit within Edrington as it reaches further for new consumers."

Edrington's dynamism is a reflection of the categories it operates in. The Scotch whisky market continues to thrive, enthralling consumers in emerging markets. In 2012 exports reached a further record level, delivering £4.3 billion to the UK balance of payments (£135 per second). Of equal encouragement is the sustained nature of this growth, allowing our Company to plan and invest with confidence.

The premium rum market continues to excite consumers through product quality and authenticity. Rum brands have been rapidly premiumising to take advantage of this trend and Edrington has valuable experience of how to accomplish this in Scotch whisky. Our plan for Brugal has been buffeted by the enduring economic depression in southern Europe but our confidence in the brand is reflected in our continued investment behind it.

As we strive for new frontiers we bear a great responsibility to ensure the sustainability of the business we have created. A consistent programme of investment in our brands, route to market, people and assets indicates Edrington's conviction about the long term potential of the industry. Our trade body, the Scotch Whisky Association, can also be singled out for driving the industry's environmental strategy, demonstrating the power of collaboration, and the achievement of progress earlier than planned.

A sustainable future also extends to active participation in measures to reduce harmful drinking. Edrington welcomed the revised commitments from the Global Alcohol Producers Group aimed at reducing harmful consumption. The progress shown by the UK charity Drinkaware demonstrates the importance of education about alcohol and Edrington has been pleased to support their efforts. We remain convinced that working in partnership with other stakeholders is the only way to make progress on this agenda both in Scotland and internationally.

"New Frontiers" is also an appropriate signpost for me to announce my retirement from Edrington at this year's AGM. I am very pleased to welcome Norman Murray as my successor. Norman has served as a non-executive director since 2012 and understands our business well. I wish him all the very best in this marvellous role. I am sure that he will be a strong contributor to the future direction of Edrington.

Further to Norman's appointment, I am pleased to announce that Ronnie Bell will become the Company's senior independent director, a new role which will see Ronnie assisting the chairman in leading and assessing the effectiveness of the board. Having served as a non-executive with Edrington since 2005, Ronnie brings a breadth of knowledge and expertise to this new position.

Joining the board as a non-executive director this month will be David Richardson. David, who has worked extensively in the drinks industry, has significant experience as a non-executive director and will make an important contribution to the international development of the business.

I am also delighted to welcome Scott McCroskie to the board in his current role of commercial director. Scott joined Edrington in 2009 from Maxxium and his appointment reflects the importance of developing Edrington's route to market and our confidence in his leadership.

Edrington has always taken its governance responsibilities seriously and this year we are taking steps to detail the high standards of control operating within the Company. In the Corporate Governance Statement we list the composition of the board, the ways in which effectiveness is measured, and the supporting committee structures and processes.

Since joining the Company in 1969 I have been privileged to be associated with a period of very positive change. In the last 15 years the whisky production company that I joined has become an owner of sought after brands, stretched out of Scotch whisky into Dominican rum, and blossomed into an international company. Through all of this dynamic change I am very proud that the business has remained faithful to the values of our founders. I can say with confidence that Edrington remains a family company, with ownership vested solely in its employee shareholders and The Robertson Trust. As Edrington has grown so The Robertson Trust, now the largest grant-giving trust in Scotland, has been able to increase its charitable giving, and I am delighted that Edrington has extended the ethos of charitable giving to its international locations.

Over these years of change and growth I have been fortunate to work with outstanding teams and colleagues, and this is a final opportunity to express my thanks to them and my confidence in Edrington's prospects under the continued leadership of Ian Curle.

My heartfelt good wishes to everyone as we all seek out new frontiers.

Ian Good.

Sir Ian Good
Chairman

12 June 2013

Chief Executive's Review
Ian Curle

> "I am pleased to report that Edrington continues to deliver strong financial performance."

I am pleased to report that Edrington continues to deliver strong financial performance, having reported another record year of trading as well as having reduced debt, increased our brands' presence in emerging markets and strengthened our route to market.

Overall revenues were up 6.3% at £591.3m and profit before tax, excluding exceptional items was up 13.3% to £168.6m. This meant we delivered shareholders' earnings of £77.6m (pre-exceptional) which is up 10.1% in 2013, maintaining the trend of double-digit growth over the last 3 year period. Alongside this the Company reduced net debt over the course of the year by £13.6m through generating healthy cash flows from operating activities, balancing this with the reinvestment of funds in future expansion.

This strong overall performance was however impacted by significant further deterioration in the economic performance of southern European markets, which has principally affected our Brugal rum brand. As a result of this the board has taken the decision to reduce the intangible value of the Brugal brand on the Company's balance sheet. This action should be viewed in the context of Edrington's other brands performing strongly and the Company's sustained outperformance of industry average growth.

Our financial strength has underpinned significant brand share growth in key markets and allowed investment in emerging markets. A key indicator of the Company's progress on this agenda is its rapid internationalisation. The growth of emerging economies is creating new consumers whose increased spending power drives an appreciation of premium international goods, with Scotch whisky at the top of their shopping list. Edrington's strategy and international structure means we are now well placed to take advantage of this trend.

In the last year the Company opened its first office in Africa where our Johannesburg team co-ordinate the development of our brands in sub-Saharan Africa. In Singapore Edrington has been staffing up prior to the opening of a sales and distribution hub for eight countries in south east Asia later this year, and in the Middle East we were delighted to form a joint venture with FIX Wine & Spirits to capitalise on the growing markets in this zone.

Whilst emerging markets for spirits have been a priority Edrington has also maintained focus on well-established international opportunities. Almost 1 million new spirit drinkers are added to the USA market every year and their appreciation of premium brands is well matched to the Company's portfolio. Since opening its New York office in 2010 Edrington has continued to invest in "feet on the street" as it prepares to take responsibility for sales and distribution from April 2014.

Investment to support brands and markets also extended to operational sites in Scotland and the Dominican Republic as the Company continued its drive to build operational excellence and customer service from their current high levels.

Brands

The market for premium spirits continues to thrive.
In particular, Scotch whisky has enjoyed growth as a result of sustained investment and the continued rise of emerging markets. Rum has learned vital lessons from other categories about how to develop premium expressions, and is now rapidly following this route. Both categories are poised for further growth and provide sustained development opportunities for Edrington.

The Macallan continued to build its position as the ultimate luxury spirit. Asia and the USA remain the primary markets of growth as the brand continued to command the leading premium price in its category. Edrington's direct control of south east Asian markets this autumn will provide a strong platform for further expansion in Asia.

Brugal continues to take leading positions in the core markets of Spain and the Dominican Republic. As documented later in this report, both markets have remained challenging due to the difficulties in their economies. Despite the challenges posed by the economic environment we have invested for future brand growth with new premium packaging, an expansion into a broader range of markets, and increased momentum behind Brugal Especial Extra Dry - a premium white rum successfully trialled in the USA last year.

The Famous Grouse has grown market share in its core markets at the same time as it accelerated into emerging markets. The brand is already benefiting from Edrington's new distribution capabilities in Africa and will invest further in 2014 to extend its presence in fast growing emerging markets, for example Angola, Nigeria, Croatia, Poland and Turkey. In mature markets the combination of robust promotional activity and premium innovation is working for the brand.

Cutty Sark completed an overhaul of all the fundamentals of the brand including range, price and packaging. In 2013 it continued to be held back by the tough economic conditions in southern Europe but began to change its profile of markets by moving in tandem with The Famous Grouse into high growth emerging markets.

Highland Park continued to grow ahead of the malt category by focussing on a core range of markets and creating interest and value through super premium limited editions. The brand won the accolade of *Best Spirit* for its 25 year old edition for the second time reinforcing its credentials as a leading malt whisky.

Earlier this year Edrington's five core brands were joined by the **Snow Leopard** vodka. It will be an exciting challenge to give this premium brand the oxygen it needs to develop from its current niche position.

New Frontiers

Edrington continues to make good progress as a result of its consistent strategy. This year investment in our brands, people, and route to market was supplemented with a stronger focus on emerging markets.

We are set on a course that drives development of the high growth markets that are important to Edrington. New sales companies in the Middle East and south east Asia will provide access to valuable emerging territories and will be joined by similar breakthroughs next year.

Next year the Company is also committed to further significant investment in brands, people development, emerging markets, business systems, and distillation assets.

I am confident that this investment will ensure Edrington maintains its international momentum next year and beyond.

The announcement that Sir Ian Good is to retire after forty four years of service closes a significant chapter in our history. Sir Ian will be remembered as the architect of Edrington's transition from a small Scottish producer to a premium international spirits company. His vision, leadership and judgement have been an inspiration to those who follow in his footsteps. We will all miss him and wish him the very best for a happy retirement.

Finally, I would like to thank all our employees, across all our locations, for their dedication and focus in delivering another strong set of results.

Ian Curle
Chief executive

12 June 2013

Financial Review
Richard Hunter

The Company's trading performance in 2013 was very encouraging and was driven by growth in revenue in key markets, led by our premium malt brands. Before exceptional items, the Company recorded a profit before tax of £168.6m, and shareholders' earnings of £77.6m, reflecting healthy growth in the year.

Brand growth continues to be led by the United States and Asian markets, and will be further strengthened by the ongoing expansion, in 2013, of distribution activities in Africa, the Middle East and south east Asia. To further broaden its spirits portfolio, the Company acquired the ultra-premium Snow Leopard vodka in January 2013 with a view to growing the brand through the Edrington distribution network.

In last year's Financial Review, I noted that Edrington operates in markets which are subject to the effects of austerity measures and uncertainty over the future of the euro, but that these did not represent a barrier to the Company's future success. Whilst brand profit declined in southern Europe, it represented only 20% of global brand contribution and thus has only a limited impact on our overall trading performance.

However, as a result of the ongoing uncertainty about future macroeconomic growth in southern Europe, coupled with the recent performance of the Brugal brand in those markets, the Company has decided to record an exceptional, non-cash impairment charge of £274.8m in the profit and loss account to record the Brugal brand at its estimated fair value.

After accounting for minority interests, the exceptional impairment of the Brugal brand reduced shareholders' earnings by £168.0m, resulting in a net charge to reserves of £90.4m. Edrington's board considered the impact of the reported results on the level of dividend proposed for the full year and concluded that the ongoing cash-generative nature of the business meant sufficient funds were available to reward shareholders for the strong underlying performance of the Company. Accordingly, a second interim dividend of 24.0p (2012: 22.6p) has been proposed, making a total for the year of 34.0p (2012: 30.0p), an increase of 13%.

In conducting the annual impairment assessment on the carrying value of brands, we concluded that the estimated fair values of our other brands are significantly in excess of recorded book value, given their projected future growth. Furthermore, the projections used in this brand valuation process reflect Edrington's continued investment in Brugal to maintain and grow its position in key markets.

Other administrative expenses, excluding the exceptional item, were £0.8m higher than prior year reflecting continued investment in the Company's distribution network and international activities to support our growing business.

Net interest costs in 2013 were comparable to prior year levels, but were lower than expected as the Company was able to secure favourable borrowing margins through the extension of previous banking facilities in November 2012. Our recently completed refinancing also provides funds at competitive rates of interest for the medium term.

As an international spirits business, we are subject to the impact of taxation in a number of ways, either directly through corporation tax or indirectly through duty and similar taxes on our products. Recent austerity and public health measures have seen governments increasing rates of duty in a number of our key markets, increasing the price of our products to consumers in an already challenging fiscal climate. In 2013, we recorded tax on profits at an effective rate of 23.6% (before exceptional items) compared to 20.8% in 2012 which reflected the impact of certain non-recurring tax savings last year.

Balance sheet position

Intangible assets

The book value of brand intangible assets reflects their historic cost of acquisition, less any provision for impairment.

The effect of writing down the Brugal brand to its estimated fair value, together with the recurring currency retranslation and Cutty Sark brand amortisation has reduced the overall book value of intangible assets to £671.4m in 2013.

Tangible fixed assets

In 2013, the Company invested over £40m in tangible fixed assets compared to £30m in 2012 as we continue to expand our production and storage capacities.

Cask purchases, which remained the largest proportion of capital spend, were over 20% higher in value than in 2012 to enable the business to lay down more whisky in response to growth in demand for our brands. A total of £9m was invested this year in two further maturation warehouses at the Macallan distillery on Speyside to provide the necessary additional storage for stock.

We have also invested over £7m at our operational facilities in Scotland and the Dominican Republic over the course of the year to improve our capabilities.

Stocks

Total stocks at 31 March 2013 were £399.6m, an increase of 2% from 2012.

The Company's stock profile in 2013 reflects continuing investment in brand growth, principally driven by increases in fillings of The Macallan in anticipation of expected higher demand in the long term, offset in part by a reduction in the levels of stock held for blended Scotch.

Net debt and cash flow

In 2013, the Company maintained its previous strategy of balancing investment in long-term business growth with the need to service existing lender and shareholder requirements. Net debt reduced by £13.6m to £449.9m in the year, primarily reflecting strong cash flow from trading which also facilitated an increased investment in stocks, together with a greater dividend return to shareholders.

Financing

In May 2013, the Company completed a refinancing and obtained new funding under two of its three principal borrowing arrangements. The Edrington Group obtained revolving facilities of €225m whilst The 1887 Group obtained revolving facilities amounting to £310m, over and above its existing US private debt facility of £189m.

The Company has been in compliance with all borrowing covenants throughout the year, and has remained highly cash generative.

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 five year period and involves swapping variable interest rates for fixed rate commitments under a policy agreed by the board.

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. Coverage is subject to ongoing review by the Group Treasury Committee. The Company has US dollar denominated debt raised on the US private insurance market, the principal amount of which was fixed at a sterling rate on drawdown. Subsequent US dollar interest payments are hedged via a series of forward exchange contracts.

Company pension schemes

The deficit on the Company's pension schemes at 31 March 2013, as reported under FRS17, amounted to £56.3m (after deferred tax) compared to a figure of £43.8m at March 2012. The increase was driven by lower market-based assumptions on discount rates and long-term asset returns which had 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 were broadly in line with last year.

The Company is taking a number of steps in response to the challenging conditions in global financial markets which are driving lower returns on investments and contributing to a growth in pension deficits. In 2008, the schemes were closed to new members and subsequently the Company has sought to more effectively match scheme investments with membership profile as well as undertaking an exercise to reduce future volatility in pension liabilities through enhanced transfer settlements for consenting members.

The Company maintains an agreed programme of additional funding as part of its deficit reduction plan and has identified further actions to achieve its objectives in this area in the coming years.

Capital structure

Edrington has made no significant change in its capital structure or the way it manages its equity and dividend distributions which are approved by the board following an assessment of business performance and financial position.

The Robertson Trust maintain a controlling interest in the Company's 'B' Ordinary shares, with the remaining shares being held by the Employee Benefit Trust for the purposes of employee remuneration, and by existing or former employees. The Robertson Trust owns all of the issued 'A' Ordinary shares.

Richard Hunter
Group finance director

12 June 2013

Corporate Governance Statement

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

1. Board composition

At 31 March 2013, the board comprises the non-executive Chairman, four executive directors and three independent non-executive directors, together with the Group company secretary. The board believes that its composition - size, mix of expertise and balance of executive and non-executive directors - is appropriate.

The board's process on nominations is undertaken by the Remuneration & Nomination Committee, and includes assessing the composition of the board and its governance structures as well as considering appointments and succession planning. As principal investor, The Robertson Trust may also participate in the selection of non-executive directors.

2. The role of the board

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

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

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

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

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

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

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

3. Board effectiveness

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

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

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

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

4. Shareholders

The Company's controlling shareholder is The Robertson Trust (the 'Trust') and representatives from the Trust and from the Company meet regularly under the auspices of the Investor Relations Committee (the 'IRC'). The IRC is the principal forum through which the Trust manages its investment in the Company, monitors the Company's performance and allows the exchange of ideas. The board also meets formally with the Trust on an annual basis to report on financial performance, strategic developments and business outlook. The Audit and Remuneration & Nomination committees report to the Trust on their respective activities.

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

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

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

5. Board committees

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

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

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

Committee	Chairman	Remit
Group Risk Management Committee	Martin Cooke	• identifies and evaluates principal operational risk • reviews the adequacy of risk management processes • recommends improvements in risk management processes • reports material findings to the Audit Committee
Treasury Committee	Richard Hunter	• ensures compliance with terms of Group borrowing facilities • minimises financial risk arising from exposure to fluctuations in foreign exchange rates, interest rates and cash flow • determines hedging policy on interest rates and currency • approves significant decisions on commercial credit limits • monitors and approves cash signing authority in the Company
Corporate Social Responsibility Committee	Gerry O'Donnell (public affairs director)	• ensures Edrington conducts business in a socially responsible and ethical way, including: • setting and adhering to industry standards on advertising and social awareness on alcohol misuse • identification and monitoring of performance against targets on environmental sustainability • in conjunction with The Robertson Trust, ensures the business supports local communities in which it operates
Marketing Code Committee	Ronnie Bell	• sets marketing policy in compliance with industry standards (The Portman Group) to ensure responsible marketing practice • reviews marketing practice on an annual basis and maintains processes for complying with marketing code prospectively

Corporate Governance Statement
Continued

5.1 Remuneration & Nomination Committee

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

5.2 Audit Committee

The Audit Committee, chaired by Callum Barton, meets at least twice a year with the external auditors and members of the management team to discuss audit planning, review statutory accounts and address issues arising from the audit. It also considers the ongoing independence of the auditor and the effectiveness of the audit process. The conclusions of the committee are reported to the board before the board approves the annual results. The committee approves risk management plans, thereafter receiving reports on material matters arising and actions taken. There is an opportunity at each meeting for the committee to discuss matters with the auditor without management present.

In February 2013, the committee adopted new terms of reference, as approved by the board, which more formally define its composition and protocols, its interaction with the auditor, and its responsibilities and reporting. Senior members of the finance function and the auditors attended each committee meeting which took place in the year.

Financial statements and audit

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

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

External auditor

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

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

The Group finance director may approve specific engagements up to £100,000 cumulatively, with fees in excess of this limit being subject to approval of the full committee. During the year the Company made limited use of specialist teams within Grant Thornton UK LLP for non-audit work. The total fees paid to Grant Thornton UK LLP amounted to £322,000, of which £109,000 related to non-audit work.

In line with best practice, the Audit Committee has decided to undertake a retender process for the audit of the Company's financial statements for the year ending 31 March 2014. The audit committee will appoint the firm which best meets its criteria for delivering a high quality, comprehensive and cost-effective audit after the tender process which will take place in July 2013.

Group risk management

The Group Risk Management Committee meets at least twice a year, under the chairmanship of the company secretary with senior representatives from every discipline across Edrington, to complete a process of evaluating and assessing operational risk and reviewing the adequacy of existing procedures to manage and/or reduce risk. The findings of this committee are presented to the Audit Committee on a bi-annual basis, together with the findings of Edrington's Group risk finance function which has responsibility for ensuring that the financial risk profile across the Company is understood and is well managed with appropriate controls in place.

The risk management framework and internal control systems are designed to manage, and not to eliminate, the risk of failure to achieve business objectives. They can provide reasonable, but not absolute, assurance that the Group's assets are safeguarded and that the financial information used within the business and for external reporting is reliable. The Company has in place procedures to assess the key risks to which it is exposed and has formalised the control environment needed to address these and other issues. The committee and the board are satisfied that there are no significant weaknesses in these systems.

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 remedied, 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. 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.

The Company maintains a Code of Conduct, an Anti-Corruption policy and a Speaking Up policy.

The Code of Conduct reinforces Edrington's values, culture, behaviours and responsibilities as they relate to the behaviour of our employees in their internal and external business relationships as well as those individuals with whom we do business. The Code provides guidance in areas where conduct is commonly challenged and on where to seek help where employees have concerns. Each employee is required to understand and comply with the Code, available on the Company's website, at all times.

The Anti-Corruption policy is subject to benchmarking and review during the year to ensure it remains fit-for-purpose and aligned with the six principles set out in the UK Bribery Act 2010. The committee is satisfied that adequate procedures are in place and are effective in guarding against material corruption risk.

The Speaking Up policy provides details of how internal and external parties can raise, in strict confidence, concerns of malpractice. Training processes and monitoring are in place to ensure compliance.

6. Risks and uncertainties

The principal strategic and operational risks are associated with the performance of the Company's key brands around the world. The Company operates in a range of territories, some of which are heavily affected by the current economic downturn, giving rise to pressure on price and increased competition for market share. At the same time, the geographic diversity of the Company's activities means that this impact is offset by significant growth in other territories, principally in Asia and north America.

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 therefore has a policy which specifies the profile of trading exposures to be hedged and the hedging instruments the Company may use. It 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'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 Treasury Committee to monitor and manage the quantity and cost of debt finance. Policies 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 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 external advisers to drive effective business performance and limit exposure to risk.

The Company actively maintains a mixture of long and short term debt finance designed to ensure it has sufficient funds available for its ongoing 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.

Corporate Social Responsibility Report

In 2013, Edrington continued to both strengthen and integrate the Company's corporate social programmes.

The Corporate Social Responsibility committee is chaired by the public affairs director and includes representatives from the brands, HR, legal, and operational compliance functions. The committee focusses on the four key elements of Edrington's CSR strategy: Marketplace, Environment, Workplace and Community.

Marketplace

Edrington understands its responsibilities as an alcohol producer and acknowledges the potential problems associated with harmful drinking. The Company has consistently promoted responsible consumption both independently and through partnerships.

Last year Edrington gave its support to the Global Alcohol Producers Group's (GAP-G) new initiatives to reduce harmful drinking.

The concept of self-governance is central to GAP-G's thinking, specifically:

> *"Continuing to strengthen and expand marketing codes of practice that are rooted in our resolve not to engage in marketing that could encourage excessive and irresponsible consumption, with a particular focus on digital marketing."*

Last year Edrington continued to roll out awareness of and compliance with its own Marketing Code of Practice. This is now a mandatory feature of induction programmes for frontline and supporting sales and marketing teams. In 2012 the newly formed Edrington Africa team were personally trained on the provisions of the code.

A significant upgrade of the code's guidance on digital communication will take place mid-way through 2013 drawing on new, enhanced advice on digital communication in both the Portman Code and the Scotch Whisky Marketing Code.

Edrington's award-winning new bottle for The Famous Grouse is the lightest in its class, requiring less glass and lowering carbon emissions.

Environment

2013 was a year in which the Company made substantial progress towards its own environmental targets.

The industry, as a whole, can however achieve more by working together, and Edrington is a key supporter of the Scotch Whisky Association's Environmental Strategy. First launched in 2009, the strategy is the most ambitious voluntary environmental sustainability strategy of its kind in the UK. In 2012 the SWA reported that the industry is expected to meet its 2020 targets ahead of schedule.

Renewable energy

The Company took a major step forward this year in support of the keynote commitment of ensuring that 20% of the industry's primary energy requirements are delivered from non-fossil fuel sources.

March marked the completion of the Helius CoRDe biomass combined heat and power plant in Rothes, Speyside. The project is a joint venture between Helius Energy PLC and the Combination of Rothes Distillers (CoRD), a consortium of distilling companies, with Edrington as the largest shareholder.

The 7.25 megawatt facility uses spent grain (known as draff) from the distilling process to generate enough electricity to power 9,000 homes. The same plant will turn another product of distillation, pot ale, into high value protein for animal feed. The project will prevent the emission of around 18,000 tonnes of CO^2 by ending the previous practice of using gas to dry draff, and the electricity produced will save a further 46,000 tonnes of CO^2 compared to a similarly sized coal-fired station.

Edrington sources 100% of the electricity used across all the Company's UK sites from 'green' tariffs that provide energy from renewable sources.

Less waste leads to lower costs

Edrington has intensified its focus on packaging waste. During last year, the Company's landfill weight reduced by 10%, and our mixed recyclates generated increased by 84%. This reduced costs associated with landfill by 17%.

During 2012 The Famous Grouse pioneered the use of new glass technology to create a new bottle that is 14% lighter than before, and the first premium embossed bottle to achieve such a low weight. The new bottle saves more than 2,000 tonnes of glass a year and lowers carbon emissions by around 14%, reducing the energy used in production and transportation. Designed and produced locally, the bottle earned Scotland's first Green Apple environmental award.

In the Dominican Republic, Edrington has invested in a project to recover and reuse bottles for the domestic market. Glass bottles are reused or submitted for recycling and plastic caps are sent for recycling. This scheme has proved extremely successful, increasing the number of recyclable bottles from 260,000 in 2011 to 1.1 million collected in the current financial year. In its first year alone, the project has repaid the initial investment in new bottle washing technology and infrastructure, created 70 new jobs and provided additional employment for 360 collectors.

Global transportation

Edrington's brands are enjoyed all over the world, and the Company works with logistics partners to minimise the environmental impact of reaching our customers. We measure our performance, from making sure that trucks leaving our site are full and efficiently packed, to minimising road transportation by opting for ships leaving from nearby ports wherever possible.

Protecting woodland and forests

Edrington makes the largest investment in sherry oak casks in the industry. We asked the University of Vigo to study the condition and viability of the oak forests of Galicia, Asturias and Cantabria, and concluded that the forests are naturally regenerating and allowing for our use of sustainably sourced oak wood for casks. There is a net annual increase of 500,000 cubic metres of oak wood. In addition, the study concluded that over a ten year period the stock of European oak growing in Galicia had increased by 67%, providing a sink for carbon dioxide and conserving biodiversity.

Corporate Social Responsibility Report
Continued

Ian Curle meets students of the Taipei Physical Education College and the National Cheng Kung University. Both received donations from Edrington Taiwan as part of the company's International Giving scheme.

Built by the Brugal Foundation in 2009, the George Arzeno Brugal school educates 400 children. A new extension means that the school will offer 6th Grade from this year.

Workplace

A culture of giving

In addition to the dividend paid to its parent undertaking, The Robertson Trust, Edrington has announced that it will formalise its culture of giving into a commitment to donate up to 1% of pre-tax profits to good causes. This will provide structure to the initiatives reported below under Giving is Rewarding and International Donations.

Giving is Rewarding

The Robertson Trust supports Edrington employees who raise funds or donate their time to charitable causes. The Trust matches the funds raised by any employee for a registered charity of their choice, up to a limit of £5,000. To mark its 50 year anniversary, the Trust increased this to a double-donation over the past two years.

Last year, the Trust made 116 donations through Edrington's Giving is Rewarding scheme, totalling £300,000. This in turn meant that more than £450,000 was given to Scottish charities as a direct result of Edrington employees' fundraising efforts.

As well as raising funds, staff can choose to give their time to the charity of their choice. The Trust supports this by making an additional donation for every hour of an employee's time. Edrington employees claimed a total of 863 hours last year, equivalent to 23 weeks' work. This resulted in £8,635 being paid to their nominated charities.

International Donations

Edrington's programme of charitable donations to its international markets completed its second year with a wide range of activities in the Nordics and Asia.

In the Nordics the supervising committee supported projects including womens' shelters, the environment in the Baltic Sea, and sports activities for disadvantaged children.

In Asia awards were made to projects supporting the integration of immigrant people in Korea, the purchase of new musical instruments for a school in Hong Kong, and sponsoring of sports and technical students from deprived backgrounds in Taiwan.

It is expected that other companies which become part of Edrington's family in the future will also have the opportunity to make charitable donations.

Community

The Brugal Foundation

The Brugal Foundation was established in 1991 to support development and reduce poverty in its home country.

The Foundation's chief focus is on promoting, enabling and supporting quality education in the Dominican Republic, and the Brugal Educational Fund invests in scholarships for talented students who face financial hardship.

Students are selected on the basis of their academic excellence, a proven commitment to their community, and a desire to pursue a career that is a priority for the development of the Dominican Republic. The Fund recognises that the barriers to a university education go beyond tuition costs, and so its scholarships also assist with travel expenses, books and materials.

In 2012, 69 students qualified for professions that will help to build the nation including industrial engineering, chemistry, telematics, electronics and communication systems.

Over the past year, scholarships totalling US$150,000 were awarded. This brings the value of scholarships granted since the Fund was created in 2006 to US$1.8 million, which has funded 278 young Dominican students.

The George Arzeno Brugal Fe y Alegría Education Center

More than 400 children aged 5 to 12 continued their education at The George Arzeno Brugal Fe y Alegría Education Center in San Marcos last year. The Centre was built by the Brugal Foundation in 2009 and the Foundation continues as its sponsor, working with the Ministry of Education and Fe y Alegría, a local Catholic institution that runs the school.

The Centre is located in the community of San Marcos, close to Brugal's operations in the city of Puerto Plata. The teaching ranges are from pre-primary grade to 5th grade. In August 2013 the school will add a 6th grade. Unlike the traditional education model of the Dominican Republic, the Centre works extended hours, benefitting the children and working parents. Extracurricular courses include theatre, music, IT and English.

Brand Initiatives

The Famous Grouse completed the first year of a new three year arrangement with the RSPB to provide funds for the protection of the black grouse. Over the past four years the partnership between the RSPB and The Famous Grouse has seen dramatic improvement in the safeguarding and establishment of black grouse habitat.

The work focuses on six key reserves across the UK, each of which has used the money to establish new woodland, heath and moorland to benefit the black grouse. Since the partnership began donations have totalled £380,000. In 2013, as a result of funding from The Black Grouse, the RSPB were able to purchase a new nature reserve adjoining Balmoral Estate, allowing the conservation of black grouse and capercaillie in the Deeside area.

The Company also donates 15% of all profits generated by Snow Leopard Vodka Limited to The Snow Leopard Trust which aims to conserve the endangered animal in its natural habitat. It is estimated that the effective remaining global population of the snow leopard is fewer than 2,500.

The Robertson Trust
Overview of Giving in 2012/13

Riding for the Disabled – Bannockburn

RDA group which provides therapeutic activities for over 300 disabled and disadvantaged people.

The Robertson Trust awarded more funds to Scottish charities in 2012/13 than ever before.

In the fiscal year ended 5 April 2013, £15.3 million was granted to numerous charities across Scotland (£14.7m in 2012 and £11.4m in 2011). These donations were deployed in support of the four categories that the trust focusses on – Care, Health, Education & Training, and Community Art & Sport.

The Robertson Trust is Scotland's largest independent grant-making trust. Its aim is to be an accessible and flexible funder that is able and willing to react to the current needs of the charity sector. The Trust is unusual in being prepared to fund the core running costs of organisations and in the past year it has made an increasing number of awards that allow Scottish charities to continue to operate.

Bobath Scotland

Bobath provides physiotherapy, occupational therapy and speech and language development to children with cerebral palsy.

Outf!t Moray

A provider of outdoor education programmes for 7-18 year olds including those who are excluded or at risk of exclusion from school.

Community Food Moray

A Social Enterprise which provides access to locally produced fresh and affordable fruit and vegetables in identified areas of need.

Directors and Advisers

01
Sir Ian Good (69)
Chairman

Ian Good joined Edrington in 1969 and then Edrington's executive board in 1979. He has been chairman since 1994. Sir Ian serves The Robertson Trust as life president.

02
Ian Curle (51)
Chief executive

Ian Curle was appointed chief executive of Edrington in 2004, having joined the Company in 1986. He is chairman of the North British Distillery and chairman of the Scotch Whisky Association council.

03
Richard Hunter (58)
Group finance director

Richard Hunter joined Edrington in 1981 and was appointed group finance director in 1994. He is Convener of Court at the University of Strathclyde.

04
Graham Hutcheon (50)
Group operations director

Graham Hutcheon joined Edrington in 2000 and was appointed group operations director in 2003. He chairs the environment committee of the Scotch Whisky Association and the Scotch Whisky Research Institute. Graham is a director of the North British Distillery and also serves on the council of CBI Scotland.

05
Bill Farrar (55)
Group sales and marketing director

Bill Farrar joined the Company 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. Bill is a Fellow of the Marketing Society of Scotland.

Directors
Sir Ian Good, C.B.E., Chairman
I B Curle, Chief Executive
R J A Hunter
G R Hutcheon
R W Farrar
S J McCroskie (appointed 1 May 2013)
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 Auditor
Grant Thornton UK LLP
Chartered Accountants

Solicitors
Maclay Murray & Spens LLP

06
Scott McCroskie (45)
Group commercial director

Scott McCroskie joined Edrington in 2009 from Maxxium UK as commercial finance director and was appointed commercial director in 2011. Scott was appointed to the Edrington board in May 2013.

07
Ronnie Bell (63)
Non-executive director

Ronnie Bell was appointed a non-executive director of Edrington in 2005. He is a former group vice president of Kraft Foods Inc and spent his 30-year executive career at Kraft, latterly as president of Kraft Foods Europe.

08
Callum Barton (63)
Non-executive director

Callum Barton became a non-executive director of Edrington in 2007. As former president and CEO of Richemont North America, Callum has more than 30 years' experience of the luxury goods business. He was chief executive of Alfred Dunhill and has held senior positions with Cartier in Paris and with Piaget, Baume & Mercier in Geneva.

09
Norman Murray (65)
Non-executive director

Norman Murray was appointed a non-executive director of Edrington in 2012. He is currently chairman of Petrofac Limited. He is a former president of the Institute of Chartered Accountants of Scotland and a former non-executive director of Greene King plc.

10
Martin Cooke (51)
Group company secretary

Martin Cooke joined Edrington in 1988 and was appointed group company secretary in 1997. He is a trustee of Edrington's pension schemes and chairs the Company's risk management committee.

Directors' Report
Martin Cooke

The directors present the audited financial statements for the year ended 31 March 2013.

Results for the year

The Company's financial results, which are detailed in the profit and loss account on page 42, cover the year to 31 March 2013.

An interim dividend of 10.0p (2012: 7.4p) per share was paid on 5 November 2012. The directors agreed a further interim dividend of 24.0p per share which will be paid on 5 July 2013, making a total of 34.0p per share (2012: 30.0p per share) for the year. The aggregate dividends recognised in the year amounted to £20.4m (2012: £17.8m) excluding proposed dividends that were not approved by the balance sheet date.

A charge for the year, attributable to Edrington shareholders, of £(90.4)m was taken against accumulated reserves (2012: a profit of £65.4m).

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 2013 are listed in note 11 to the financial statements.

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 the Financial Review. The principal risks and uncertainties to which the Company is exposed, and the ways in which these risks are mitigated, are detailed in the Corporate Governance Statement.

Charitable and political contributions

In 2012 Edrington extended the principle of charitable donations to its international markets and has continued to broaden market participation in charitable giving in 2013. Significant donations during the year are set out in the Corporate Social Responsibility Report. No political contributions were made during the year.

Directors' responsibilities for the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the 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 accounting 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.

Going concern

In May 2013, the Company successfully completed the refinancing of its existing bank facilities (see note 16), providing the business with funding at commercially competitive rates with maturities which correspond with the Company's expected cash flow profile.

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

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 eligible employees.

The ShareSave Scheme is an annual scheme enabling eligible employees to save for a three year period to buy Edrington 'B' Ordinary Shares at 80% of the market price. The scheme has been approved by HM Revenue and Customs. The Company charges the fair value of the option at the date of grant to the 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 in the year, attributable to shareholders, exceeding inflation by a pre-determined amount. The scheme has been approved by HM Revenue and Customs. The Company charges the annual fair value of this scheme to the profit and loss account, if the performance criteria have been met.

The ShareReward Scheme was triggered in respect of the years ended 31 March 2013 and 2012.

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 2013 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 for the Annual Incentive Plan, were met in respect of the three year period ended 31 March 2013.

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, until the outcome of the audit tender process referred to in the Corporate Governance Statement, continue as statutory auditors.

by order of the board

Martin Cooke
Group company secretary
12 June 2013

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 2013 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Group 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 38, 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 2013 and of the Group's loss 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.

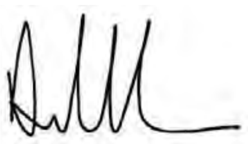
Opinion on other matters prescribed by the Companies Act 2006

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 2013

Financial Statements

Group Profit and Loss Account
year to 31 March 2013

	Note	Pre-Exceptional 2013 £m	Exceptional 2013 (Note 2) £m	Total 2013 £m	Pre-Exceptional 2012 £m	Exceptional 2012 (Note 2) £m	Total 2012 £m
Group turnover and share of joint venture turnover	1	**698.5**	**-**	**698.5**	687.3	-	687.3
Share of joint venture turnover		**(107.2)**	**-**	**(107.2)**	(131.2)	-	(131.2)
Group turnover		**591.3**	**-**	**591.3**	556.1	-	556.1
Cost of sales		**(399.9)**	**-**	**(399.9)**	(382.2)	(8.9)	(391.1)
Gross profit		**191.4**	**-**	**191.4**	173.9	(8.9)	165.0
Administrative expenses		**(12.1)**	**(274.8)**	**(286.9)**	(11.3)	(2.9)	(14.2)
Group operating profit/(loss)		**179.3**	**(274.8)**	**(95.5)**	162.6	(11.8)	150.8
Share of operating profit in joint ventures		**17.0**	**-**	**17.0**	14.5	-	14.5
Profit/(loss) on ordinary activities before interest		**196.3**	**(274.8)**	**(78.5)**	177.1	(11.8)	165.3
Income from investments	3	**1.9**	**-**	**1.9**	0.3	-	0.3
Net interest payable and similar charges	4	**(29.6)**	**-**	**(29.6)**	(28.6)	-	(28.6)
Profit/(loss) on ordinary activities before taxation	5	**168.6**	**(274.8)**	**(106.2)**	148.8	(11.8)	137.0
Taxation	7	**(39.8)**	**-**	**(39.8)**	(30.9)	3.6	(27.3)
Profit/(loss) on ordinary activities after taxation		**128.8**	**(274.8)**	**(146.0)**	117.9	(8.2)	109.7
Attributable to equity minority interests		**(51.2)**	**106.8**	**55.6**	(47.4)	3.1	(44.3)
Retained profit/(loss) attributable to The Edrington Group Limited	20	**77.6**	**(168.0)**	**(90.4)**	70.5	(5.1)	65.4

All the activities of the Group are classed as continuing.

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

Balance Sheets
as at 31 March 2013

	Note	Company 2013 £m	Company 2012 £m	Group 2013 £m	Group 2012 £m
Fixed assets					
Intangible assets	9	**-**	-	**671.4**	941.6
Tangible assets	10	**-**	-	**226.2**	203.6
Investments in subsidiaries	11	**260.0**	260.2	**-**	-
Investments in joint ventures	11	**-**	-	**60.4**	56.8
- Gross assets		**-**	-	**228.3**	210.3
- Gross liabilities		**-**	-	**(167.9)**	(153.5)
Other investments	11	**-**	-	**9.2**	9.1
		260.0	260.2	**967.2**	1,211.1
Current assets					
Stocks	12	**-**	-	**399.6**	390.8
Investments	13	**-**	-	**0.7**	0.8
Debtors – due within one year	14	**10.1**	23.8	**116.6**	115.8
Intercompany debtors – due after one year	14	**200.8**	334.2	**-**	-
Cash at bank and in hand		**-**	53.0	**66.4**	153.9
		210.9	411.0	**583.3**	661.3
Creditors					
Amounts falling due within one year	15	**(175.9)**	(261.5)	**(503.8)**	(408.0)
Net current assets		**35.0**	149.5	**79.5**	253.3
Total assets less current liabilities		**295.0**	409.7	**1,046.7**	1,464.4
Creditors					
Amounts falling due after more than one year	16	**-**	-	**(190.2)**	(380.5)
Provision for liabilities	18	**-**	-	**(26.6)**	(38.1)
Net assets (excluding retirement benefit liabilities)		**295.0**	409.7	**829.9**	1,045.8
Retirement benefit liabilities	26	**-**	-	**(58.5)**	(46.2)
Net assets		**295.0**	409.7	**771.4**	999.6
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	**-**	-	**7.9**	8.1
Share based payments reserve	20	**2.2**	2.1	**2.2**	2.1
Profit and loss account	20	**284.7**	399.5	**320.2**	453.0
Shareholders' funds		**295.0**	409.7	**403.7**	536.6
Equity minority interests		**-**	-	**367.7**	463.0
		295.0	409.7	**771.4**	999.6

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 2013. They were signed on behalf of the board by:

I B Curle
Director

R J A Hunter
Director

Group Cash Flow Statement
year to 31 March 2013

	Note	2013 £m	2013 £m	2012 £m	2012 £m
Net cash inflow from operating activities	21		**174.2**		157.6
Dividends received from joint ventures			**4.1**		4.0
Returns on investments and servicing of finance					
Interest paid		**(26.1)**		(25.3)	
Interest received		**1.0**		3.5	
Dividends received		**1.9**		0.3	
Dividends paid to minority interests in subsidiaries		**(40.9)**		(33.4)	
Net cash outflow from returns on investments and servicing of finance			**(64.1)**		(54.9)
Taxation					
Corporation tax			**(31.3)**		(36.7)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(41.3)**		(30.0)	
Purchase of own shares		**(7.9)**		(7.6)	
Sale of own shares		**3.3**		5.2	
Sale of tangible fixed assets		**1.7**		7.6	
Loans (to)/from joint ventures		**(2.6)**		0.9	
Net cash outflow from capital expenditure and financial investment			**(46.8)**		(23.9)
Acquisitions and disposals					
Acquisition of distribution subsidiaries		**-**		(2.9)	
Net cash acquired on acquisition of distribution subsidiaries		**-**		13.6	
Net cash inflow from acquisitions and disposals			**-**		10.7
Equity dividends paid			**(20.3)**		(17.8)
Net cash flow before use of liquid resources and financing			**15.8**		39.0
Management of liquid resources					
Repayment of share premium from current asset investment			**-**		8.9
Financing	22				
Bank loans		**(102.3)**		(206.7)	
US private placement funding		**-**		189.0	
Loan notes		**(0.1)**		(0.2)	
Other loans		**(0.3)**		-	
			(102.7)		(17.9)
(Decrease)/increase in cash in the year	22		**(86.9)**		30.0

Other Statements
year to 31 March 2013

Group statement of total recognised gains and losses

	2013 £m	2012 £m
(Loss)/profit for the year	**(90.4)**	65.4
Actuarial loss recognised in the pension schemes (net of minority interests)	**(20.2)**	(19.4)
Movement on deferred taxation relating to pension liability (net of minority interests)	**4.1**	3.8
Actuarial loss recognised in the pension schemes of joint ventures	**(4.7)**	(2.1)
Movement on deferred taxation relating to pension liability of joint ventures	**1.1**	0.3
Exchange adjustments on the net assets of joint ventures (net of minority interests)	**0.5**	(1.8)
Currency translation difference on foreign investments	**5.3**	(21.4)
Currency translation difference on related borrowings	**(1.5)**	14.4
Total recognised gains and losses relating to the year	**(105.8)**	39.2

Group reconciliation of movement in shareholders' funds

	2013 £m	2012 £m
(Loss)/profit for the year	**(90.4)**	65.4
Equity dividends payable in the year	**(20.4)**	(17.8)
Actuarial loss recognised in the pension schemes (net of minority interests)	**(20.2)**	(19.4)
Movement on deferred taxation relating to pension liability (net of minority interests)	**4.1**	3.8
Actuarial loss recognised in the pension schemes of joint ventures	**(4.7)**	(2.1)
Movement on deferred taxation relating to pension liability of joint ventures	**1.1**	0.3
Movement in own shares	**(4.6)**	(2.4)
Net movement in share based payment reserve	**(2.1)**	(0.7)
Exchange adjustments on the net assets of joint ventures (net of minority interests)	**0.5**	(1.8)
Currency translation difference on foreign investments	**5.3**	(21.4)
Currency translation difference on related borrowings	**(1.5)**	14.4
Net movement in shareholders' funds	**(132.9)**	18.3
Opening shareholders' funds	**536.6**	518.3
Closing shareholders' funds	**403.7**	536.6

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 the stock is despatched or when the risks and rewards of ownership are passed to the customer.

Exceptional items

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

Brands

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

Brands that are regarded as having a limited useful life are amortised on a straight-line basis over those lives and are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. Brands that in the opinion of the directors, on the basis of their assessment on the strength of the brands and industry, are regarded as having an indefinite economic life are not amortised. 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 life of the assets. The principal annual rates used for this purpose are:

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

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

Pensions and other post-retirement benefits

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

Accounting Policies
Continued

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 at grant date 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 to the 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

Reported before Group operating profit:

	2013 £m	2012 £m
Impairment of Brugal brand	**(274.8)**	-
Brugal Spain reorganisation costs	**-**	(8.9)
Restructuring costs	**-**	(2.9)
	(274.8)	(11.8)
Taxation	**-**	3.6
Minority interest	**106.8**	3.1
Net impact on retained earnings	**(168.0)**	(5.1)

In 2013, the Group recorded an exceptional, non-cash impairment charge of €325.0m (£274.8m) to reduce the Brugal brand to its estimated fair value at 31 March 2013 (see note 9). The impairment reflected a change in the directors' view of future cash flows which are projected to be less than those estimated at the time of the brand acquisition in 2008, primarily as a result of continued economic challenges in the brand's key southern European markets and uncertainty over the timing of economic recovery in that area.

3 Income from investments

	2013 £m	2012 £m
Income from other fixed asset investments	**1.9**	0.3

4 Net interest payable and similar charges

	2013 £m	2012 £m
Interest payable on bank loans & overdrafts	**(17.7)**	(21.4)
Interest payable on US private placement	**(9.8)**	(9.8)
Interest payable by joint ventures	**(1.7)**	(0.6)
Interest on defined benefit pension schemes	**(1.3)**	(0.1)
Interest on discretionary post-retirement benefits	**(0.1)**	(0.2)
Interest received	**1.0**	3.5
	(29.6)	(28.6)

5 Profit/(loss) on ordinary activities before taxation

	2013 £m	2012 £m
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	**13.3**	12.9
Loss/(gain) on sale of tangible fixed assets	**0.2**	(1.8)
Brand amortisation	**3.3**	3.3
Brand impairment (note 2)	**274.8**	-
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

The average number of employees during the year was as follows:

	2013 Number	2012 Number
Engaged in distilling, coopering, blending, bottling and marketing of Scotch whisky & rum	**2,250**	2,265

Employment costs during the year amounted to:

	2013 £m	2012 £m
Wages and salaries	**49.1**	48.6
Social security costs	**5.6**	4.9
Other pension costs (Note 26)	**5.3**	4.6
Employee share schemes	**1.9**	1.9
Bonuses and other incentive payments	**11.0**	10.8
	72.9	70.8

Remuneration in respect of the board of directors was as follows:

	2013 £m	2012 £m
Emoluments (excluding pension contributions)	**1.4**	1.4
Benefits	**0.4**	0.4
Employee share schemes	**0.1**	0.1
Performance related Annual Incentive Plan	**0.7**	0.6
Performance related Long Term Incentive Plan	**1.2**	1.4
	3.8	3.9

The amounts set out above include remuneration in respect of the highest paid director each year as follows:

	2013 £000	2012 £000
Emoluments (excluding pension contributions)	**402**	390
Benefits	**164**	159
Employee share schemes	**28**	27
Performance related Annual Incentive Plan	**267**	270
Performance related Long Term Incentive Plan	**433**	494
	1,294	1,340

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

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

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

The Annual Incentive Plan rewards directors and senior executives on both personal targets and on annual performance results. The annual performance results 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 £0.6m (2012: £0.5m) and for the highest paid director was £202,000 (2012: £165,000).

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

During the year, 3 directors (2012: 2 directors) exercised share rights under the ShareSave Scheme. The aggregate of gains by directors exercising share rights during the year was £23,000 (2012: £4,000). During the year 2 directors (2012: 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 £141,000 (2012: £138,000).

7 Taxation

	2013 £m	2012 £m
The tax charge represents:		
Current tax:		
UK Corporation tax at 24% (2012: 26%)	**27.4**	22.1
Adjustment in respect of prior periods	**(1.3)**	(3.4)
Foreign tax	**8.4**	7.4
Tax on share of profits of joint ventures	**3.9**	3.5
Total current tax	**38.4**	29.6
Deferred tax:		
Deferred tax credit for the year	**(0.3)**	(3.9)
Adjustment in respect of prior periods	**0.4**	-
Deferred tax charge for joint ventures	**-**	0.2
Pension contribution relief in excess of net pension cost charge	**1.3**	1.4
Tax on (loss)/profit on ordinary activities	**39.8**	27.3

Factors affecting the current tax charge for the year
The current tax charge for the year is different than the standard rate of corporation tax in the UK.
The differences are explained below:

	2013 £m	2012 £m
(Loss)/profit on ordinary activities before tax at 24% (2012: 26%)	**(25.5)**	35.6
Expenses not deductible for tax purposes	**4.7**	2.3
Higher/(lower) tax charge in overseas earnings	**0.1**	(0.6)
Non-taxable income	**(3.9)**	(1.4)
Difference between tax depreciation and accounting depreciation	**(0.9)**	(2.4)
Other timing differences	**0.5**	2.7
Adjustment relating to prior period corporation tax	**(1.3)**	(3.4)
Pension contribution relief in excess of net pension cost charge	**(1.3)**	(1.4)
Losses utilised	**-**	(1.8)
Adjustments in relation to brand impairment	**66.0**	-
	38.4	29.6

8 Dividends

	2013 £m	2012 £m
Dividends payable from profit and loss reserves:		
- Final of 22.6p (2012: 20.0p)	**14.9**	13.2
- Interim of 10.0p (2012: 7.4p)	**6.6**	4.9
Less: dividends paid to the Employee Benefit Trust	**(1.1)**	(0.3)
	20.4	17.8
Proposed after the year end (not recognised as a liability):		
Second interim of 24p (2012 Final: 22.6p)	**15.8**	14.9

9 Intangible fixed assets

Group	Brands £m
Cost	
At 1 April 2012	948.2
Exchange adjustment	7.9
At 31 March 2013	956.1
Amortisation	
At 1 April 2012	(6.6)
Charge for the year	(3.3)
Brugal brand impairment (see note 2)	(274.8)
At 31 March 2013	(284.7)
Net book value at 31 March 2013	**671.4**
Net book value at 31 March 2012	941.6

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.

The directors consider detailed cash flow forecasts over a minimum five year period, or over an appropriate period which 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% (2012: 2.5%), were applied to terminal cash flows and were based on a prudent view of long-term weighted average rates for key brand markets.

10 Tangible fixed assets

Group	Freehold land & buildings £m	Plant, vehicles & equipment £m	Casks £m	Total £m
Cost or valuation				
At 1 April 2012	92.3	130.5	157.2	380.0
Additions	7.8	11.3	22.5	41.6
Disposals	-	(2.2)	(7.1)	(9.3)
Exchange adjustment	-	0.4	-	0.4
At 31 March 2013	100.1	140.0	172.6	**412.7**
Depreciation				
At 1 April 2012	31.0	88.9	56.5	176.4
Charge for year	2.6	7.5	7.0	17.1
Disposals	-	(1.4)	(6.0)	(7.4)
Exchange adjustment	-	0.4	-	0.4
At 31 March 2013	33.6	95.4	57.5	186.5
Net book value at 31 March 2013	**66.5**	**44.6**	**115.1**	**226.2**
Net book value at 31 March 2012	61.3	41.6	100.7	203.6

10 Tangible fixed assets Continued

Included in freehold land and buildings is £1.8m (2012: £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 2013 are as follows:

Group	Freehold land & buildings £m	Plant, vehicles & equipment £m	Casks £m	Total £m
Cost	81.5	140.0	172.6	**394.1**
Valuation 1990	18.6	-	-	**18.6**
	100.1	140.0	172.6	**412.7**

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	85.3
Accumulated depreciation	(33.1)
Net book value at 31 March 2013	**53.2**
Net book value at 31 March 2012	48.0

11 Fixed asset investments

Group	Joint ventures £m	Associates and other investments £m	Total investments £m
At 1 April 2012	56.8	9.1	65.9
Movement in share of retained profits of joint ventures	7.4	-	7.4
Actuarial loss on pension scheme	(4.7)	-	(4.7)
Movement on deferred tax relating to pension scheme	1.1	-	1.1
Exchange adjustments	0.5	-	0.5
Other adjustments	(0.7)	0.1	(0.6)
At 31 March 2013	60.4	9.2	69.6

Company	Investments in subsidiaries £m
Cost or valuation at 1 April 2012	260.2
Additions	0.3
Disposals	(0.5)
Cost or valuation at 31 March 2013	**260.0**

On 25 April 2012 the Company established a marketing business called Edrington Africa Limited, registered in South Africa with a cost of investment of £0.1m, and on 1 January 2013 the Company acquired 80% of the share capital of Snow Leopard Vodka Limited, a premium vodka producer registered in the UK, for a consideration of £0.2m. The fair value of these investments was equal to the consideration paid.

Principal investments

At 31 March 2013 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 2013	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, bottling, 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

Key:
* Investment is held directly by the Company.
† The Company has 70% of the voting rights in respect of The 1887 Company Limited.

The 1887 Company Limited owns the following principal investments:

Name of company/(country of registration)	Holding	Proportion held at 31 March 2013	Nature of business
Highland Distillers Group Limited	Ordinary shares	100%	Management of Scotch whisky companies
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
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

11 Fixed asset investments Continued

Principal joint ventures

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

	2013 £m	2012 £m
Profit and loss account		
Gross turnover (before elimination of Group transactions with joint ventures)	**300.0**	306.4
Profit on ordinary activities before interest and taxation	**17.0**	14.5
Interest and other finance costs	**(1.7)**	(0.6)
Taxation	**(3.9)**	(3.7)
Profit after taxation	**11.4**	10.2
Balance sheet		
Fixed assets	**17.2**	17.0
Current assets	**211.1**	193.3
	228.3	210.3
Liabilities due within one year	**(157.8)**	(144.6)
Liabilities due after one year	**(10.1)**	(8.9)
	(167.9)	(153.5)
Net assets	**60.4**	56.8

12 Stocks

Group	2013 £m	2012 £m
Raw materials	**5.1**	5.5
Scotch whisky	**352.8**	340.1
Rum	**22.8**	23.0
Packaging materials	**12.2**	15.0
Other stocks	**6.7**	7.2
	399.6	390.8

13 Current asset investments

Group	2013 £m	2012 £m
Maxxium Worldwide BV	**0.7**	0.8

14 Debtors

	Company		Group	
	2013 £m	2012 £m	2013 £m	2012 £m
Amounts falling due within one year:				
Trade debtors	**-**	-	**64.1**	61.1
Loan to Group undertakings	**-**	21.1	**-**	-
Amounts owed by Group undertakings	**7.1**	0.3	**-**	-
Amounts owed by joint ventures	**-**	-	**36.2**	26.4
Other debtors & prepayments	**1.4**	1.1	**16.3**	28.3
UK corporation tax Group relief receivable	**1.6**	1.3	**-**	-
	10.1	23.8	**116.6**	115.8
Amounts falling due after one year:				
Loan to Group undertakings	**200.8**	334.2	**-**	-

15 Creditors: amounts falling due within one year

	Company		Group	
	2013 £m	2012 £m	2013 £m	2012 £m
Amounts falling due within one year:				
Bank loans (note 16)	**115.2**	226.0	**317.0**	226.0
Bank overdraft	**3.0**	-	**10.9**	12.7
Loan notes	**-**	-	**0.1**	0.2
Trade creditors	**-**	-	**26.2**	24.0
Amounts owed to Group undertakings	**57.0**	35.0	**-**	-
Amounts owed to joint ventures	**-**	-	**29.9**	36.6
Accruals and other creditors	**0.3**	0.5	**94.2**	78.8
Other taxes and social security costs	**-**	-	**17.9**	15.3
Corporation tax	**0.4**	-	**7.6**	14.4
	175.9	261.5	**503.8**	408.0

16 Creditors: amounts falling due after more than one year

Group	2013 £m	2012 £m
Bank loans	-	190.0
US private placement	**189.0**	189.0
Less: deferred arrangement fees	**(0.3)**	(1.8)
	188.7	377.2
Other creditors	**1.5**	3.0
Other loans	-	0.3
	190.2	380.5

	Company 2013 £m	Company 2012 £m	Group 2013 £m	Group 2012 £m
Bank borrowings and other loans are repayable as follows:				
Amounts falling due:				
Within one year	**118.2**	226.0	**328.0**	238.9
Between one and two years	-	-	-	190.0
Between two and five years	-	-	**47.2**	0.3
After five years	-	-	**141.8**	189.0
	118.2	226.0	**517.0**	618.2

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

The Edrington Group Limited has a five year, multicurrency, revolving credit facility of €330m which is renewable in August 2013. At 31 March 2013 £114m (€135m) (2012: £225.0m (€270m)) had been drawn down under the facility. Interest payable on this loan is linked to EURIBOR.

At 31 March 2013 The 1887 Company Limited had a revolving credit facility of £240m repayable in August 2013. At the balance sheet date The 1887 Company Limited had drawn down £193m (2012: £190m) under this facility. Interest payable on this loan is linked to LIBOR.

At 31 March 2013 The 1887 Company Limited had a US private placement for $75m repayable in April 2018 and $225m repayable in April 2021 and had drawn down £189m ($300m) (2012: £189m ($300m) under this facility. The 1887 Company Limited 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.

On 30 May 2013, the Group completed a refinancing wherein The Edrington Group Limited obtained a €225m revolving credit facility with maturity after one, three and five years at an interest rate based on EURIBOR. The 1887 Company obtained a £310m facility with maturities after one, two, three and five years at an interest rate based on LIBOR.

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

The 1887 Company Limited has guaranteed bank borrowings for certain distribution companies totalling £20.3m (2012: £19.9m).

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 2013 £m	Fair value 2012 £m
Fair value of financial instruments held to manage interest rates:		
Interest rate swaps liabilities	**(10.3)**	(20.9)
Fair value of financial instruments held to hedge the currency exposure on net cash flows:		
Forward exchange currency contracts (liabilities)/assets	**(4.0)**	8.8

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.

18 Provisions for liabilities

	Deferred taxation £m	Other provisions £m	Total £m
At 1 April 2012	10.4	27.7	**38.1**
Provided in the year	1.1	-	**1.1**
Utilised	-	(12.8)	**(12.8)**
Exchange adjustments	-	0.2	**0.2**
At 31 March 2013	11.5	15.1	**26.6**

Other provisions include an estimate of the potential liability related to the termination of a distribution agreement by Brugal. The provision was reduced in the current year following payment of an interim settlement.

Deferred tax is provided as follows:

Group	2013 Provided £m	2012 Provided £m
Capital allowances in excess of depreciation	**27.9**	27.6
Other timing differences	**(16.4)**	(17.2)
	11.5	10.4

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 (2012: £0.6m).

19 Share capital

Group and Company

Called up, allotted and fully paid	£m
At 1 April 2012 and 31 March 2013:	
550,000 'A' ordinary equity shares of 10p each	**0.1**
65,159,000 'B' ordinary equity shares of 10p each (2012: 65,318,400 shares)	**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

Group	£m
Balance at 1 April 2012	453.0
Retained loss for year	(90.4)
Equity dividends payable in the year (note 8)	(20.4)
Exchange adjustments on the net assets of joint ventures	0.5
Net currency translation difference on foreign investments and related borrowings	3.8
Transfer from revaluation reserve	0.2
Purchase of own shares	(7.9)
Receipts from sale of own shares	3.3
Actuarial loss on pension scheme	(24.9)
Movement on deferred tax relating to pension liability	5.2
Net movement in share based payments reserve	(2.2)
Balance at 31 March 2013	**320.2**

(ii) Other reserves

Group	Share premium £m	Merger reserve £m	Capital reserve £m	Capital redemption reserve £m	Revaluation reserve £m	Share based payments reserve £m
Balance at 1 April 2012	0.5	29.5	35.8	1.0	8.1	2.1
Transfer to retained profit	-	-	-	-	(0.2)	-
Share based payment charge	-	-	-	-	-	0.1
Balance at 31 March 2013	**0.5**	**29.5**	**35.8**	**1.0**	**7.9**	**2.2**

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.

Company	Share premium £m	Capital redemption reserve £m	Share based payments reserve £m	Retained profit £m
Balance at 1 April 2012	0.5	1.0	2.1	399.5
Retained loss for the year	-	-	-	(89.8)
Equity dividends payable in the year	-	-	-	(20.4)
Purchase of own shares	-	-	-	(7.9)
Receipts from sale of own shares	-	-	-	3.3
Share based payment expense	-	-	0.1	-
Balance at 31 March 2013	**0.5**	**1.0**	**2.2**	**284.7**

The profit and loss account reserve includes the reserves of The Edrington Group Limited Employee Benefit Trust amounting to £12.2m (2012: £11.8m) and a deduction from the Company's reserves for their own shares held by the Employee Benefit Trust amounting to £25.3m (2012: £22.6m). 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 loss attributable to the shareholders dealt with in the financial statements of the Company amounted to £89.8m (2012: a profit of £45.4m).

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 3,407,446 'B' ordinary shares (2012: 3,429,691 shares) with a cost of £25.3m (2012: £22.6m).

The charge to the Group profit and loss account this year in respect of share awards by the ShareReward Scheme was £1.5m (2012: £1.6m).

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 2013 the Employee Benefit Trust held a further 219,039 (2012: 271,807) 'B' ordinary shares in its own name as security against employee loans of £0.3m (2012: £0.4m).

Notes to the Financial Statements
Continued

21 Net cash inflow from operating activities

	2013 £m	2012 £m
Group operating (loss)/profit	**(95.5)**	150.8
Non cash impact of brand impairment	**274.8**	-
Depreciation and amortisation	**16.6**	16.2
Loss/(gain) on sale of fixed assets	**0.2**	(1.8)
Disposal of investments	**-**	0.4
Difference between pension charge and cash contributions	**(9.8)**	(10.2)
Increase in stocks	**(3.1)**	(5.9)
(Increase)/decrease in debtors	**(0.5)**	14.4
Decrease in creditors	**(6.3)**	(5.6)
Share based payments credit	**(2.2)**	(0.7)
Net cash inflow from operating activities	**174.2**	157.6

22 Analysis of net debt

	Note	At 1 April 2012 £m	Exchange adjustment £m	Cash flow £m	Non cash movement £m	**At 31 March 2013 £m**
Cash in hand		153.9	1.2	(88.7)	-	66.4
Bank overdrafts		(12.7)	-	1.8	-	(10.9)
		141.2	1.2	(86.9)	-	**55.5**
Bank loans		(416.0)	(3.3)	102.3	-	(317.0)
US private placement financing		(189.0)	-	-	-	(189.0)
Loan notes		(0.2)	-	0.1	-	(0.1)
Other loans		(0.3)	-	0.3	-	-
Total loans		(605.5)	(3.3)	102.7	-	**(506.1)**
Current asset investments		0.8	-	-	(0.1)	0.7
Total net debt	23	(463.5)	(2.1)	15.8	(0.1)	**(449.9)**

23 Reconciliation of net cash flow to movement in net debt

	2013 £m	2012 £m
(Decrease)/increase in cash in hand in the year	**(86.9)**	30.0
Net cash outflow on loans	**102.7**	17.9
Decrease in current asset investments	**-**	(8.9)
Change in net debt resulting from cash flows	**15.8**	39.0
Non cash movement in current asset investments	**(0.1)**	0.6
Exchange adjustment	**(2.1)**	12.9
Movement in net debt in year	**13.6**	52.5
Net debt at 1 April 2012	**(463.5)**	(516.0)
Net debt at 31 March 2013	**(449.9)**	(463.5)

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 £10.5m (2012: £12.6m) and received services to the value of £7.5m (2012: £5.5m) from Lothian Distillers Limited. The Group also made purchases of £4.3m (2012: £4.8m) from Row & Company Limited and made sales to that company of £8.0m (2012: £8.9m). The Group made sales to other joint ventures amounting to £184.7m (2012: £166.2m) and received services to the value of £62.0m (2012: £48.9m). The balances due to/from joint ventures in respect of these transactions are as disclosed in notes 14 and 15. The Group made sales amounting to £11.2m (2012: £12.1m) and made purchases amounting to £0.7m (2012: £0.7m) to Suntory Liquors Limited, a related party.

The Group has an interest-free loan from Lothian Distillers Limited for £6.0m (2012: £6.0m) included in note 15.

The Edrington Group Limited received dividends of £46.5m (2012: £45.5m) from its subsidiary, The 1887 Company Limited. The directors of The Edrington Group Limited received dividends from the Group totalling £0.4m in the year (2012: £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 2013 (2012: £1.9m).

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

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

	2013		2012	
	Number of share options	**Weighted average exercise price (in £)**	Number of share options	Weighted average exercise price (in £)
Outstanding at 1 April	702,935	£5.68	778,407	£5.03
Granted during the year	151,567	£10.79	171,728	£8.11
Exercised during the year	(301,310)	£4.42	(230,806)	£5.30
Forfeited during the year	(4,542)	£6.97	(16,394)	£5.46
Outstanding at 31 March	**548,650**	**£7.78**	**702,935**	**£5.68**

The weighted average share price at the date of exercise for share options exercised during the period was £4.42 (2012: £5.30). The options outstanding at 31 March 2013 had a weighted average exercise price of £7.78 (2012: £5.68), and a weighted average remaining contractual life of 2 years (2012: 2 years). The fair value of the options granted on 1 April 2012 was £0.4m (on 1 April 2011: £0.3m).

25 Share based payments Continued

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 2012	1 April 2011	1 April 2010
Share price at grant date	£13.49	£10.14	£6.90
Exercise price at grant date	£10.79	£8.11	£5.52
Expected volatility	27%	21%	12%
Expected life	3 years	3 years	3 years
Risk free rate	0.6%	1.9%	1.9%
Expected dividend yield	2.2%	2.9%	3.1%

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

26 Retirement benefit liabilities

	2013 £m	2012 £m
Retirement benefit liabilities after deferred tax comprise:		
Defined benefit liabilities in principal subsidiaries	**(54.7)**	(42.6)
Other defined benefit liabilities	**(1.6)**	(1.2)
Other post-retirement benefits	**(2.2)**	(2.4)
	(58.5)	(46.2)

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 are currently being updated to 31 March 2013, were performed by independent, professionally qualified actuaries. The March 2013 valuation results will be fully reflected in the financial statements for the next financial year.

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

The major assumptions used by the actuary were as follows:

	2013	2012
Rate of increase in salaries	**4.5%**	4.2%
Rate of increase of pensions in payment	**2.3% - 3.8%**	2.5% - 3.6%
Discount rate	**4.5%**	4.7%
Inflation assumption (RPI/CPI)	**3.5%/2.5%**	3.2%/2.2%
Medical benefits inflation assumption	**5.8%**	5.6%

The post retirement mortality assumptions used to value the benefit obligation at 31 March 2013 and 2012 were those of the S1PXA actuarial index, 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 25 years for females, and for members currently aged 45 is expected to be 25 years (male) and 28 years (female) upon reaching 65.

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

	2013 Rate of return %	2013 Value £m	2012 Rate of return %	2012 Value £m
Equities	**6.8%**	**50.2**	7.3%	70.3
Corporate bonds	**4.1%**	**104.0**	4.6%	63.7
Bonds	**2.8%**	**41.6**	3.3%	63.1
Cash	**0.5%**	**31.1**	0.5%	0.7
Property	**6.2%**	**15.1**	6.7%	14.7
Insured pensions	**4.5%**	**6.7**	4.7%	6.7
Total fair value of assets		**248.7**		219.2
Present value of scheme liabilities		**(319.7)**		(275.3)
Deficit in pension schemes		**(71.0)**		(56.1)
Related deferred tax asset		**16.3**		13.5
Net deficit in pension schemes		**(54.7)**		(42.6)

	2013 £m	2012 £m
Analysis of amount charged to operating profit in respect of defined benefit schemes		
Current service cost	**(4.3)**	(4.0)
Gain on curtailment of pension liabilities	**-**	0.2
Past service cost	**(0.5)**	-
	(4.8)	(3.8)

	2013 £m	2012 £m
Analysis of net charge to finance costs		
Expected return on pension schemes assets	**11.6**	13.0
Interest on pension liabilities	**(12.9)**	(13.1)
Net charge to finance costs	**(1.3)**	(0.1)

	2013 £m	2012 £m
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on assets	**13.5**	3.8
Experience gains and losses on liabilities	**(5.2)**	4.4
Changes in assumptions	**(31.5)**	(29.6)
Actuarial loss recognised in the STRGL	**(23.2)**	(21.4)

The cumulative actuarial losses recognised in the STRGL at 31 March 2013 were £63.8m (2012: losses £40.6m).

26 Retirement benefit liabilities Continued

	2013 £m	2012 £m
Reconciliation of fair value of scheme assets		
Opening fair value of scheme assets	**219.2**	195.2
Expected return on assets	**11.6**	12.9
Employers' contributions	**14.4**	13.6
Members' contributions	**1.1**	1.1
Actuarial gains	**13.5**	3.7
Assets distributed on settlements	**(3.7)**	-
Benefits paid	**(7.4)**	(7.3)
Closing fair value of scheme assets	**248.7**	219.2

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 £25.1m (2012: £16.8m).

	2013 £m	2012 £m
Reconciliation of defined benefit obligation		
Opening defined benefit obligation	**(275.3)**	(239.5)
Current service cost	**(4.3)**	(4.0)
Past service cost	**(0.5)**	-
Interest cost	**(12.9)**	(13.0)
Members' contributions	**(1.1)**	(1.1)
Actuarial losses	**(36.7)**	(25.2)
Liabilities extinguished on settlements	**3.7**	-
Curtailment of liabilities	**-**	0.2
Benefits paid	**7.4**	7.3
Closing defined benefit obligation	**(319.7)**	(275.3)

	2013 £m	2012 £m
Movement in deficit during the year		
Deficit in schemes at beginning of year	**(56.1)**	(44.3)
Current service cost	**(4.3)**	(4.0)
Past service cost	**(0.5)**	-
Gain on curtailment of scheme liabilities	**-**	0.2
Contributions	**14.4**	13.6
Net interest cost	**(1.3)**	(0.1)
Actuarial losses	**(23.2)**	(21.5)
Deficit in schemes at end of year	**(71.0)**	(56.1)

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Five year history:					
Total fair value of assets	**248.7**	219.2	195.2	175.6	126.3
Present value of scheme liabilities	**(319.7)**	(275.3)	(239.5)	(229.9)	(167.1)
Deficit in pension scheme	**(71.0)**	(56.1)	(44.3)	(54.3)	(40.8)
History of experience gains and losses					
Experience adjustments on schemes' assets	**13.5**	3.8	0.3	36.2	(31.8)
Percentage of schemes' assets	**5.4%**	1.7%	0.2%	20.6%	25.0%
Experience adjustments on schemes' liabilities	**(5.2)**	4.4	(1.0)	0.2	(1.1)
Percentage of schemes' liabilities	**1.6%**	1.6%	0.4%	0.1%	0.7%
Total amount recognised in statement of total recognised gains and losses	**(23.2)**	(21.4)	2.0	(17.7)	(25.7)
Percentage of schemes' liabilities	**7.3%**	7.8%	0.8%	7.7%	15.4%

Sensitivity analysis on scheme liabilities

The sensitivity of the present value of scheme liabilities to changes in the principle assumptions used at 31 March 2013 is set out below:

Assumption	Sensitivity	Impact on scheme liabilities
Discount rate	+/- 0.5%	+/- 9%
Mortality – increase in life expectancy	+/- 1 year	+/- 3%
Increase in salaries	+/- 0.5%	+/- 2%
Increase in inflation	+/- 0.5%	+/- 5%

Defined benefit schemes

The Group paid contributions of 22% of pensionable salary and deficit reduction payments of £9.8m (2012: £10.2m) to the pension schemes during 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 £9.4m (2012: £6.5m).

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 £1.0m (2012: £0.6m).

26 Retirement benefit liabilities Continued

	2013 £m	2012 £m
Other post-retirement benefits		
Other post-retirement benefits reflected in the accounts		
Potential liability for discretionary post-retirement benefits	**(2.9)**	(2.5)
Related deferred tax asset	**0.7**	0.6
Net potential liability for discretionary post-retirement benefits deficit	**(2.2)**	(1.9)

27 Other contractual obligations

	2013 £m	2012 £m
Contracted but not provided for		
- material purchase commitments	**26.3**	6.2
- capital commitments	**58.0**	22.5
	84.3	28.7

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. During the year a new contract was entered into to secure the supply of sherry casks over a 3 year period for £43.7m (2012: Nil).

28 Control

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

Edrington Locations

Edrington
2500 Great Western Road
Glasgow G15 6RW
T: +44 (0)141 940 4000
F: +44 (0)141 940 4040

West Kinfauns
Perth PH2 7XZ
T: +44 (0)1380 440 000

www.edringtongroup.com

The Macallan Distillery
Easter Elchies
Craigellachie, Banffshire
AB38 9RX
T: +44 (0)1340 871471
www.themacallan.com

Highland Park Distillery
Holm Road
Kirkwall, Orkney
KW15 1SU
T: +44 (0)1856 873107
www.highlandpark.co.uk

The Famous Grouse Experience
Glenturret Distillery
The Hosh, Crieff
Perthshire
PH7 4HA
T: +44 (0)1764 656565
www.thefamousgrouse.com

The Glenrothes Distillery
Rothes
Aberlour, Moray
AB38 7AA
T: +44 (0)1340 872300
www.theglenrothes.com

Edrington Shanghai
Unit 1, 19/F, Tower 1
Grand Gateway
No.1 Hong Qiao Road
Shanghai 200030
China
T: + 86 21 64483388

Edrington Hong Kong
Suite 1207-09A,
Exchange Tower
33 Wang Chiu Road
Kowloon Bay
Hong Kong
T: +852 2891 8086

Edrington Taiwan
5F, No.310
Chung Hsiao East Road
Section 4
Taipei
Taiwan 106
T: +886 2 8773-9099

Edrington Korea
5F, 570 Samsung-ro
Gangnam-gu
Seoul 135-878
Korea
T: +82 2 3468 4600

Edrington Sweden
Luntmakargatan 46
Box 5314
102 47 Stockholm
Sweden
T: +46 8440 8300

Edrington Denmark
Dronningens Tvaergade 9
1302 Copenhagen
Denmark
T: +45 43 225 500

Edrington Norway
P.O.Box 4531
Nydalen 0404
Oslo
Norway
T: +47 91 152 020

Edrington Finland
Vuorikatu 14 B
4 krs
00100
Helsinki
Finland
T: +358 (0)20 7981 537

Edrington USA
150 Fifth Avenue
11th Floor
New York
NY 10011
USA
T: +1 212 352 6000

Edrington Singapore Pte Ltd
Apartment Block 8
Marina View Floor No 07
Unit No 04 Asia Square Tower 1
Singapore 018960
T +65 6559 1143

Brugal & Co., S.A.
Av. J. F. Kennedy No. 57
Edificio Brugal
Santo Domingo
Dominican Republic 1183
T: +809 566 5651
www.brugal.com.do
www.brugal-ron.com

Maxxium UK
Maxxium House
Castle Business Park
Stirling
FK9 4RT
T: +44 (0)1786 430 500

Maxxium España, S.L.
C\ Mahonia 2 - Edificio Pórtico,
planta 1ª
Avda. Los Andes,
Campo de Las Naciones
28043 - Madrid - España
T: +34 91 353 47 00 / 05

Maxxium Nederland
De Cuserstraat 89
1081 CN
Amsterdam
The Netherlands
T: +31 20 5806 806

Maxxium Russia
30/1, Obrucheva Street
Building 2
4th Floor
117861 Moscow
Russia
T: +7 495 980 97 37

North British Distillery
9 Wheatfield Road
Edinburgh
EH11 2PX
T: +44 (0)131 337 3363
www.northbritish.co.uk

The Clyde Cooperage
North British Warehouses
Addiewell, West Lothian
EH55 8NT
T: +44 (0)1506 873433

The Robertson Trust
Robertson House
152 Bath Street
Glasgow
G2 4TB
T: +44 (0)141 353 7300
www.therobertsontrust.org.uk

Photographers:
Innovation & Enterprise:
Shannon Tofts
Emerging Markets & Our Ambassadors:
Ben Bergh
Attracting Consumers:
Danny Santos
Design and production:
Smith Brands
www.smithbrands.com

EDRINGTON

2500 Great Western Road, Glasgow G15 6RW
T: +44 (0) 141 940 4000 F: +44 (0) 141 940 4040

West Kinfauns, Perth PH2 7XZ
T: + 44 (0) 1738 440000 F: +44 (0) 1738 493838

www.edringtongroup.com