EDRINGTON

PREMIUM PLAY

BUSINESS REVIEW 2014

PREMIUM PLAY

The launch of The Macallan M, the pinnacle of the whisky-maker's art, has been a truly international success.

April Finkelstein of Edrington Americas, Jennifer Wu, Edrington Taiwan and Jaume Ferras of The Macallan

CONTENTS

Contributors:

Editorial: Ronald Main and John Hatfield. Photography: Salem Krieger, Chris Lomas and Shannon Tofts. Design: Smith Brands. Print: J. Thomson Colour Printers.

The Macallan M is the world's most precious whisky, a collaboration between The Macallan, Lalique and Fabien Baron.

Located close to the iconic Flatiron building, Edrington Americas' 5th Avenue headquarters was built in 1888, the same year that the Brugal family began distilling their famous Dominican rum.

LAND OF OPPORTUNITY

BACK in the 1960s the USA was gripped with talk about the British Invasion. In those days it was beat groups such as the Beatles and Rolling Stones who crossed the Atlantic with the aim of 'breaking America'.

Half a century later another invasion with a similar aim is underway as Edrington pursues its ambitious strategy of doubling US sales in just five years. Paul Ross, President and CEO of Edrington Americas, is excited and confident about the challenge:

"We believe our brands are capable of enormous growth. To achieve that growth we have learned that the key is to get as close to the consumer as possible and that is exactly what we are doing."

The numbers involved in Paul's game plan look more like the statistics associated with a presidential campaign. In the last year staff levels have quadrupled to 120 as the Company gears up for growth. As well as expanding the New York headquarters, the business has opened new regional offices in Chicago, Miami, Dallas and Orange County.

Paul himself ran up 75,000 miles between January and April this year while, over the same period, he and his colleagues have delivered the Edrington message to more than 10,000 people at marketing seminars.

"We have a start-up mentality and a very entrepreneurial team"

A dedicated team of Edrington road warriors, including managers and brand ambassadors, has been spreading the message to every state in the union.

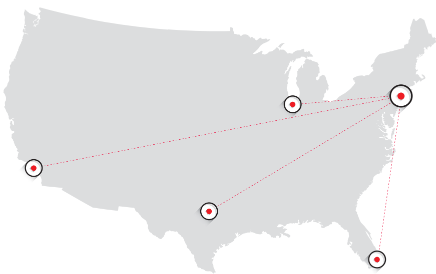
"It's all about the shoe leather," he quips. "The US isn't really one market. At the end of the day it's 50 different states and there is not the same level of consolidation in the US as there is in the UK."

All this intense evangelical work began when Edrington announced last year that it was to part company with longstanding partner Rémy Cointreau USA and create Edrington Americas. The two companies continue to work together in several other markets, so why the change?

Paul is unequivocal: "The next step is to increase focus on the brands and rebalance the business to focus on key cities right across the US. This is the world's biggest market for premium spirits and the potential for growth is phenomenal if you have the right brands and the right business structure. This is the time for us to build that business."

"The people we are talking to, from major distributors to key accounts, are astonished about Edrington – our status, our history, our difference."

"People simply didn't realise we had all these fantastic brands under the one umbrella. We've shone a floodlight on the brands in our



Head office

New York
Edrington Americas headquarters and northeast division

Regional offices

Chicago
Central and Canada division

Orange County, California
West division

Dallas
South division

Miami
Latin America and Travel Retail division

FACT!

40% OF THE WORLD'S PREMIUM SPIRIT CONSUMPTION IS IN THE US.

PAUL RACKED UP 75,000 MILES IN 4 MONTHS TO DELIVER THE EDRINGTON MESSAGE TO 10,000 CUSTOMERS ACROSS THE US.

portfolio. We injected enthusiasm and belief in that growth potential throughout our distributor network."

Although the distributors are fired up by all six brands in the portfolio, focus is on The Macallan and Brugal, which are targeted at the booming premium spirits sector. The figures are compelling in Paul's view:

"At the moment 40% of the world's premium spirit consumption is in the US. The potential for brands like ours is enormous."

"We have a start-up mentality and a very entrepreneurial team," says Paul.

"We talked to the team by webcast on launch day. The message was that we had run to the starting line just to get into the race. But we got to the starting line in great shape. We patted ourselves on the back for an hour and then rolled up our sleeves for the hard work ahead."

Getting the big distributors onside and fired up is essential if Paul and his team are to deliver on that demanding five-year plan. In the US, alcohol is still distributed in the three-tier system that was put in place when President Franklin D Roosevelt repealed Prohibition in 1933.

Under this system the three tiers are producers, distributors (wholesalers) and retailers. Generally producers (like Edrington) can only sell their products to distributors who then sell them to retailers (bars and off-sales). At that point, retailers are permitted to sell to the consumers for consumption.

There are six very powerful distributors in the States who each cover a number of states. If they get behind your product, you're well on the way. Paul and the team have been focused on building strong relationships.

"Distributors are coming with us on the journey because they believe in the Company. What excited them was the determination of Edrington and its commitment. Our market share in other territories is substantial. The distributors bought into the view that we can do in the States what we currently do in other markets such as Europe and Asia."

"They understood that there was a real business opportunity with huge growth. They have sales guys who work on 100% commission, no retainer and they were getting very excited. The belief is there. We're obliged to work hard. We can't underestimate the power of our brands."

Like all good campaign managers, Paul has a very clear strategy for raising the profile and the sales of his portfolio:

"The US market is is all about individual cities. In Florida for example it's Tampa, Miami, Jacksonville and Fort Lauderdale. In Texas, we want to focus on Houston, Dallas and Austin."

A promotional event, Raise the Macallan in New York's historical meatpacking district highlights the power of this approach: "10 years ago we would have just been the country club drink. But the place was packed and 40% of the guests were women. Every culture was represented there from Hispanic and Asian to African-American."

Brugal is the other half of Edrington's prime time double act in the premium category, especially on the east coast:

As HR manager of Edrington Americas, Nadege Dethy managed a programme to quadruple its headcount in less than a year.

"Rum is the last category to premiumise in the USA," says Paul. "We have a great chance here. Ten million cases of rival brands sell for $10 - $15 a bottle. Brugal starts at $20 a bottle. We are in the vanguard of the premium rum trend."

"The time is right to focus on Brugal and while we don't have a crystal ball – we believe we've got the right message at the right time to the build the brand."

Timing is vitally important and the underlying drink market trends seem to be moving very strongly in Edrington's favour. There is a real retro movement in the States and keen interest in rediscovering authentic older brands from the past.

"We patted ourselves on the back for an hour and then rolled up our sleeves for the hard work"

"These are the so-called Prohibition brands – brands that meant something in the 1950 and 1960s. That helps us," Paul confirms.

Paul's team, comprising 20 nationalities, is as diverse as the USA itself and he is proud of the fact that they have lived up to the Edrington ethos of Great People, Leading Brands, Giving More.

"None of the team has ever worked as hard as they have in the last year and they deserve a huge amount of credit for getting us here in such a short time.

"But we all know there's still a job to do. The foundations are laid but now there is the rest of the house to put up."

In the 1960s British bands did, indeed, break through into America. There is reason to be confident that Edrington's brands will conquer the States too.

LAND OF OPPORTUNITY
AN ORANGE COUNTY PERSPECTIVE

Tim Blaylock,
Edrington Americas

TIM Blaylock loves the drinks industry. In a career spanning 20 years he has worked on every type of beverage from wine and beer to vodka.

Now, as the man spearheading Edrington's drive into the wild west of the United States, he is revelling in applying his experience and contacts to establish The Macallan and Brugal in the 13 states under his control.

It is an area the size of the European Union and, as with everywhere else in the US, the distributors are the power in the land. Tim takes up the story of how the west will be won for Edrington from Newport Beach.

"It's what the distributors do when you're not with them that counts.

For us, the key is the sales and management team at Young's Market Company. They're the biggest distributor in the west covering 10 out of the 13 states in our area. With sales of $2.2 billion they're bigger than many of the producers they deal with.

I've worked with them over the course of my career and have solid relationships with the network that we continue to develop. It cures a lot of problems up-front.

Most suppliers have anywhere from 40 to 100 brands in their portfolio. The key for Edrington is that we are very focused in our approach, we have six distinctive, premium brands. Suppliers that have a huge quantity of brands make it difficult to differentiate and difficult to focus.

The Edrington advantage is that we have a great story, authenticity, not too many brands and we are very profitable. We're not a high volume business for Young's Market Company but per-case, we are the single most profitable supplier in their portfolio. Edrington adds value to the distributors, and that's a huge win for us.

They take our calls and reply to our emails. They give us the time we need to manage our business. Young's has also agreed to co-invest with us to build and develop the brands. Together we will double the dollar margin in five years.

> "The Edrington advantage is that we have a great story, authenticity, not too many brands and we are very profitable."

Initially, Edrington sounded like a legal firm or accountants to these guys. But that changed when they got to know the brands and saw the success of the business in the US and internationally. We've got the same message across all the distribution partners. Now they know who we are, how we operate, how we support them.

Lots of people didn't realise how financially strong we were. They have confidence in the brands. Our team message is be comfortable and be confident in your value to the distributor.

Our first priority is The Macallan 12 year old. The Macallan is barnstorming in the Korean market in LA. Three of our best accounts for The Macallan on-trade are in Korea town in LA. There are also opportunities in the Vietnamese and Chinese communities. They are influenced by their home markets where The Macallan brand has real caché.

Our other priority is Brugal Extra Dry. There's no Dominican community in the west, no population to get behind it. Our distributor has 45 rums and 90% of them retail at half the price of Brugal.

We've got to get our distinctive, superior liquid to the lips of the consumers. Customers didn't want to hear about 'just another' rum. They don't care. But when we consumer tested Brugal Extra Dry product against global brands, we performed phenomenally. It's a premium white spirit. You can have it extra dry on the rocks with lime, neat or even as a martini. Our people in the field are educating everyone about it. It's a premium play opportunity – mixable, unique and drinkable.

On the people side it comes down to strong relationships with distributors. We went from 5 to 17 people in one year in the west division. Getting the right people takes longer but it ensures success. You've got to put the time in. People make the brands; the brands don't make people."

An ambitious leadership programme has been developed to ensure that capabilities keep pace with Edrington's increasingly international business.

VERONIKA GUNN-BOESCH
Head of Organisational Development

GROWING PEOPLE, CAPACITY & BRANDS

THE moment when James Bond chose The Macallan over his trademark Martini for his latest adventure, Skyfall™ was more than just an iconic movie moment. It announced to the world that Scotland's finest had arrived on the international stage.

Now Edrington has taken its characteristic focus on international development and long-term investment and turned the spotlight on its future leaders.

In times past the senior management team could find themselves split between the Company's Glasgow and Perth headquarters in central Scotland. Now the Company has a global reach and a culture where managers can be located in California and New York, Singapore and Hong Kong, the Dominican Republic and Johannesburg. The Company recognised that new horizons call for new perspectives.

Making that transition is at the heart of the ambitious Edrington Leadership Programme (ELP). Introduced last year, it is now being expanded and refined to ensure that the Company's leadership capabilities match the global scale and international composition of the modern Edrington.

The agent of change is Veronika

Gunn-Boesch, Edrington's head of organisational development. Her mission is to ensure that Edrington's leadership programme is second to none.

An Austrian with an MBA who has spent much of her career in New York with multinational organisations, Veronika embodies many of the qualities that Edrington is keen to foster in its current and future leaders.

She has brought in an equally international partner. Duke Corporate Education is a subsidiary of Duke University in the USA and the world leader in executive education.

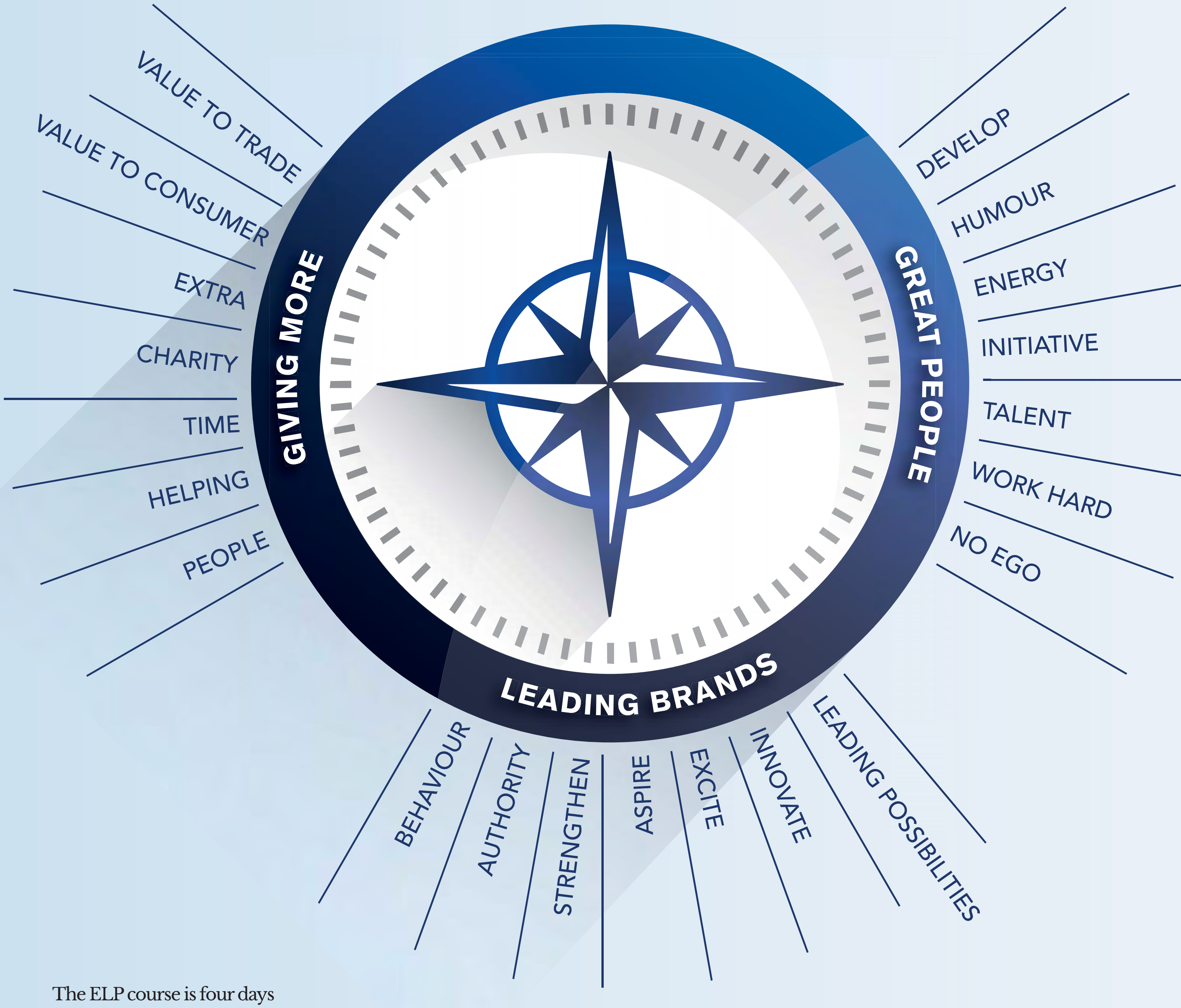
"With Edrington's global growth there was a need for a leadership programme to be put in place. There has been a huge commitment and sponsorship by the board to reenergising everyone and creating the right vision and strategy.

"But it's important to stress that ELP is not a UK programme – there is not just one culture driving it. One of our objectives is getting the balance right between global consistency and local variation. We need to do what is right in local markets."

The inaugural programme of the ELP took place at St Andrew's University in 2013 with 40 participants. It brought together people from across the Company to identify the skills, competencies and culture that would enhance Edrington's performance. This year a further 60 managers took part from across the global organisation.

She has a strong sense of what the programme is required to deliver in terms of management talent and culture. Crucially, she points out that it is a fundamental business-driven programme, rather than a human resources initiative, with a clear aim:

"An Edrington leader will have a global mindset; be culturally aware; have excellent business knowledge; know the contribution they make; be flexible, adaptable, innovative and client-centric."



The ELP course is four days long and very intense. When it is fully rolled out it will comprise three phases from the senior leadership programme to the emerging talent programme.

"It's a great chance for delegates to exchange thoughts and build relationships. That leads to better collaboration in future thanks to better understanding and trust. By relooking at the vision and the values we can now create a common language for Edrington. It's important that someone in Korea recognises how the same issue looks in Perth."

The highly tailored content of the leadership programme is designed to fulfil Edrington's mission statement of Great People, Leading Brands, Giving More.

By combining personal leadership development in areas such as self-awareness, personal communication, cross cultural understanding with business skills such as strategy, execution and innovation, the ELP will allow

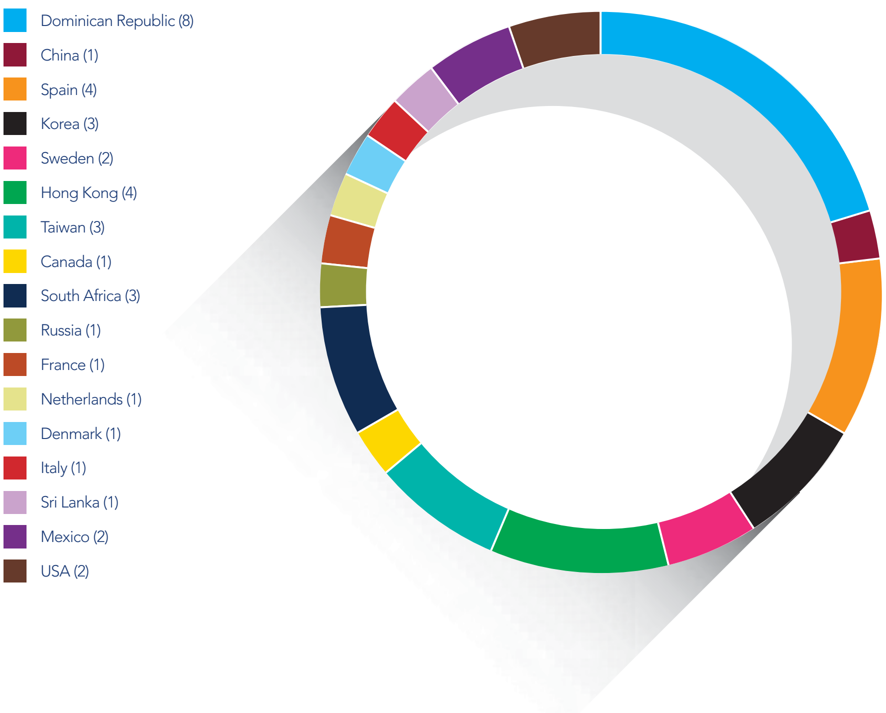
FACT!

THE FIRST ELP IN 2013 HAD 40 PARTICIPANTS. THE 2014 PROGRAMME HAS ALREADY INCLUDED 100 PEOPLE FROM AROUND THE WORLD.

GROWING PEOPLE, CAPACITY AND BRANDS

DIVERSITY OF ELP ATTENDEES:

39 OUT OF 103 DELEGATES ARE FOREIGN NATIONALS (OTHER THAN UK) COMPRISING 17 DIFFERENT NATIONALITIES.



Edrington managers to achieve their potential and put them on a par with the world's best. Sustaining the momentum is vital and a series of webinars guarantees that the learning is ongoing.

"This is a culture shaping programme. I've rarely seen such engaged groups. Everyone was up for it and the response has been overwhelmingly positive."

"Continuous improvement is a very important aspect. An Edrington leader will be open to an element of risk-taking though always in the context of the Company's heritage and values."

Veronika is clear that the Company's unique business model and culture are invaluable business assets. The Company uses regular and independent employee surveys to make sure that no-one is left behind on the journey.

"Edrington has a long history and a strong culture that have been delivering good results for decades. We don't want to lose that charm and those values, but we need them to work in very different environments. It's a fascinating period of change with lots more people coming into the organisation worldwide."

That expansion is being supported by a new electronic appraisal system. This represents a step change in the Company's ability to manage employees across the world in a consistent and effective way.

The new system is a quantum leap in sophistication and its enhancements are based on feedback from a major consultation with employees. Whereas the old review system was paper-based, time-consuming and inconsistent, the new version is online, dynamic and concise. It also comes in the five core languages of Edrington: Chinese; simplified Chinese; Korean; English and Spanish.

"The new system is a great example of collaboration between the HR and IT teams. We started with the feedback from the consultation and worked with the business technology team to implement the new system. We're achieving consistency in terms of the competencies we use and that means consistency in terms of a link between performance and reward and a level playing field when it comes to

FACT!

THE ELP WILL FOCUS ON THREE LEVELS FROM THE SENIOR LEADERSHIP PROGRAMME TO THE EMERGING TALENT PROGRAMME.

supporting employees in their career development."

"We're encouraging employees to enter their own skills such as languages, areas of expertise and education. This allows us to spot business-critical skills already in the Company that we may not otherwise have known about.

"By continuing to engage with all our people we can see how their roles are changing and see the effect on them and the organisation. The ePDR also enables us to work with teams and ensure they are aligned in terms of their business objectives."

Veronika notes that Edrington has a real advantage in terms of its size and position; big enough to be global but small enough to get things done. As for her take on the benefits of the leadership programme and the new appraisal system she is quite clear: "Edrington is already a fabulous place to work. We're just developing it to become an international culture. We want to make a difference, engage our people, wherever they are and help their careers."

Edrington's people development programmes are indeed well underway. While 007 continues his adventures undercover, Veronika's mission is no longer secret.

DREW WATSON
DUKE CE

IT was a real privilege and pleasure to act as the lead orchestrator and educator in the Duke CE partnership with Edrington.

When the Duke team first met with the Edrington executive it was clear that the intent was real and founded on the ambition to continue with successful international growth while preserving the core values of a rather special organisation. There was a clear recognition that strategy and leadership cannot be separated.

"There is a belief in the future potential of the Edrington leaders whether of 10 years' service or 10 months';
whether based in Scotland, the Dominican Republic, China or the United States."

DREW WATSON

From an educator's point of view there were many plusses and in particular the high level of input and involvement from the Chairman, CEO and Directors both in preparation and during the running of the Edrington Leadership Programme. Secondly, the co-creation, openness and tight partnership with the HR Director and Head of Development made a huge difference in building something fit for purpose and aligned to the direction of the business. Finally the delegates who have attended to date have displayed a great desire to learn, question and share, and with that a tremendous willingness to work with and for each other during the many sessions and, importantly, in the period beyond the programme.

Many thanks on behalf of the Duke team and faculty, all of whom are now avid fans of Edrington.


HONG KONG
7.2M
BANGKOK
8.2M
HO CHI MIHN
7.7M
KUALA LUMPAR
1.6M
SINGAPORE
5.4M
JAKARTA
19M

CAPTAIN KIRK

Founded as a centre of trade between east and west, Singapore has stood at the gateway of South East Asia for 200 years.

Edrington Singapore's Geoff Kirk is clear that the island nation has global stature that belies its size.

> "Over the next 10 years we will see both volume and profits multiply in South East Asia."

GEOFF KIRK
MANAGING DIRECTOR, SOUTH EAST ASIA

IT was a typical sultry Singapore day as Geoff Kirk looked out over the empty expanse of office space. No desks, no phones, no people: it was easy to feel like the captain standing on the deck of a ghost ship.

That was only 18 months ago. Today Geoff looks out over that same office and sees a bustling deck of nearly 30 colleagues, plotting courses, taking on supplies and setting sail to catch the winds that are blowing so favourably for Edrington in South East Asia.

"We've built up the Singapore crew into a very cohesive unit already," says Geoff, managing director. "There's a strong appreciation for the brands and the work that we do and I believe that over the next ten years and more we will see both volume and profits multiply in South East Asia."

"Having lived in Asia for about 20 years, I have a fairly strong appreciation of what the region has to offer. There is a lot of potential and our current strength is centred around The Macallan."

Ah, yes: The Macallan. It is the reason Geoff is back in Singapore after several years in Shanghai and looking across at this bustling centre of activity.

When the travel retail trade is included, South East Asia is the fourth largest market for The Macallan. It has always been the favourite of senior government officials and captains of industry but as the region's economic growth exploded so too has the scope for sales among the new generation of entrepreneurs and the growing urban middle class.

Edrington is an organisation that prides itself on a thoughtful, long-term approach but also, because it is smaller and more nimble, it can react quickly to opportunities.

Having built a foothold in the market through its partnership with Maxxium and then Beam Suntory, Edrington spotted an opening to take control and build an infrastructure that would increase focus on The Macallan and develop the markets for Edrington's other premium brands.

In just 18 months Geoff and an international support team established Singapore as an independent organisation and a hub that serves the whole region. "IT rigged us up in record time and we had a crew here from supply chain, all making sure that we had everything we needed to do business from day one."

He is currently recruiting marketing teams to reach out into key cities as diverse as Kuala Lumpur, Jakarta and Ho Chi Minh City to discover how best to introduce all the Edrington brands.

South East Asian economies are forecast to grow four-fold by the year 2030, while the combined population – already more than half a billion people – is expanding rapidly too.

"There is a common misconception in the west that 'South East Asia' can be treated as one market," says Geoff. "The reality is that each country is at a slightly different point on the economic development cycle and consumer habits are at different points too."

However, there is a good blueprint in the way the Company entered and then grew rapidly in north east Asia, China, Japan, Korea and Taiwan.

The strategy in those markets initially was to position The Macallan clearly as a super-premium brand, the finest whisky available and the perfect choice in the gift-giving culture that dominated those countries until very recently.

In China, particularly, gifts changed hands regularly in the general course of business. In terms of Scotch whisky, a bottle of The Macallan

FACTS!

SOUTH EAST ASIA IS ATTRACTING RECORD LEVELS OF FOREIGN INVESTMENT AND WILL SOON OVERTAKE CHINA.

THE AVERAGE PER CAPITA INCOME IN SE ASIA IS HIGHER THAN FOR ALL THE BRIC ECONOMIES.

SOUTH EAST ASIA'S 5 MAJOR COUNTRIES (INDONESIA, VIETNAM, PHILIPPINES, THAILAND, AND MALAYSIA) HAVE A TOTAL POPULATION OF OVER 500 MILLION, 50% BIGGER THAN THE EUROZONE.

remains the ultimate gesture of respect, but the culture of gift-giving in business is waning across Asia and as it declines, fresh challenges arise for Geoff and his team.

However, lessons learned in the style bars of Seoul hold clues for success in Singapore, Indonesia, Malaysia, Thailand, Vietnam and the Philippines. Korea, which was also once dominated by business-to-government gift-giving, saw this market drop away. But at the same time younger, professional Koreans entering their 30s have latched on to premium whisky and other top-end spirits.

"There's enormous diversity between consumers across South East Asia, but some trends that we identified in north and east Asia over the last few years, we have also seen in Malaysia, Indonesia and Vietnam" says Geoff. "Consumers in a bar want to know that what's on offer reflects well on them, and they're willing to discover something new, as long as it is premium."

Making sure what is on offer in the trendsetting bars is an Edrington brand, is one of the key tasks of Geoff's colleague, regional brand manager Alvin Tan. "Whether I'm on the ground in Kuala Lumpur, Ho Chi Minh City or Jakarta, I recognise that same sense of aspiration," he says.

"There is a growing pool of emerging middle-class consumers. As they travel more and become more knowledgeable about international cultures they move away from local spirits and are looking for something that reflects their new perspective on the world, something that has authenticity, quality and history."

Advertising plays a relatively minor part in Alvin's brand-building activities. It is more about reaching the opinion leaders and quenching their thirst for distinctive products that have real quality and a story to tell.

"We invest in relationships and education," says Alvin. "The mixology bars are very creative and popular and you have to be there, but we also partner with other luxury brands to create events with real impact, where people will have a chance not just to taste, but to learn about the brands. We see different drinking occasions that creates new opportunities."

The Macallan

The primary reason Geoff is back in Singapore after several years and remains the ultimate gesture of respect in China.

It's not just changing behaviour that Alvin sees in these markets, it's a growing and increasingly diverse group of consumers. "More women are discovering brown spirits, and especially whisky. Many of our events are attracting young professional women and this is a big growth market."

This is where the real benefit to Edrington of controlling its own destiny can be seen, says Geoff. It is not just about The Macallan: Snow Leopard and Brugal also have huge potential.

Snow Leopard shows strong potential across South East Asia and particularly in Vietnam, where vodka is popular.

"Brugal is a dark horse, as there is no significant rum market in any of the countries of South East Asia, except the Philippines," says Geoff. "But if we position Brugal as the premium and very distinctive brand spirit that it is, that could have strong appeal for consumers right across South East Asia."

Its very lack of exposure could be its ultimate reward. While it has no history in the region, it has no unwanted baggage either. "Growing Brugal will all be about word of mouth and positioning it as a super premium spirit," says Geoff. "Any time we have informal tastings the response has been very positive. I am very excited long term about Brugal."

So, in a few short years Edrington in South East Asia has evolved from market entrant within a partnership to a strong independent player operating in the most rarefied, and profitable, part of the market with strategic footholds across South East Asia's fastest growing territories.

Time for Captain Kirk and his crew to weigh anchor and catch the high tide.

SOUTH EAST ASIA AS A STRATEGIC OPPORTUNITY

Joel Whitaker
Global Head of Research,
Frontier Strategy Group

SOUTH East Asia presents a tremendous consumer opportunity. In 2013 the region overtook China as a destination for foreign direct investment, attracted by strong GDP growth, business-friendly regulations and plans for significant regional integration. Half of the region's 600 million people have already attained middle-class incomes, with average per capita income higher than the BRICs. Younger demographics (the median age is 28) promote higher consumer spending and openness to new brands.

FSG's research shows that early movers can gain scale and market share despite the region's geographic complexity (10 countries, more than 20,000 islands) and economic diversity (from wealthy Singapore to newly-opened Myanmar). Spending power is surprisingly concentrated, with just 25% of ASEAN's provinces providing access to 75% of the region's GDP.

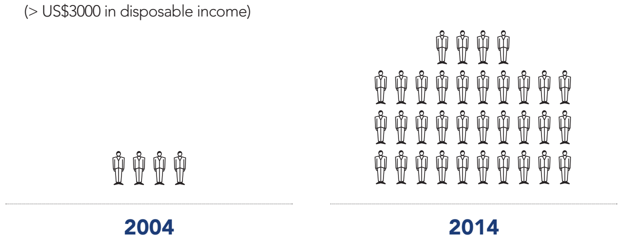
The ASEAN Economic Community promises to further lower the cost of doing business. Much more than a free-trade agreement, the Asian Economic Community is harmonising investment laws, easing movement of capital and people, improving intellectual property protections and accelerating infrastructure development.

Edrington has a window of opportunity to build brands and local partnerships. Its investment in South East Asia today is a valuable building block in its international strategy.

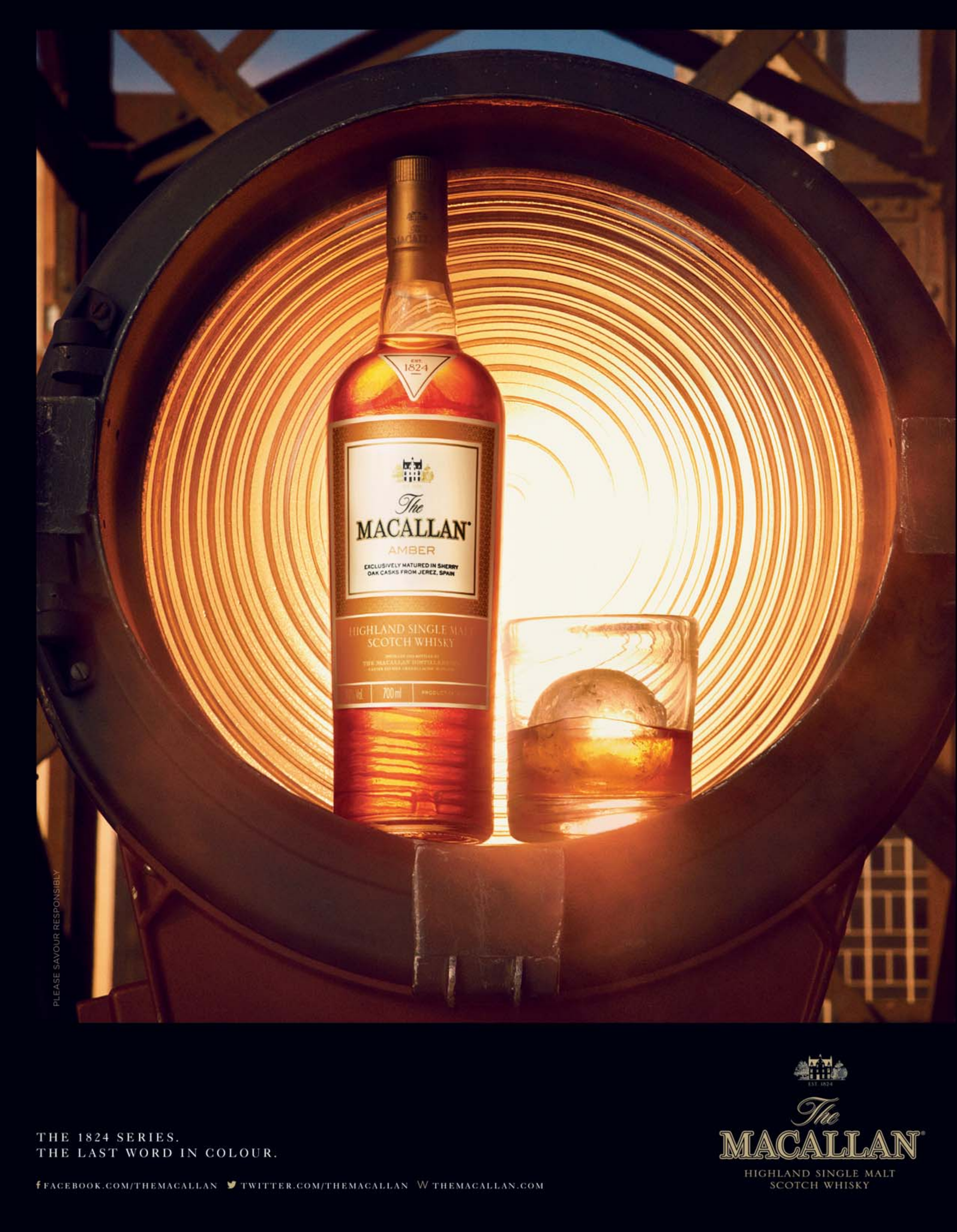
RISE OF THE MIDDLE CLASS*

Over 10 years, the size of the middle class in ASEAN has grown more than six times in size, from roughly 50 million in 2004 to more than 300 million by 2014.
The per capita income growth in the majority of the ASEAN countries is expected to be between 7% and 13% over next 5 five years.

* **Middle Class:**
(> US$3000 in disposable income)



Source: Frontier Strategy Group analysis; World Bank; CEIC; Nomura. 2013



EST.
1824
The
MACALLAN
AMBER
EXCLUSIVELY MATURED IN SHERRY
OAK CASKS FROM JEREZ, SPAIN
SCOTCH WHISKY
700ml
PLEASE SAVOUR RESPONSIBLY
THE 1824 SERIES.
THE LAST WORD IN COLOUR.
FACEBOOK.COM/THEMACALLAN TWITTER.COM/THEMACALLAN W THEMACALLAN.COM
EST 1824
The
MACALLAN
HIGHLAND SINGLE MALT
SCOTCH WHISKY

REWIRING EDRINGTON

Integra is Spanish for integration.

As the Company integrates the networks that run Edrington's international business, Enrique Mendez knows that this technology project is really all about people and communication.

Enrique Mendez
Business Technology
Programme Manager, Integra

INTEGRA means integration in Spanish. It's a word with a novel twist when applied to Edrington that is much more than a matter of translation.

For the project that is currently moving into its next, crucial phase, Integra means embracing cultural differences, adopting best practice and building a global network of support that allows everyone, everywhere to monitor and improve every facet of the organisation's day to day operations across 21 time zones.

At the heart of the project is business technology, amalgamating three legacy computer systems into one under the Single SAP umbrella – but the key to success is people.

As Edrington has grown and diversified over the past few years, an immense amount of information has been accumulated along the way. However, translating that data into knowledge that the business can put to work became a huge task.

"At the moment we speak three different languages in Edrington, from the Dominican Republic all the way to South Korea," says Enrique, a Mexican who went to university in Chicago and now lives in Scotland. "Imagine what we could achieve if we all spoke the same language?"

However it is not simply about grafting a British system on to the worldwide network. One of Enrique's colleagues, Luis Cabrera, has helped the project team understand where examples of best practice can be found – and how to implement them across the group. It helps, says Enrique, that he comes from the Brugal background.

"Integra is an IT challenge but the key to its success lies with people"

TODAY, EDRINGTON WORKS ACROSS 21 TIME ZONES, MULTIPLE LANGUAGES AND A VARIETY OF LOCAL SYSTEMS.

"He has spent a lot of time bench-marking. For example, if customer complaints are managed faster in the UK versus the Dominican Republic you must be doing something better in Scotland.

"Or, if you are taking longer to prepare the lines in Scotland than in the Dominican Republic then we have to ask 'what is different?'"

As Edrington works in so many countries and has so many interdependent relationships that must be factored into the Integra planning, the cultural journey has been almost as taxing to undertake as the technological one. At least computers are the same the world over: the people who operate them can be very different.

"The biggest risk to a project like this doesn't come from the IT," says Enrique. "What differentiates successful integration projects is how you manage change. You need to understand how people operate in various markets."

"For example, in the UK most people feel able to give 'no' as an answer. But there are other cultures where people would be less comfortable in giving you that answer, so you need to be able to identify problems in a different way. In some parts of the world, it's important to engage the head of the organisation first, whereas in northern Europe you would be expected to speak to the person involved.

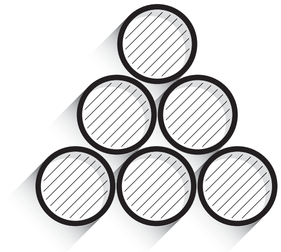
"In the Dominican Republic the manner in which you get things done is different. Before you start asking for actions it is very important to build relationships and spend time getting to know the other person."

That said, the ultimate goal is to find enough common ground so that every part of the Edrington world operates in the same way, management information is presented in a common format and operational processes work to consistent standards.

"Things are changing for the better... but I also think things are moving at the right pace."


ARE WORTH
FAMOUS MOMENTS
SHARING
Estd 1800
THE FAMOUS CHEF
Blended Scotch Whisky
A MARRIAGE OF FINEST SCOTCH WHISKIES
MATURED IN SEASONED OAK CASKS
PRODUCT OF SCOTLAND
THE FAMOUS GROUSE
BE PART OF SOMETHING FAMOUS
Some famous moments in life are worth sharing. And when they are, only one blend will do, The Famous Grouse. The best ingredients, craftspeople and distilling methods to create a unique celebration of collaboration, in every single drop.
Mark the moment with The Famous Grouse. Simply visit makesomeonefamous.com to create your FREE personalised label.
Available in 70cl & 1Ltr. Full terms and conditions on website.

REWIRING EDRINGTON



SCOTCH WHISKY AND PREMIUM RUM MATURE AT VERY DIFFERENT RATES.

David Stewart, former group financial controller now a key member of the Integra team knows from first hand the importance of consistent standards.

"IF a customer wants to order a case of whisky in Taiwan they send a purchase order to the business there. It will be entered in the system and also sent to Scotland, where someone else re-inputs the same data. By the time we have actually processed the order and billed the customer, we have manually generated several documents – none of which translates to getting the product to the customer more quickly."

"With the new system the guys in Scotland will see immediately where cases have been ordered and can plan accordingly. So there is a huge efficiency saving in just changing that one process, as well as less room for error."

This flows through to the budgeting and planning processes: better systems that show the global picture in real time ensure financial forecasting is much easier and more accurate.

"An integrated SAP system will enable us to compile information more quickly and reliably. We are also looking at improvements in reporting, such as the use of dashboards, to help us monitor progress on important targets in a way which is intuitive and easy to understand."

The need to absorb complexity and manage it effectively is heightened by the changes in the Edrington business, especially the integration of Brugal.

"Whisky in Scotland and rum in the Dominican Republic mature in different ways and at very different rates, and so the Single SAP system is crucial in helping us manage the products that are at the heart of our business," says David.

The introduction of these early elements of Integra is also important for financial reporting, as Edrington is required to adopt the latest International Financial Reporting Standards (IFRS) by March 2016 – which Stewart says would have been challenging under the previous set-up of three separate systems, one of which produced all its material in Spanish.

"As the business grows there needs to be consistency in finance and IT and we have to be using the same processes," says David. "There is a lot of good practice within the Company that we can adapt from one business to the next."

As things stand, the Integra project is around one-third complete. Under the banner of the "Single SAP" work stream all the systems have been evaluated, basic changes to the IT infrastructure have been made and all the priorities have been established.

"Things are changing for the better," says Enrique, "but I also think things are moving at the right pace."

DIVERSE PROFILES SIMILAR TASTES

For many years marketers have been convinced that consumer tastes around the world were converging. Now there seems to be evidence that this trend has finally arrived.

WHEN it comes to premium spirits, Edrington points out that although regional differences clearly exist, the real lessons for building global brands are to be found in analysing the similarities across boundaries.

From the fashionable bars of New York City's Soho to the neon nightclubs of Ho Chi Minh City, market intelligence shows that the desire to be different, demonstrate a taste for the finer things in life and to stand out in a crowded place is universal.

Over many years of analysing personal values, Edrington has seen that there is a pattern of evolution that relates quite closely to the level of economic development.

In the key developing markets, the so-called "Achievers" are on the rise – the younger entrepreneurs and leaders of tomorrow. They are seeking pleasure from drinking but also the knowledge that they are seen with the "right" brand.

"Everything is down to status," says Philip Mackie, Edrington's research and planning manager. "We have seen an evolution in recent years from it simply being about financial wealth, how much money you have, to a more complicated situation where it is also about demonstrating your knowledge and taste."

Status is still mainly defined by material wealth in emerging markets but being considered cultured and wise is becoming an important way that consumers set themselves apart. This is an even more important factor in major cities.

"That is really interesting when you look at the opportunities for premium whisky and where our brands can find their place," says Philip.

China is a great example of the dynamics of the new premium marketplace. Consumer behaviour in Shanghai and Beijing has changed considerably in the last few years, where an increasing number of younger consumers feel they have more in common with their peers in other countries than they have with some people in their own country. It has democratised too: where once premium brands were only for the business and political elite, now they are filtering down to the burgeoning middle classes.

It is becoming less about "bling." Gucci, for instance, sells more products with smaller logos in Shanghai now. In these increasingly

"Younger consumers feel they have more in common with their peers in other countries"

FACT!

60% OF CHINESE LUXURY CONSUMERS ARE AGED 20-39, COMPARED TO ONLY 38% IN WESTERN EUROPE.

(Roland Berger, October 2012)

DIVERSE PROFILES / SIMILAR TASTES

cosmopolitan cities it is about the right bag, or the right bottle, rather than just the one with the most outré packaging and highest price tag.

Changes in South Korea are even more pronounced. Where business entertaining in private rooms used to dominate, there's been an explosion in the popularity of style bars and cocktail culture. Here it is about being seen to try new things – as long as they are imbued with quality and authenticity.

Across the world there is now a very clearly defined progression that takes place in the development of whisky markets. Consumers start with locally produced spirits, often of dubious quality, and move up to blended whisky before trying premium brands. It is not long before they are seeking to differentiate themselves again, which leads to the inevitable move into super-premium brands and particularly single malts.

Angola, in south west Africa, is perhaps one of the best current examples of this movement in action. It is enjoying something of an oil boom which has seen a huge upturn in foreign nationals living there.

They demand the brands they are familiar with back in Europe and this drives awareness and demand among locals, who are finding new jobs and status in this fast-growing industry. As the standard of living rises the desire to widen horizons grows too – and so these new consumers move up the value chain of spirits, trying out what they see their international colleagues enjoying.

“For a growing number of people, the world has become a much smaller place,” says Lerato Ramollo, area manager for East Africa. “When you look at consumers in east Africa, for example, their aspirations are based on what they see happening in places like America and Europe.”

Lerato Ramollo
Area Manager, East Africa

“Kenya is very interesting, where The Famous Grouse is very strong. If you get in a taxi from the airport all the taxi drivers know ‘Famous’ even if they don't know what a grouse is.”

Snow Leopard and Brugal possess a strong story for consumers and attracts the new social media savvy consumer.

In Shanghai its less about bling and more about the ‘right’ product like the subtely branded Gucci bag which resonates with the premium spirits market, particularly those with provenance.

The Famous Grouse continues to capture the interest of sub-Sahara African consumers who aspire to international brands.

In the Americas, access to the stories behind the brands are attracting a generation shaped by social media.

Lerato says she hopes to make significant progress in that this year, and then The Famous Grouse will be able to flourish and latch on to the latent product recognition that exists in a country which, like Angola, is undergoing an economic renaissance.

She is from a background in South African Breweries and Coca Cola and has been able to bring lessons learned there to bear on Edrington's brands. However, unlike her previous companies, building the brands does not rely on billboard and television advertising.

“Instead, we are investing a lot of time training bartenders to understand our products. After all, they are our 24-hour sales people and they need to be able to explain to customers when they ask: ‘What's this new bottle?’”

The approach is clearly paying off. Sales volumes in sub-Saharan Africa are growing by 28% year on year.

From his vantage point back in the UK Philip Mackie believes the strength of the brand and the stories behind them are essential in attracting new consumers.

This is a generation shaped by social media, people who could have as many virtual friends across the world as they do physically in their own home town. This plays well for Snow Leopard and Brugal as they are alternative brands that have a strong story – exactly what these new drinkers are looking for.

Despite the plethora of social media, reaching them is not always straightforward. But where they feel an affinity for a brand – and where they see a benefit - consumers are open to a dialogue.

“There are established patterns that markets follow but nothing is completely static,” says Philip. “I was in Washington Heights in New York a few weeks ago. It has a large Dominican population but the bars looked like something you would see in the Meat Packing District. I saw people there in that community who will soon be saying ‘I want to set myself apart’ and that is the opportunity.”

And it is an opportunity across age groups and across geographies. Economics was once called the dismal science: the economics of premium brands is anything but.


LEGEND
'Best Spirit in the World' 2005 and 2009, F. Paul Pacult, *Spirit Journal*
2013 The Drammie Awards, Best Whisky.
2012 19th Concours Mondial de Bruxelles
Spirits Challenge, Silver. 2011 Ultimate
2011 Courcours Mondial de Bruxelles,
The Spirit Journal Hall of Fame. 2011
Silver Medal Best in Class. 2011 International
Kong International Wines & Spirits
Whisky over 15 year old. 2010 Hong Kong
Gold Medal. 2008 San Francisco World
Francisco World Spirits
2007 San Francisco World
Gold Medal Best Packaging.
Whisky Magazine,
2007 International Wine &
2006 Scottish Field Whisky
2006 International Wine
Medal. 2005 San Francisco
Gold. 2005 Spirits Journal
Distilled Spirits, 18 year
2013 The Scotch Whisky Masters, Master.
Awards, Gold Medal. 2012 International
Spirits Challenge, Chairman's Trophy.
Grand Gold Medal. 2011 Spirits Journal,
International Wine & Sprits Awards,
Spirits Challenge, Silver. 2010 Hong
Competition, Best Single Malt Scotch
International Wines & Spirits Competition,
Spirits Competition, Silver. 2007 San
Competition, Double Gold Medal.
Spirits Competition, Double
2007 World Whisky Awards
Highly Commended.
Spirit Competition, Gold.
Challenge, First Class Award.
& Spirits Challenge, Gold
World Spirits Competition.
Independent Guide to
old category, 1st Place.
ESTD 1798
PRODUCT OF SCOTLAND
HIGHLAND PARK
ESTD 1798
SINGLE MALT SCOTCH WHISKY
43%vol DISTILLED IN KIRKWALL 70cl
AGED 18 YEARS
ESTD 1798
HIGHLAND PARK
ESTD 1798
SINGLE MALT SCOTCH WHISKY
for the facts drinkaware.co.uk
Please enjoy our whisky responsibly
www.highlandpark.co.uk

GIVING MORE

"We had a meeting at which everyone had a moustache – except for the lady present. We ranged from the full Tom Selleck effect to just wispy."

Tellis Baroutsis
Managing Director, North & Central Europe

MANY companies claim that charitable works are part of their corporate DNA. But Tellis Baroutsis' commitment to good causes literally becomes a part of him.

Along with most of his team, the head of Edrington's northern and central European operations sported a luxuriant moustache last November for the Movember charity appeal. The global campaign, which raises money for men's health issues, encourages participants to get sponsored for growing moustaches in the month of November.

Edrington's Stockholm-based Movember team raised the largest amount in the whole of Sweden. Tellis recalls the effect it had on management: "We had a meeting at which everyone had a moustache – except for the lady present. We ranged from the full Tom Selleck effect to just wispy.

"I was asked to start my presentation again because colleagues were saying 'we can't take you seriously with that moustache'. So maybe there are commercial problems with charity."

Tellis' humorous anecdote goes right to the heart of Edrington's core brand values of great people and giving more – a policy that sees the Company donate 1% of its pre-tax profit to good causes globally.

Since the Nordics charitable initiative was started in 2011/2012, Tellis has seen huge benefits for his team, for the local charities and for Edrington itself.

"As Edrington transforms into an international company, rather than a Scottish company, the charitable giving has definitely brought the international employees closer to feeling part of the Edrington family.

"Giving More is the glue that holds us all together. It's hugely motivating for the team and gives us a real pride that separates us from the competition."

"It was certainly the tipping point for me when I joined Edrington. The brands and culture were important but it was the values and charitable giving that made the difference."

Scandinavian design is renowned for being simple, elegant and effective. The charitable approach is very much in that tradition. People in the Nordic territories are less familiar with the idea of charity as this has always been the preserve of paternalistic governments. Therefore the Edrington approach has been to keep bureaucracy to a minimum with uncomplicated guidelines so that employees are really motivated to get involved.

The experience of the last two years has been a huge success. Tellis notes that one of the main goals has been to work with charitable organisations which operate on a voluntary basis. This is in keeping with the long-established philanthropic spirit of the Robertson sisters who founded The Robertson Trust, the charitable trust that owns Edrington.

FACT!

IN THE FIRST YEAR OF THE 'GIVING MORE' OPERATION THE NORDIC FUND DONATED £260,000 TO 14 PROJECTS.

That legacy also informs the priorities of the Nordic Charitable Giving which targets its support in three areas: Sports and Culture, Nature and Environment and Socially and Financially disadvantaged people.

In the first year of its operation the Nordic fund gave £260k to 14 projects while last year the figure had risen to £280k going to 23 recipients. Each year a flagship donation is made to make the charitable giving real and tangible to the Edrington team as Tellis explains:

"The Robertson sisters had always wanted to make sure that the Scottish RNLI had a lifeboat donated by the Trust. So we thought it was fitting that our flagship donation in the first year was a lifeboat to the Swedish RNLI (Sjoraddningen). It was named "Famous" after The Famous Grouse."

Elsewhere the donations seek to make a meaningful and substantial difference. Tellis cites the example of the Havsbadens Kvinnoboende, a shelter for abused women in Sweden.

"The two fantastic women who run it had no government funding. They had one tiny, ancient car that they used for transporting all the women in their care. We bought them a pre-owned minivan for £15k and now they can make one journey instead of three.

"The cost is not great but the difference to the charity is night and day. They also had lots of old, worn-out mattresses bought from flea markets. We bought them new mattresses from IKEA. Again it was a huge difference but it's not always about the money."

As well as the enormous benefits to the selected charities, there is also a huge boost to Edrington's team, not least in attracting, and retaining, the best talent:

"We find that potential recruits really do their homework on the Company before they come for an interview and they are very interested in our values and charitable activity.

"Young people are more interested in that than they are in the reward and career development aspect. That comes later in the interview. The first thing they ask about is the brands and then a close second comes values and charitable giving."

That altruism is a powerful incentive for existing employees as well: "We can see the passion in our team when they communicate with

Roskilde Festival
The Roskilde Festival has a strong focus on sustainability, recycling and humanitarian work including homelessness and poverty. Brugal was the house rum during the festival in part because of similar values and charitable giving.


Tú eres el origen
BRUGAL
DESDE 1888
Brugal
BRUGAL
DESDE 1888
AÑEJO
SUPERIOR
RON
SUAVE
DESDE
1888
You Tube

GREAT PEOPLE, LEADING BRANDS
GIVING MORE

the outside world about what we do. We want it to be low-key in the spirit of the Robertson sisters. Many of their early donations were anonymous and were merely signed as being 'from a friend'. For legal reasons we can't do that now but the spirit of being low-key remains. We would never base brand PR or marketing around our charitable giving.

However we do tell the story about the sisters to people we meet and our sales guys enjoy telling it and showing pictures.

That sense of ownership is reinforced by the level of participation and control that the 55-strong Nordics team has in the decision-making process. "We do everything in-house, which helps get people more committed. Employees, families and friends are invited to nominate where we give our funds. In the first year we got 24 nominations and by the third year it was 80 nominations."

While it is not the main aim, some of the charitable activity has a theme linked to Scotch whisky. "We gave money to a Finnish charity called Clean Baltic Sea which campaigns to combat pollution in the Baltic. There was a strong link there to whisky being the water of life."

"We do everything in house, which helps get people more committed. Employees, families and friends are invited to nominate where we give our funds."

And while charitable giving is its own reward, there is clear evidence that Edrington's reputation for supporting good causes appeals to organisations with similar values. This became clear when Edrington Nordic was negotiating with Roskilde, Scandinavia's biggest music festival, based in Denmark.

"We were pitching for Brugal to become the house rum for Roskilde. A long-term competitor was the current main supplier. The rival offered more money for the sponsorship but they chose Brugal because Roskilde is a non-profit organisation and they preferred to work with us."

The Company values of great people and giving more are encouraged at a very personal, individual level. Edrington's Giving is Rewarding scheme sees the Company join with The Robertson Trust to double-match employees' own fundraising initiatives, contributing an additional £2 for every £1 raised.

It's no surprise then that one of the most acclaimed awards at the group's annual achievement awards is for "Most Charitable Giving". Aptly, in the spirit of the Robertson sisters, the prize is money donated to the charity of the winner's choice.

Tellis' Movember moustache has been tamed to a neat beard but his passion and enthusiasm for the Company's charitable giving is still growing. "After a long day's work you don't count the hours when the job you do has so much good work attached to it."

SNOW LEOPARD
SNOW LEOPARD VODKA
SIX TIMES DISTILLED
40% VOL. 70CL
IMPORTED
Differentiate your range with award winning Snow Leopard vodka.
• More than just a name, award winning, Snow Leopard Vodka was created to save this beautiful creature from extinction.
• 15% of profits are given directly to Snow Leopard conservation projects.
• The first luxury vodka to be made from rare spelt grain which has a distinct, nutty, fresh taste.
• It is crafted in small batches from natural spelt grain, pure spring water and is 6 times distilled.
• The brand was awarded a gold medal at the 2014 International Spirits Challenge.
• Super premium vodka is one of the fastest growing categories within the UK On Trade spirits market (+28% MAT vol)*
Don't miss out. Stock up now!
Snow Leopard Vodka is distributed by Maxxium UK.
For more information contact customer services call:
01786 430 500
SNOW LEOPARD VODKA
www.snowleopardvodka.co.uk
drinkaware.co.uk
for the facts

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 440 000

www.edrington.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 AFRICA
Parc Nicol, 1st Floor,
Building 3, 3001 Wm. Nicol Drive,
Bryanstown, Johannesburg,
South Africa
T: +27 11 514 0127

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
Hedgehaugsveien 21b
0352 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
Apartment Block 8
Marina View Floor No 07
Unit No 04 Asia Square Tower 1
Singapore 018960
T +65 6559 1143

EDRINGTON-FIX MIDDLE EAST
Magalou Alexandrou 4 Street,
Aglantzia,
2121 Nicosia,
Cyprus
T: +357 22 313 866

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

EDRINGTON

EDRINGTON

PREMIUM PLAY

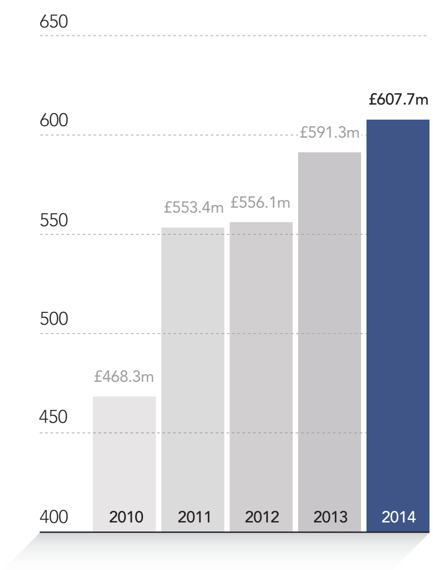
ANNUAL REPORT & FINANCIAL STATEMENTS 2014

CONTENTS

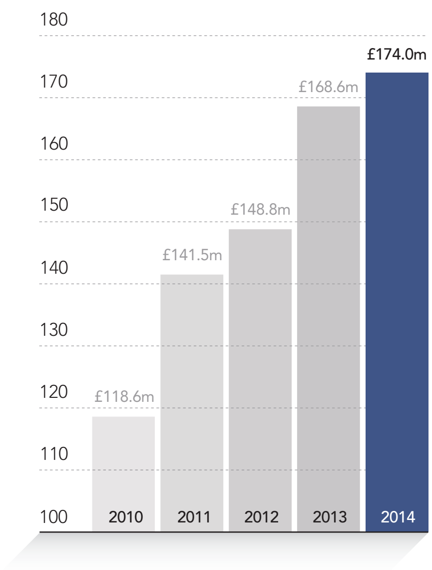
* In the context of the Annual Report, the 'Company' refers collectively to The Edrington Group Limited, and its subsidiary and joint venture undertakings. Differentiation is made between company and consolidated group results in the financial statements and the related independent auditor's report from page 19 onwards.

FINANCIAL HIGHLIGHTS

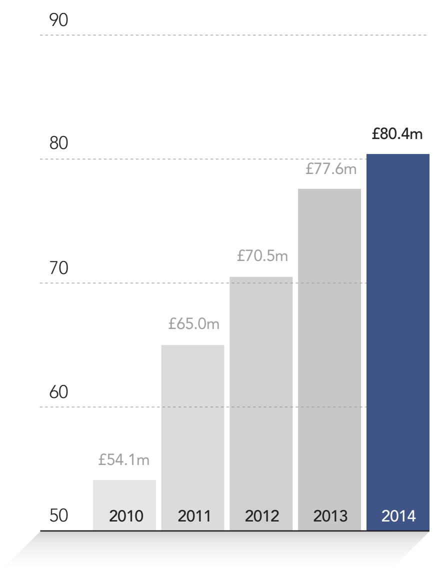
GROUP TURNOVER
+2.8%



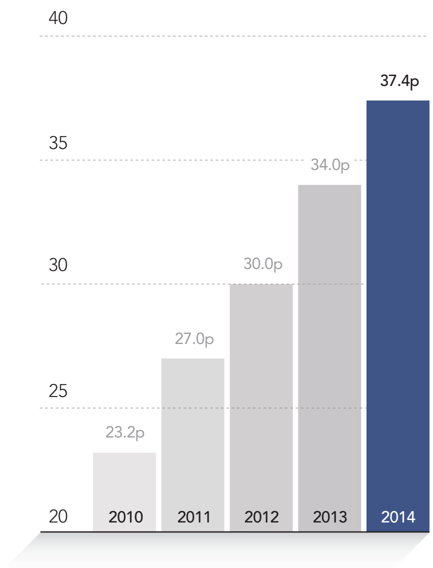
PROFIT BEFORE TAX**
+3.2%



SHAREHOLDERS' EARNINGS**
+3.6%



DIVIDEND PER SHARE
+10%



** Excluding exceptional items

CHAIRMAN'S STATEMENT

Norman Murray
Chairman

In my first year as chairman of Edrington it has been a privilege to get to know the Company better and to understand the challenges and opportunities that lie ahead.

I am indebted to my predecessor, Sir Ian Good, for his outstanding leadership during his 44 years with the Company. Sir Ian joined Edrington in the era of the Robertson sisters, the enlightened grandchildren of the Company's founder, who created The Robertson Trust in 1961. One of my first impressions of the company has been how vibrant the values of that era – Integrity, Independence, Involvement, and Innovation – are in the modern Edrington.

My taking over coincided with the introduction of the Company's Compass for the Future- *"Great People, Leading Brands, Giving More"*. This is a fine summary of what makes Edrington distinctive and also a pathfinder for success in the future.

A busy first year getting to know Edrington confirmed that the Company has an enviable line up of premium brands with an excellent reputation for quality. Of course brands improve their chances of leadership when they are in the stewardship of capable business leaders. Early in 2013 I visited the Edrington Leadership Programme in St Andrews, a development programme run in collaboration with Duke Corporate Education, and I have great confidence that this initiative is helping to build on the skills of the company's talented leadership team.

I have also been fortunate to visit some of the company's international markets and see for myself how far Edrington has travelled down this path. In Taiwan, for example, I was able to meet the enthusiastic team who have propelled The Macallan brand to its leading position in the market. The annual strategy meeting in Hong Kong revealed that this combination of great people and leading brands is very powerful.

Establishing such centres of excellence in Taiwan and Hong Kong has followed a period of rapid growth and international expansion. Recent investments in the set-up of distribution companies in the USA and South East Asia (Singapore) reflect confidence in the long term potential of Edrington's brands, the skills of its people, and the opportunity for growth in premium spirits.

In my experience such a confident strategy relies on governments and policies that support the business sector. The UK chancellor's recent decision to freeze tax on spirits and halt the duty escalator was a welcome demonstration that the UK government understood our needs.

As an export-led Company we know how valuable this support can be in the international arena. The ability to exert influence on the European Union, and the diplomatic capacity to back our industry at key moments in over 200 markets, is vital for an ambitious, international company.

Edrington's embrace of *Giving More* dates back to 1961 and gained further momentum recently with the decision to award 1% of gross profits to charitable causes in addition to the substantial dividends paid to The Robertson Trust. This will especially allow our international markets to deploy donations locally and enjoy the same ability to give back as their Scottish colleagues.

A key figure in the introduction of this scheme and an embodiment of Edrington's values is our departing finance director, Richard Hunter. Richard retires this month after 33 years' service, 20 as finance director. I would like to thank him for his contribution to the company and wish him a very happy retirement.

I am very pleased to welcome Alex Short as his successor. Alex will join the company in September from AG Barr PLC and the board is looking forward to his contribution to the further development of the Company.

I would also like to record that the company's relationship with The Robertson Trust continues to strengthen as Edrington develops and grows.

I would like to thank the board and all employees, many of whom have considerable years of service at all levels in the company, for their dedicated commitment to the business.

The theme of this year's annual report is Premium Play. Despite some economic headwinds affecting the growth of spirits in emerging markets, Edrington's premium portfolio of brands is well placed to grow further. Premium Play sets out the unique ways in which the company is investing in all facets of its business and the long term confidence that underpins modern Edrington.

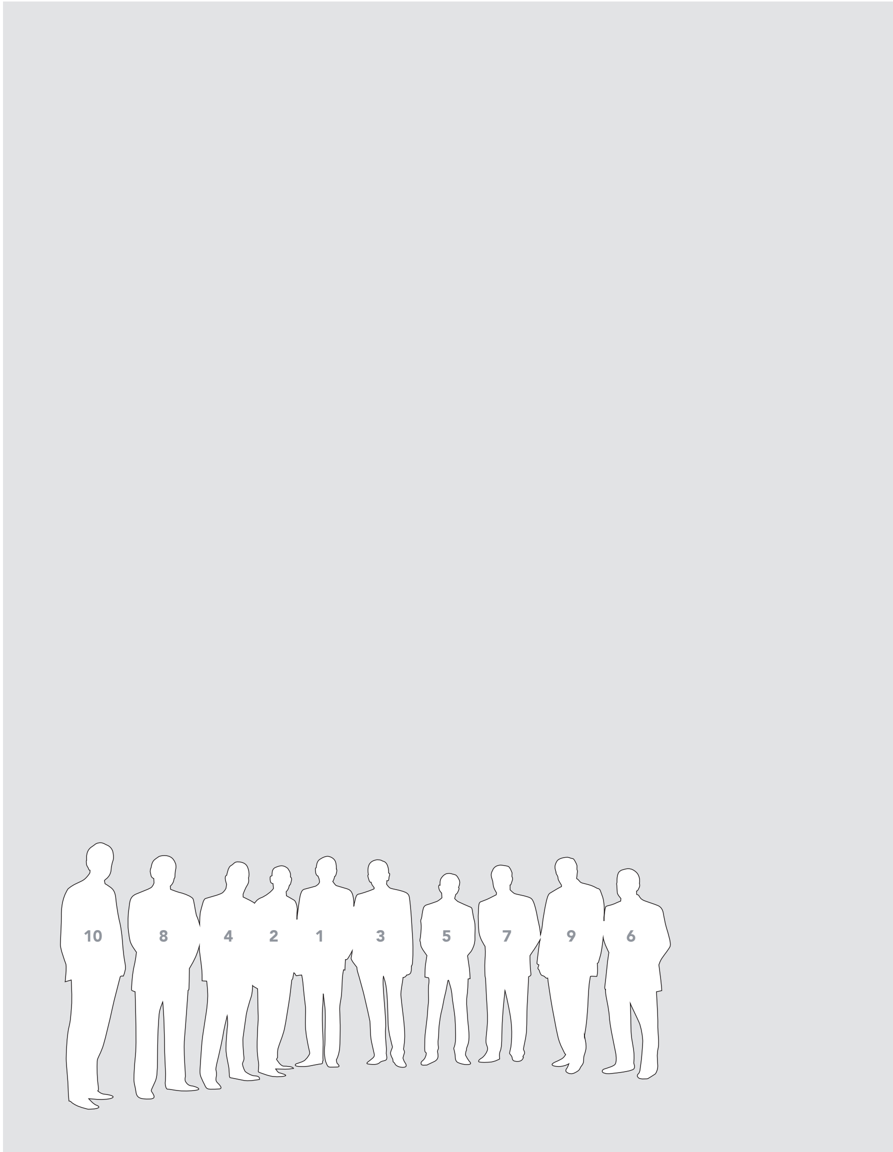
Norman L Murray

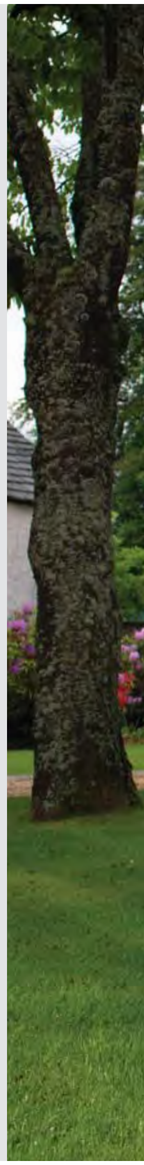
Norman Murray
Chairman

11 June 2014

DIRECTORS & ADVISERS

Directors
N L Murray, Chairman
I B Curle, Chief Executive
R J A Hunter
G R Hutcheon
R W Farrar
S J McCroskie
R J S Bell
K C O Barton
D H Richardson





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

01

Norman Murray (66)
Chairman

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.

02

Ian Curle (52)
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 (59)
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 (51)
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 (56)
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.

06

Scott McCroskie (46)
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. He is also a member of Edrington/Beam Global Alliance.

07

Ronnie Bell (64)
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 (64)
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

David Richardson (63)
Non-executive director

David Richardson was appointed as a non-executive director of Edrington in 2013. He has spent more than 20 years in the drinks industry with Whitbread plc and has extensive experience as a non-executive director. David is also the former chairman of the LSE's Primary Markets Group.

10

Martin Cooke (52)
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.

This report identifies and reviews the areas of strategic importance to the company.

Principal activities

Edrington owns some of the leading Scotch whisky and rum brands in the world, including The Macallan, Brugal, The Famous Grouse, Cutty Sark and Highland Park. In addition to its core brands, Edrington acquired Snow Leopard vodka in 2013.

Edrington directly controls its route to market in 11 countries, has 6 joint ventures and operates the remainder through third party agreements.

The Company produces its brands at a number of specialist operations including distilling, blending and bottling.

Landscape

The Global economy (Gross Domestic Product (GDP)) is forecast to grow by 3.7% in 2014, rising to 3.9% in 2015 (source: International Monetary Fund (IMF)). Regional forecasts for 2014/15 support this outlook with USA and emerging and developing markets forecast to grow GDP in 2014 and 2015, whilst the Eurozone is anticipated to move from recession to recovery with GDP growth of 1% in 2014 and 1.4% in 2015.

Political challenges surfaced in two countries. Following the crisis in the Crimea there continues to be political uncertainty in Ukraine and economic uncertainty in Russia due to the potential impact of sanctions. In China, anti-corruption measures have slowed down corporate entertaining and gifting of alcohol.

The spirits category is expected to grow by 1.5% on a compound annual basis (CAGR) in the next four years (source: IWSR) with a continuation of the trend for higher growth in premium segments, e.g. super premium spirits +5.7%, premium spirits +4.2%, and standard spirits +3.8%.

The major categories in which Edrington brands compete are also forecast to grow over the same period. Scotch whisky is anticipated to grow by 2.6% extending the trend for higher growth in malt whisky (+6%) than blends (+2.3%). Dark rum is also estimated to grow by 0.6% over the same period.

The geographic analysis of growth for Scotch whisky (CAGR 2012-2018 source IWSR) forecasts all regions in growth ranging from +1.5% in Europe to 4.2% for Africa and the Middle East. Projections for rum show a similar pattern.

The alcoholic drinks industry takes note of a number of **social aspects**, notably:-

> New limitations on the freedom to market our brands, e.g. bans on alcohol advertising in Russia and Turkey

> Policy initiatives to control pricing, e.g. the Scottish government's proposed MUP (Minimum Unit Pricing), challenged by the industry as unlikely to be effective and now the subject of legal review by The European Court of Justice.

Edrington promotes the responsible consumption of alcohol and its initiatives in collaboration with other producers and organisations are set out in a separate Corporate Social Responsibility (CSR) Report.

Society also expects high levels of environmental responsibility and the progress of Edrington and the Scotch whisky industry on this agenda is also explained in the CSR report.

Opportunities and challenges

South East Asia

In October the Company established a new sales and marketing distribution business to service South East Asia. Edrington Singapore will focus on the fast developing economies of Vietnam, Malaysia and Indonesia, and the emerging economies of Myanmar, Laos and Cambodia.

The ASEAN (Association of South East Asia Nations) zone is an attractive prospect with GDP poised to overtake 3 of the BRIC markets (Brazil, Russia, India and China) by 2017 and is attracting record levels of foreign investment. Youthful populations with an appetite for quality brands also make these markets good prospects.

USA and the Americas

Edrington expanded its control of the USA market with new offices in Dallas, Orange County (California), and Chicago in addition to the central team based in New York City.

The numbers of employees has risen from approximately 35 to 110 as the company seeks to get closer to the consumer in this exciting spirits market. Over 40% of the world's premium spirit consumption takes place in the USA and positive demographic trends result in a large number of new prospects entering the spirits market each year.

Edrington Americas began trading on 1 April 2014 as planned following an unprecedented collaboration between our employees in the USA, supporting advisers, and specialist central teams in Scotland.

The Company also opened a South America and Travel Retail hub in Miami. This team will actively manage distributors in the region with a focus on Mexico, Brazil, and key cities and airports. Current estimates suggest that this will be a growing sector for Edrington once improvements in route to market and pricing take place.

Middle East

During the course of 2013 a joint venture was formed between Edrington and FIX in the Middle East. The key focus of this business is airport duty free operations in Dubai, Abu Dhabi and Qatar. However, it will also focus on developing domestic business in the region including Israel and Lebanon.

China

The business has been impacted by the slowdown in gifting and business entertaining, but careful management of costs has minimised this. China is a potential market of scale, however it currently accounts for only a small proportion of Edrington's global business.

Sluggish economies in the Dominican Republic and Spain

Edrington continues to invest and innovate in the Southern European markets, despite the current economic challenges. We are forecasting growth to return in these markets during 2015-16. New innovations, such as Brugal Suspiro (a full flavour, half calorie expression of Brugal) in Spain, are expected to contribute towards this improvement in performance.

In the Dominican Republic the government is making rapid progress in reducing public debt, however market conditions remain challenging.

Assessment of Edrington strategy in response to this

Edrington's portfolio of brands addresses consumer needs in the faster growing, higher margin, premium segments in spirits that are forecast for long term growth.

The company has identified Route to Market (RTM) as a strategic priority to address consolidation in our industry and markets. We have made significant progress through new local operating companies (LOCs) in Singapore (8 South East Asia markets) and the USA, joining the 9 markets already under direct ownership.

Joint ventures are in place in the Netherlands (with Bols), the Middle East (with FIX), and through the Maxxium vehicle (with Beam Suntory) in the UK, Spain, Russia, and European Travel Retail & Duty Free.

The Company also uses strategic distribution partnerships to develop its brands in Sub-Saharan Africa (through Les Grand Chais de France) , Eastern Europe and Greece (through Coca Cola Hellenic).

The rapid international development of the organisation (60% of Edrington's 2,316 employees are based overseas) has resulted in several innovative approaches to people development:

The Edrington Leadership Programme (ELP), launched in 2013 in collaboration with Duke Corporate Education, continued the process of developing common approaches to leadership skills across the Company, with plans to cascade this further in the year ahead. Underpinning this programme is an improved process for performance and development reviews (ePDR).

Simultaneously there has also been an increase in the number of international transfers and assignments to broaden experience and strengthen informal networks.

In summer 2012 the business began an improvement programme known as 'Project Integra' which is designed to facilitate the internationalisation of Edrington. The programme had a number of different work-streams, the majority of which have now been embedded into existing business practice. The centrepiece of the project is the integration of our business system (from 3 platforms to 1 global platform) which began in April 2014 and which is expected to complete in 2017.

In 2013 the Company embarked on a major programme of investment across the business. In November Edrington announced plans for an iconic new Speyside distillery and visitor centre for The Macallan. Working with the world-renowned architects Rogers, Stirk, Harbour + Partners, Edrington plans to invest over £100 million in The Macallan estate to sustain the craftsmanship, attention to detail, and innovation that have become the hallmarks of the brand.

Significant investment is also planned for warehousing on The Macallan estate in addition to an upgrade of the liquid handling systems at our Great Western Road site, scheduled for implementation in 2015.

Brand progress

Our brand portfolio had a good year driven particularly by our malts.

The Macallan grew across a broad range of territories where it is established as the pre-eminent premium malt.

Highland Park had an excellent year, showing growth patterns that resemble The Macallan's earlier development, and using its range of special packs to great effect.

The Famous Grouse performed strongly in the UK and Sweden, rolled out the Ginger Grouse expression to the rest of UK, and showed signs of emerging market breakthrough.

Whilst **Brugal** continued to encounter tough economic conditions in its major markets, it took important steps in premiumisation and innovation with new packaging and the launch of Brugal Suspiro in Spain.

Cutty Sark had a better year with a small volume increase last year and the launch of Prohibition, which is creating considerable consumer interest in the USA.

Over the next twelve months we will evaluate the real potential for **Snow Leopard**, a highly engaging vodka brand based on a combination of product superiority and conservation of an endangered species.

Snow Leopard will be given investment support in Asia and will be seeded in key US cities and in London.

Harmonising business processes
(Project Integra)

The Company has created a dedicated team to harmonise business processes over the next three years. Following a rapid period of change it was necessary to create a common way of doing business across the company.

Early successes last year included improvements to the procurement process and the adoption of a new manufacturing model. In the years ahead the team will focus on improving effectiveness throughout the supply chain.

Central to the next phase of Integra will be the consolidation of three legacy computer systems into one single SAP entity, creating the opportunity for all of Edrington to "*speak the same language*".

Principal risks and uncertainties

The principal strategic and operational risks are associated with the performance of the Company's 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.

The Company addresses its principal operational risks by investing in experienced, professional teams in each key market, which operate within an established internal control framework which is 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 on-going 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.

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 treasury 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 to ensure appropriate credit checks on potential customers and the establishment and periodic review of credit limits, together with the insurance of certain trade receivables.

Key performance indicators

The key performance indicators used by the Company to measure and assess performance are explained below. In the year to 31 March 2014 these indicate that the business is in very good health.

Edrington continues to grow across a broad range of international markets as we continue to invest in brands, route to market, developing our people, and systems.

Turnover

Turnover grew by 2.8% to £607.7 million, and has increased by 45% over the last five years. This reflects the rapid international expansion of the Company since 2009, one of the most difficult economic periods in history.

Pre- exceptional profit before tax

Over the course of the last five years the profitability of Edrington has almost doubled, increasing by 84%.

Last year's profit growth was more modest due to the widely reported economic slowdown in certain countries and an intense competitive environment. However it continues a long term pattern of growth and is a testament to our approach of long term investment in the business.

Net debt

Net debt (before current asset investments) of the Company has reduced by £13.1m to £437.5m, primarily as a result of strong cash flow from trading which has enabled continued investment in our brands together with an increased dividend return to shareholders. The Company has continued its strategy of balancing long term investment with the requirement to satisfy existing lender and shareholder requirements. During the course of 2014 approval was given to develop The Macallan estate and distillery to meet the long term aspirations of the brand at a cost of over £100m.

Shareholder earnings

Shareholder earnings pre-exceptional (2014: £80.4m) have followed the same pattern of virtually doubling over the last five years with more modest growth in the last year.

In 2014 the company made significant investments in route to market, systems, people and assets to prepare it for the next wave of long term growth.

These investments reflect Edrington's confidence in the long term future of the business, none more so than the commitment to transform the Macallan distillery and estate.

Regional performance

Geographically, Edrington's business is now more balanced over a broader base of regions, allowing the Company to spread its risk.

In **North America** the Company is now well positioned to grow market share in the largest premium spirits market in the world.

In **Asia** there has been significant growth since Edrington opened its first office in 2003. In the last year the Company's sales and marketing teams improved their consumer insight in the fast developing countries of South East Asia, following the opening of a Singapore hub.

In **North and Central Europe** the company chose to invest in innovations aimed at fast-growing consumption occasions, such as Ginger Grouse. The excellent business results in the UK and Nordics were the highlights in North and Central Europe.

Southern Europe continues to be a tough trading environment but it is pleasing to report that Spain achieved its business plan and record a better year for Greece, where Coca Cola Hellenic became the new distribution partner.

One of the most exciting developments has been the focus on **emerging markets** which delivered real growth in this region driven by success in Russia, the Middle East (with the company's new JV distribution company, Edrington Fix), and Africa where Edrington now has its own team.

View of future prospects

Edrington operates in the premium rum and premium Scotch whisky sectors, which are both forecast for long term growth.

The company has strengthened its route to market in two key market places which are forecast for further growth.

In USA, the largest premium spirits market in the world, Edrington now controls its sales and marketing directly. It has also broadened its coverage within the United Sates, opening regional offices in Chicago, Orange County and Miami. These regional centres offer excellent opportunities to get closer to consumers and to act quickly on emerging trends.

In South East Asia, the company has taken direct control of its distribution, creating the same structures that developed its successful business in North and East Asia. South East Asia offers excellent prospects for growth as a result of increasing middle class consumers and fast growing economies.

The company has invested behind its future prospects across its entire asset base, most notably in the commitment to develop The Macallan estate.

Confidence in our future prospects is also reflected in the record number of people hired by the company (239) in 2013/14.

Overall we remain confident that Edrington has a strong brand line-up, a competitive route to market, and the resourceful people necessary to deliver growth from the premium spirits market.

By order of the board

Ian Curle
Chief executive
11 June 2014

CORPORATE GOVERNANCE

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

1 Board composition

At 31 March 2014, the board comprises the non-executive chairman, five executive directors and three independent non-executive directors, and is supported by 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 at least five working days prior to each board or committee meeting to ensure that directors have sufficient time to review them before the meeting. Documentation includes detailed reports on current trading and full papers on matters where the board is required to give its approval.

Day to day management and control of the business is delegated to the executive directors 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

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.edrington.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 in *Figure 1*. 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.

The advisory sub-committees established by the board, whose remits are outlined in *Figure 2*, comprise certain executive directors and senior members of the Edrington management team.

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. 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.

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.

Figure 1

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

Figure 2

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
		  > 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

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 £296,000, of which £75,000 related to non-audit work.

In July 2013 the Audit Committee undertook a retender process for the audit of the company's financial statements for the year ending 31 March 2014. Following this comprehensive process Grant Thornton UK LLP were re-appointed as auditors.

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.

CORPORATE SOCIAL RESPONSIBILITY

The Corporate Social Responsibility (CSR) Committee is chaired by the public affairs director and includes representatives from the brands, HR, legal, and operational compliance functions.

The committee focuses 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.

The Company maintained its annual contribution to Drinkaware, the UK's leading alcohol education provider. A major focus for Drinkaware in 2014 was educational advice for parents, which Edrington publicised on its intranet for UK employees.

Edrington also continued with its pledges under the UK Responsibility Deal. In this year's formal results review the company was pleased to report that over 99% of back labels in the UK now carry a responsible consumption message.

In the Dominican Republic, Brugal launched an initiative about the dangers of drink-driving with a campaign in social media in advance of the Easter holidays. The campaign warned consumers about the impact on the friends and family of irresponsible consumption; a typical message was *Celebra con un consumo responsable. Recuerda que nos quedan muchas fiestas por delante*. (Enjoy Responsibly. Remember that there are many holidays ahead)

ENVIRONMENT

Edrington continues to support the Scotch Whisky Association's Environmental Strategy goals, with a focus on alternative energy sources, including non-fossil fuel. The Company has also been pleased to contribute to the rapid industry progress on packaging and waste, and the early achievement of its 2020 zero waste to landfill target.

Zero waste to landfill at the Great Western Road, Glasgow, facility

Following a 14 month project in partnership with the Company's waste contract partner there has been a breakthrough in the management of waste at Edrington's Glasgow offices and manufacturing facility. Since November 2013 no waste, either domestic or packaging materials, have been sent to landfill waste. This has been verified via external audit conducted by BSI (British Standards Institute).

A key driver of this project was an investment of £50,000 facilitating the separation of glass recyclate by colour for the first time. This will also provide benefits further down the supply chain with suppliers able to source good quality clear glass recyclate from Edrington and a subsequent increase in the recycled content of manufactured clear bottles.

New effluent plant Macallan Distillery

A new effluent treatment plant is currently under construction at The Macallan Distillery site. This project will use state of the art technology to improve the treatment of by-products produced during distillation.

Mangrove Reforestation in the Dominican Republic

In commemoration of the International Day of the Mangrove, Brugal organized the first Mangrove Reforestation Day together with the Ministry of Environment. Local authorities, community leaders and Brugal employees attended the event, held in the Mallen Lake, in San Pedro de Macoris. More than 1,000 mangroves were planted, sourced from the Brugal mangrove nursery, created in 2010 to contribute to the sustainability of mangroves in the Higuamo river basin.

WORKPLACE

Giving More

In the Premium Play section of this report Tellis Baroutsis outlines the impact in the Nordics of Edrington's commitment to donate 1% of its gross profits to international charitable donations.

The Nordic region has been an early adopter of this recent facility, with £280,000 donated to 23 local charities last year. The Nordics has been followed quickly by Asia and the Americas. In all three zones the governance of donations is conducted by a committee comprising the local managing director, an external advisor, and the company's financial director.

In the year ahead it is expected that Edrington Africa will take advantage of the funding commitment and begin distributing donations to local charities.

The commitment to Giving More also includes the Brugal Foundation in the Dominican Republic, which increased the number of students attending its George Arzeno Brugal Centro Educativo, a subsidised school for disadvantaged children in the north of the country, to 490 (+70).

In 2014 the school received the environmental certification, **Eco School**. This followed a special focus on environmental awareness through training and project work linked to the community.

Giving is Rewarding

All employees, including international, were eligible to take part in the company scheme to support employees' charitable fundraising. Giving is Rewarding double-matches the funds raised by employees (£1 becomes £3), or provides donations of £5 per hour for time that employees give to charitable organisations

Among many fine examples of the selflessness of employees, the Famous Mo campaign by the Edrington Stockholm Team was a highlight. The team took part in the global Movember activity to raise funds for men's health issues, growing moustaches during November in return for sponsorship. By the end of November the team had raised the largest amount in the whole of Sweden.

COMMUNITY

Edrington fully supported a Scotch Whisky Association initiative to encourage innovative community programmes to tackle alcohol harm among young people aged 18 and under, and families affected by alcohol misuse.

Launched in December 2013 and managed by Foundation Scotland, The Scotch Whisky Action Fund will commit £100,000 annually from 2014 to 2018. Applications for support for new projects can seek an award up to £10,000; existing initiatives, with a proven track record, can receive up to £25,000.

In the first canvass for applications there were 72 requests for support and the fund has been heavily oversubscribed.

BRANDS

In January **The Macallan** donated the proceeds of a record breaking auction in Sotheby's to a number of Hong Kong charities.

A six litre decanter of The Macallan 'M', produced in partnership with Lalique, achieved a new world record price as the most expensive bottle of whisky ever sold at auction. It was the largest decanter ever made by Lalique, taking more than 50 hours to create and requiring the work of 17 craftsmen.

The sale price exceeded expectations, reaching $628,000 (£381,000) when it was auctioned by Sotheby's in Hong Kong.

The Black Grouse has been donating funds to the RSPB black grouse conservation effort since the whisky was launched in 2008 and has gifted over half a million pounds to the cause.

The protection of their habitat is central to the survival, of the black grouse and the funding from The Black Grouse Whisky has played a significant role in allowing the RSPB to continue its conservation work to help save this magnificent game bird in the UK.

Money donated from the whisky is concentrated on six RSPB reserves throughout the UK. Since the partnership began more than 30,000 trees have been planted, hundreds of hectares of woodland have been restructured, and over 280 lek and brood counts have been undertaken to protect and monitor this beautiful bird.

The money has also helped the RSPB to fulfil a long term ambition to secure a landholding in Deeside, The Crannach, which adjoins Balmoral Estate. This reserve will assist in the conservation of both black grouse and capercaillie in this critical part of Scotland.

DIRECTORS' REPORT

The directors present the audited financial statements for the year ended 31 March 2014.

Results for the year

The Company's financial results, which are detailed in the profit and loss account on page 20, cover the year to 31 March 2014.

An interim dividend of 11.0p (2013: 10.0p) per share was paid on 6 November 2013. The directors agreed a further interim dividend of 26.4p per share which will be paid on 4 July 2014, making a total of 37.4p per share (2013: 34.0p per share) for the year. The aggregate dividends recognised in the year amounted to £21.8m (2013: £20.4m) excluding proposed dividends that were not approved by the balance sheet date.

A profit for the year, attributable to Edrington shareholders, of £74.4m was added to accumulated reserves (2013: a charge of £(90.4m)).

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

Directors' responsibilities for the financial statements

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

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 2014 and 2013.

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 triggered in respect of the year to 31 March 2014 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 partially met in respect of the three year period ended 31 March 2014.

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. In May 2014 a further refinancing of its one year facilities was completed and these are now in place .

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

Auditors

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

By order of the board

Martin A. Cooke

Martin Cooke
Group company secretary
11 June 2014

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 2014 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 17, 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 Financial Reporting Council'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 2014 and of the group's profit for the year then ended;

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

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic 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

16 June 2014

GROUP PROFIT AND LOSS ACCOUNT

YEAR TO 31 MARCH 2014

	Note	Pre-Exceptional 2014 £m	Exceptional 2014 (Note 2) £m	Total 2014 £m	Pre-Exceptional 2013 £m	Exceptional 2013 (Note 2) £m	Total 2013 £m
Group turnover and share of joint venture turnover	1	730.4	-	730.4	698.5	-	698.5
Share of joint venture turnover		(122.7)	-	(122.7)	(107.2)	-	(107.2)
Group turnover		607.7	-	607.7	591.3	-	591.3
Cost of sales		(408.4)	(13.3)	(421.7)	(399.9)	-	(399.9)
Gross profit/(loss)		199.3	(13.3)	186.0	191.4	-	191.4
Administrative expenses		(12.2)	(1.3)	(13.5)	(12.1)	(274.8)	(286.9)
Group operating profit/(loss)		187.1	(14.6)	172.5	179.3	(274.8)	(95.5)
Share of operating profit in joint ventures		10.0	-	10.0	17.0	-	17.0
Profit/(loss) on ordinary activities before interest		197.1	(14.6)	182.5	196.3	(274.8)	(78.5)
Income from investments	3	2.3	-	2.3	1.9	-	1.9
Net interest payable and similar charges	4	(25.4)	-	(25.4)	(29.6)	-	(29.6)
Profit/(loss) on ordinary activities before taxation	5	174.0	(14.6)	159.4	168.6	(274.8)	(106.2)
Taxation	7	(37.7)	4.6	(33.1)	(39.8)	-	(39.8)
Profit/(loss) on ordinary activities after taxation		136.3	(10.0)	126.3	128.8	(274.8)	(146.0)
Attributable to equity minority interests	21	(55.9)	4.0	(51.9)	(51.2)	106.8	55.6
Retained profit/(loss) attributable to The Edrington Group Limited	20	80.4	(6.0)	74.4	77.6	(168.0)	(90.4)

All the activities of the Group are classed as continuing.

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

BALANCE SHEETS
AS AT 31 MARCH 2014

	Note	Company 2014 £m	Company 2013 £m	Group 2014 £m	Group 2013 £m
Fixed assets					
Intangible assets	9	-	-	661.9	671.4
Tangible assets	10	-	-	241.9	226.2
Investments in subsidiaries	11	260.6	260.0	-	-
Investments in joint ventures	11	-	-	55.3	60.4
- Gross assets		-	-	223.2	228.3
- Gross liabilities		-	-	(167.9)	(167.9)
Other investments	11	-	-	8.0	9.2
		260.6	260.0	967.1	967.2
Current assets					
Stocks	12	-	-	384.2	399.6
Investments	13	-	-	1.1	0.7
Debtors – due within one year	14	1.7	10.1	126.7	116.6
Intercompany debtors – due after one year	14	196.9	200.8	-	-
Cash at bank and in hand		5.1	-	85.2	66.4
		203.7	210.9	597.2	583.3
Creditors					
Amounts falling due within one year	15	(87.6)	(175.9)	(299.7)	(503.8)
Net current assets		116.1	35.0	297.5	79.5
Total assets less current liabilities		376.7	295.0	1,264.6	1,046.7
Creditors					
Amounts falling due after more than one year	16	(43.8)	-	(379.3)	(190.2)
Provision for liabilities	18	-	-	(30.1)	(26.6)
Net assets (excluding retirement benefit liabilities)		332.9	295.0	855.2	829.9
Retirement benefit liabilities	27	-	-	(58.2)	(58.5)
Net assets		332.9	295.0	797.0	771.4
Capital and reserves					
Called up share capital	19	6.6	6.6	6.6	6.6
Share premium account	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	-	-	7.7	7.9
Share based payments reserve	20	3.2	2.2	3.2	2.2
Profit and loss account	20	321.6	284.7	349.7	320.2
Shareholders' funds		332.9	295.0	434.0	403.7
Equity minority interests	21	-	-	363.0	367.7
		332.9	295.0	797.0	771.4

The consolidated financial statements of The Edrington Group Limited (registered number SC36374) were approved by the board of directors and authorised for issue on 11 June 2014. They were signed on behalf of the board by:

I B Curle
Director

R J A Hunter
Director

GROUP CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2014

	Note	2014 £m	2014 £m	2013 £m	2013 £m
Net cash inflow from operating activities	22		**171.0**		174.2
Dividends received from joint ventures			**5.4**		4.1
Returns on investments and servicing of finance					
Interest paid		**(23.4)**		(26.1)	
Interest received		**0.9**		1.0	
Dividends received		**2.3**		1.9	
Dividends paid to minority interests in subsidiaries		**(47.2)**		(40.9)	
Net cash outflow from returns on investments and servicing of finance			**(67.4)**		(64.1)
Taxation					
Corporation tax			**(32.5)**		(31.3)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(35.2)**		(41.3)	
Purchase of own shares		**(12.2)**		(7.9)	
Sale of own shares		**4.4**		3.3	
Sale of tangible fixed assets		**1.6**		1.7	
Loans from/(to) joint ventures		**1.2**		(2.6)	
Net cash outflow from capital expenditure and financial investment			**(40.2)**		(46.8)
Equity dividends paid			**(21.8)**		(20.3)
Net cash flow before use of liquid resources and financing			**14.5**		15.8
Financing	23				
Repayment of bank loans		**(307.0)**		(102.3)	
Drawdown of bank loans		**306.9**		-	
Loan notes		-		(0.1)	
Other loans		-		(0.3)	
			(0.1)		(102.7)
Increase/(decrease) in cash in the year	23		**14.4**		(86.9)

OTHER STATEMENTS
YEAR ENDED 31 MARCH 2014

Group statement of total recognised gains and losses

	2014 £m	2013 £m
Profit/(loss) for the year	**74.4**	(90.4)
Actuarial loss recognised in the pension schemes (net of minority interests)	**(1.6)**	(20.2)
Movement on deferred taxation relating to pension liability (net of minority interests)	**(1.0)**	4.1
Actuarial loss recognised in the pension schemes of joint ventures	**(1.3)**	(4.7)
Movement on deferred taxation relating to pension liability of joint ventures	**0.3**	1.1
Exchange adjustments on the net assets of joint ventures	**(0.3)**	0.5
Currency translation difference on foreign investments (net of minority interests)	**(12.1)**	5.3
Currency translation difference on related borrowings	**2.8**	(1.5)
Total recognised gains and losses relating to the year	**61.2**	(105.8)

Group reconciliation of movement in shareholders' funds

	2014 £m	2013 £m
Total recognised gains and losses relating to the year	**61.2**	(105.8)
Equity dividends payable in the year	**(21.8)**	(20.4)
Movement in own shares	**(7.8)**	(4.6)
Net movement in share based payment reserve	**(1.3)**	(2.1)
Net movement in shareholders' funds	**30.3**	(132.9)
Opening shareholders' funds	**403.7**	536.6
Closing shareholders' funds	**434.0**	403.7

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.

Going Concern

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

Foreign currencies

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.

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 and on the face of the group 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 value in use 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 future legal commitment to pay these benefits. However, a constructive obligation exists as it has been custom and practice to pay them in the past; therefore, the most appropriate treatment is to provide for the full potential liability in the accounts.

On 16 May 2014 the Group informed members of its proposal to close the two principal defined benefit schemes to future accrual from 31 July 2014 (see note 30).

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.

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 from retained earnings.
- 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

	2014 £m	2013 £m
Reported before Group operating profit:		
Impairment of Brugal brand	-	(274.8)
Distribution set up costs	(13.3)	-
Asia restructuring costs	(0.6)	-
Dominican Republic restructuring costs	(0.7)	-
	(14.6)	(274.8)
Taxation	4.6	-
Minority interest	4.0	106.8
Net impact on retained earnings	(6.0)	(168.0)

In 2013/14 exceptional set up costs were incurred due to the expansion of the Group's distribution network in the USA and South East Asia. The Group also incurred non-recurring restructuring costs in the Dominican Republic and on the set up of the new Asia head office.

3 Income from investments

	2014 £m	2013 £m
Income from other fixed asset investments	2.3	1.9

4 Net interest payable and similar charges

	2014 £m	2013 £m
Interest payable on bank loans & overdrafts	(11.1)	(17.7)
Interest payable on US private placement	(10.0)	(9.8)
Interest payable by joint ventures	(1.8)	(1.7)
Interest on defined benefit pension schemes	(3.3)	(1.3)
Interest on discretionary post-retirement benefits	(0.1)	(0.1)
Interest received	0.9	1.0
	(25.4)	(29.6)

5 Profit/(Loss) on ordinary activities before taxation

	2014 £m	2013 £m
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	**12.5**	13.3
Loss on sale of tangible fixed assets	**0.5**	0.2
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

	2014 Number	2013 Number
The average number of employees during the year was as follows:		
Engaged in distilling, coopering, blending, bottling and marketing of Scotch whisky & rum	**2,316**	2,250

	2014 £m	2013 £m
Employment costs during the year amounted to:		
Wages and salaries	**57.6**	49.1
Social security costs	**6.2**	5.6
Other pension costs (note 27)	**7.1**	5.8
Employee share schemes	**2.8**	1.9
Other employee incentive schemes	**10.6**	11.0
	84.3	73.4

	2014 £m	2013 £m
Remuneration in respect of the board of directors was as follows:		
Emoluments (excluding pension contributions)	**1.7**	1.4
Benefits	**0.4**	0.4
Employee share schemes	**0.1**	0.1
Performance related Annual Incentive Plan	**0.5**	0.7
Performance related Long Term Incentive Plan	**2.0**	1.2
	4.7	3.8

	2014 £'000	2013 £'000
The amounts set out above include remuneration in respect of the highest paid director each year as follows:		
Emoluments (excluding pension contributions)	**414**	402
Benefits	**169**	164
Employee share schemes	**37**	28
Performance related Annual Incentive Plan	**183**	267
Performance related Long Term Incentive Plan	**697**	433
	1,500	1,294

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 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 partially achieved this year and last year. The amount awarded reflects the increase in share price over the three year period of each scheme. The annual cost of the board's Long Term Incentive Plan based on the share price at the time of inception was £1.2m (2013: £0.6m) and for the highest paid director was £430,000 (2013: £202,000).

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

During the year, 5 directors (2013: 3 directors) exercised share rights under the ShareSave Scheme. The aggregate of gains by directors exercising share rights during the year was £67,000 (2013: £23,000). During the year, 2 directors (2013: 2 directors) participated in defined benefit pension schemes and 1 participated in the defined contribution scheme (2013: nil). 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 £146,000 (2013: £141,000).

7 Taxation

	2014 £m	2013 £m
The tax charge represents:		
Current tax:		
UK Corporation tax at 23% (2013: 24%)	**33.3**	27.4
Adjustment in respect of prior periods	**(2.6)**	(1.3)
Foreign tax	**2.1**	8.4
Tax on share of profits of joint ventures	**3.2**	3.9
Tax on exceptional charge	**(4.6)**	-
Total current tax	**31.4**	38.4
Deferred tax:		
Deferred tax credit for the year	**(0.3)**	(0.3)
Adjustment in respect of prior periods	**1.3**	0.4
Pension contribution relief in excess of net pension cost charge	**0.7**	1.3
Tax on profit/(loss) on ordinary activities	**33.1**	39.8

The Finance Act 2013, which was substantively enacted on 17 July 2013, reduced the main rate of corporation tax to 21% for the financial year commencing 1 April 2014. This rate was further reduced to 20% for the financial year commencing 1 April 2015. The above rate changes will reduce any future UK corporation tax liabilities of the Group but will not have a material effect on the tax balances recognised as at 31 March 2014.

Factors affecting the current tax charge for the year

	2014 £m	2013 £m
The current tax charge for the year is different than the standard rate of corporation tax in the UK. The differences are explained below:		
Profit/(loss) on ordinary activities before tax at 23% (2013: 24%)	**36.7**	(25.5)
Expenses not deductible for tax purposes	**2.7**	4.7
(Lower)/higher tax charge in overseas earnings	**(1.3)**	0.1
Non-taxable income	**(3.1)**	(3.9)
Difference between tax depreciation and accounting depreciation	**(1.6)**	(0.9)
Other differences	**1.3**	0.5
Adjustment relating to prior period corporation tax	**(2.6)**	(1.3)
Pension contribution relief in excess of net pension cost charge	**(0.7)**	(1.3)
Adjustments in relation to brand impairment	**-**	66.0
	31.4	38.4

8 Dividends

	2014 £m	2013 £m
Dividends payable from profit and loss reserves:		
- Final of 24.0p (2013: 22.6p)	**15.8**	14.9
- Interim of 11.0p (2013: 10.0p)	**7.2**	6.6
Less: dividends paid to the Employee Benefit Trust	**(1.2)**	(1.1)
	21.8	20.4
Proposed after the year end (not recognised as a liability):		
Second interim of 26.4p (2013 Final: 24.0p)	**17.3**	15.8

9 Intangible fixed assets

Brands

	£m
Group	
Cost	
At 1 April 2013	956.1
Exchange adjustment	(6.2)
At 31 March 2014	949.9
Amortisation	
At 1 April 2013	(284.7)
Charge for the year	(3.3)
At 31 March 2014	288.0
Net book value at 31 March 2014	**661.9**
Net book value at 31 March 2013	671.4

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 a ten year 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.

10 Tangible fixed assets

	Freehold land & buildings £m	Plan vehicles & equipment £m	Casks £m	Assets under construction £m	Total £m
Group					
Cost or valuation					
At 1 April 2013	100.1	140.0	172.6	-	412.7
Additions	4.3	8.0	20.8	3.0	36.1
Disposals	-	(0.7)	(7.0)	-	(7.7)
Exchange adjustment	(2.2)	(4.8)	(1.1)	-	(8.1)
At 31 March 2014	102.2	142.5	185.3	3.0	433.0
Depreciation					
At 1 April 2013	33.6	95.4	57.5	-	186.5
Charge for year	2.7	6.8	5.6	-	15.1
Disposals	-	(0.7)	(4.9)	-	(5.6)
Exchange adjustment	(0.7)	(3.5)	(0.7)	-	(4.9)
At 31 March 2014	35.6	98.0	57.5	-	191.1
Net book value at 31 March 2014	**66.6**	**44.5**	**127.8**	**3.0**	**241.9**
Net book value at 31 March 2013	66.5	44.6	115.1	-	226.2

Included in freehold land and buildings is £1.8m (2013: £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 2014 are as follows:

	Freehold land & buildings £m	Plan vehicles & equipment £m	Casks £m	Assets under construction £m	Total £m
Group					
Cost	83.6	142.5	185.3	3.0	**414.4**
Valuation 1990	18.6	-	-	-	**18.6**
	102.2	142.5	185.3	3.0	**433.0**

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

	Freehold land & buildings £m
Group	
Cost	88.5
Accumulated depreciation	(35.1)
Net book value at 31 March 2014	**53.4**
Net book value at 31 March 2013	53.2

11 Fixed asset investments

	Joint ventures £m	Associates and other investments £m	Total investments £m
Group			
At 1 April 2013	60.4	9.2	69.6
Acquisitions	0.3	-	0.3
Share of retained profits of joint ventures less dividends received	(0.4)	-	(0.4)
Actuarial loss on pension scheme	(1.3)	-	(1.3)
Movement on deferred tax relating to pension scheme	0.3	-	0.3
Exchange adjustments	(0.3)	(1.2)	(1.5)
Movement on profit in stock	(3.6)	-	(3.6)
Other adjustments	(0.1)	-	(0.1)
At 31 March 2014	**55.3**	**8.0**	**63.3**

	Investments in subsidiaries £m
Company	
Cost 1 April 2013	260.0
Additions	1.0
Disposals	(0.4)
Cost or valuation at 31 March 2014	**260.6**

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

On 31 August 2013 the company sold its investment in The Edrington Group USA, LLC to Highland Distribution Company Limited; a fellow group company.

11 Fixed asset investments (continued)

Principal investments

At 31 March 2014 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 2014	Nature of business
Principal subsidiary undertakings:			
Edrington Distillers Limited	Ordinary shares	100%[α]	Blending, bottling, sales and marketing of Scotch whisky
The 1887 Company Limited	Ordinary shares	75%[β]	Management of Scotch whisky companies
Brugal & Co., S.A. (Dominican Republic)	Ordinary shares	61%	Distilling, bottling, sales and marketing of Dominican rum
Principal joint venture undertakings:			
Lothian Distillers Limited	Ordinary shares	50%	Distillation and maturation of Scotch grain whisky
Row & Company Limited	Ordinary shares	50%	Sale and marketing of Scotch whisky

Key:

α Investment is held directly by the Company.

β 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 2014	Nature of business
Principal subsidiary undertakings:			
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 Singapore Pte Limited (Singapore)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
The Edrington Group USA, LLC (United States)	Ordinary shares	100%	Sale and distribution of alcoholic beverages
Edrington Taiwan Limited (Taiwan)	Ordinary shares	87.5%	Sale and distribution of alcoholic beverages
Principal joint venture undertakings:			
Maxxium UK Limited	Ordinary shares	50%	Sale and distribution of alcoholic beverages
Maxxium España SL (Spain)	Ordinary shares	50%	Sale and distribution of alcoholic beverages
Denview Limited (t/a Maxxium Russia) (Russia)	Ordinary shares	50%	Sale and distribution of alcoholic beverages
Maxxium Nederland BV (The Netherlands)	Ordinary shares	50%	Sale and distribution of alcoholic beverages
EFME Limited (Cyprus)	Ordinary shares	50%	Sale and distribution of alcoholic beverages

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:

	2014 £m	2013 £m
Profit and loss account		
Gross turnover (before elimination of Group transactions with joint ventures)	**300.3**	300.0
Profit on ordinary activities before interest and taxation	**10.0**	17.0
Interest and other finance costs	**(1.8)**	(1.7)
Taxation	**(3.2)**	(3.9)
Profit after taxation	**5.0**	11.4
Balance sheet		
Fixed assets	**18.0**	17.2
Current assets	**205.2**	211.1
	223.2	228.3
Liabilities due within one year	**(157.2)**	(157.8)
Liabilities due after one year	**(10.7)**	(10.1)
	(167.9)	(167.9)
Net assets	**55.3**	60.4

12 Stocks

	2014 £m	2013 £m
Group		
Raw materials	**3.7**	5.1
Scotch whisky	**344.8**	352.8
Rum	**21.0**	22.8
Packaging materials	**9.9**	12.2
Other stocks	**4.8**	6.7
	384.2	399.6

13 Current asset investments

	2014 £m	2013 £m
Group		
Maxxium Worldwide BV	**1.1**	0.7

14 Debtors

	Company 2014 £m	Company 2013 £m	Group 2014 £m	Group 2013 £m
Amounts falling due within one year:				
Trade debtors	-	-	64.9	64.1
Amounts owed by Group undertakings	0.1	7.1	-	-
Amounts owed by joint ventures	-	-	38.2	36.2
Other debtors & prepayments	0.9	1.4	23.6	16.3
UK corporation tax group relief receivable	0.7	1.6	-	-
	1.7	10.1	126.7	116.6
Amounts falling due after one year:				
Loan to Group undertakings	196.9	200.8	-	-

15 Creditors: amounts falling due within one year

	Company 2014 £m	Company 2013 £m	Group 2014 £m	Group 2013 £m
Amounts falling due within one year:				
Bank loans (note 16)	63.0	115.2	122.6	317.0
Bank overdraft	-	3.0	19.3	10.9
Loan notes	-	-	0.1	0.1
Trade creditors	-	-	27.0	26.2
Amounts owed to Group undertakings	24.5	57.0	-	-
Amounts owed to joint ventures	-	-	24.5	29.9
Accruals and other creditors	0.1	0.3	81.6	94.2
Other taxes and social security costs	-	-	15.8	17.9
Corporation tax	-	0.4	8.8	7.6
	87.6	175.9	299.7	503.8

16 Creditors: amounts falling due after more than one year

	Company 2014 £m	Company 2013 £m	Group 2014 £m	Group 2013 £m
Group				
Bank loans	43.8	-	191.8	-
US private placement	-	-	189.0	189.0
Less : deferred arrangement fees	-	-	(1.5)	(0.3)
	43.8	-	379.3	188.7
Other creditors	-	-	-	1.5
	43.8	-	379.3	190.2

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

	Company 2014 £m	Company 2013 £m	Group 2014 £m	Group 2013 £m
Bank borrowings and other loans are repayable as follows:				
Amounts falling due:				
Within one year	**63.0**	118.2	**142.0**	328.0
Between one and two years	**43.8**	-	**103.8**	-
Between two and five years	-	-	**135.2**	47.2
After five years	-	-	**141.8**	141.8
	106.8	118.2	**522.8**	517.0

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

The Edrington Group Limited has a revolving credit facility of €225m with maturity after one, three and five years. At 31 March 2014 £106m (€128m) (2013: £114.0m (€135m)) had been drawn down under the facility. Interest payable on this loan is linked to EURIBOR.

At 31 March 2014 The 1887 Company Limited had a revolving credit facility of £310m with maturity after one, two, three and five years. At the balance sheet date The 1887 Company Limited had drawn down £192m (2013: £193m) under this facility. Interest payable on this loan is linked to LIBOR.

At 31 March 2014 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) (2013: £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 2014, the Group completed a refinancing wherein The Edrington Group Limited completed the refinancing of its one year facility of €75m and the 1887 Company Limited completed the refinancing of its one year facility of £50m. Both of these facilities are in place for one year and had been drawn down at 31 March 2014.

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 £37.9m (2013: £20.3m).

17 Fair value of hedging instruments

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

Fair value of financial instruments held to manage interest rates:

	Fair value 2014 £m	Fair value 2013 £m
Interest rate swaps liabilities	**(20.5)**	(10.3)
Fair value of financial instruments held to hedge the currency exposure on net cash flows:		
Forward exchange currency contracts assets/(liabilities)	**13.3**	(4.0)

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 over two years 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 2013	11.5	15.1	**26.6**
Provided in the year	3.7	-	**3.7**
Exchange adjustments	-	(0.2)	**(0.2)**
At 31 March 2014	15.2	14.9	**30.1**

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

Deferred tax is provided as follows:

	2014 Provided £m	2013 Provided £m
Group		
Capital allowances in excess of depreciation	**27.4**	27.9
Other timing differences	**(12.2)**	(16.4)
	15.2	11.5

Certain investments held by the Group have previously been revalued. No deferred tax has been provided on the uplift arising from the revaluations as the Group has no intention to dispose of these investments in the foreseeable future. If such a disposal did occur, the tax which would be payable is estimated to be £0.6m (2013: £0.6m).

19 Called up share capital

Group and Company

Called up, allotted and fully paid

	£m
At 1 April 2013 and 31 March 2014:	
550,000 'A' ordinary equity shares of 10p each	**0.1**
65,159,000 'B' ordinary equity shares of 10p each	**6.5**
	6.6

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

20 Reserves

(i) Profit and loss account

	£m
Group	
Balance at 1 April 2013	320.2
Retained profit for year	74.4
Equity dividends payable in the year (note 8)	(21.8)
Exchange adjustments on the net assets of joint ventures	(0.3)
Net currency translation difference on foreign investments and related borrowings	(9.3)
Transfer from revaluation reserve	0.2
Purchase of own shares	(12.2)
Receipts from sale of own shares	4.4
Actuarial loss on pension scheme	(2.9)
Movement on deferred tax relating to pension liability	(0.7)
Net movement in share based payments reserve	(2.3)
Balance at 31 March 2014	**349.7**

(ii) Other reserves

	Share premium account £m	Merger reserve £m	Capital reserve £m	Capital redemption reserve £m	Revaluation reserve £m	Share based payments reserve £m
Group						
Balance at 1 April 2013	0.5	29.5	35.8	1.0	7.9	2.2
Transfer to retained profit	-	-	-	-	(0.2)	2.3
Expenses of equity share issues	-	-	-	-	-	(1.3)
Balance at 31 March 2014	**0.5**	**29.5**	**35.8**	**1.0**	**7.7**	**3.2**

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.

	Share premium £m	Capital redemption reserve £m	Share based payments reserve £m	Retained profit £m
Company				
Balance at 1 April 2013	0.5	1.0	2.2	284.7
Retained profit for the year	-	-	-	66.5
Equity dividends payable in the year	-	-	-	(21.8)
Purchase of own shares	-	-	-	(12.2)
Receipts from sale of own shares	-	-	-	4.4
Net share based payment expense	-	-	1.0	-
Balance at 31 March 2014	**0.5**	**1.0**	**3.2**	**321.6**

The profit and loss account reserve includes the reserves of The Edrington Group Limited Employee Benefit Trust amounting to £12.8m (2013: £12.2m) and a deduction from the Company's reserves for their own shares held by the Employee Benefit Trust amounting to £33.1m (2013: £25.3m). There are restrictions on the parent Company's ability to distribute the reserves of the Employee Benefit Trust, while the realised profit of the Company is unaffected by the deduction from reserves for the own shares held by the Employee Benefit Trust.

A profit and loss account is not presented in respect of the Company, as allowed by section 408 of the Companies Act 2006. The profit attributable to the shareholders dealt with in the financial statements of the Company amounted to £66.5m (2013: a loss of £89.8m).

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 3,437,742 'B' ordinary shares (2013: 3,407,446 shares) with a cost of £33.1m (2012: £25.3m).

The charge to the Group profit and loss account this year in respect of share awards by the ShareReward Scheme was £2.4m (2013: £1.5m).

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 2014 the Employee Benefit Trust held a further 171,997 (2013: 219,039) 'B' ordinary shares in its own name as security against employee loans of £0.2m (2013: £0.3m).

21 Minority interests

	£m
Balance at 1 April 2013	367.7
Profit on ordinary activities after taxation	51.9
Dividends paid	(47.2)
Revaluation of subsidiary undertakings' net assets	(7.4)
Actuarial loss recognised in pension schemes	(1.5)
Other movements	(0.5)
Balance at 31 March 2014	**363.0**

22 Net cash inflow from operating activities

	2014 £m	2013 £m
Group operating profit/(loss)	**172.5**	(95.5)
Non cash impact of brand impairment	**-**	274.8
Depreciation and amortisation	**15.8**	16.6
Loss on sale of fixed assets	**0.5**	0.2
Difference between pension charge and cash contributions	**(8.7)**	(9.8)
Decrease/(Increase) in stocks	**13.8**	(3.1)
Increase in debtors	**(9.1)**	(0.5)
Decrease in creditors	**(11.5)**	(6.3)
Share based payments credit	**(2.3)**	(2.2)
Net cash inflow from operating activities	**171.0**	174.2

23 Analysis of net debt

	Note	At 1 April 2013 £m	Exchange adjustment £m	Cash flow £m	Non cash movement £m	At 31 March 2014 £m
Cash in hand		66.4	(4.0)	22.8	-	**85.2**
Bank overdrafts		(10.9)	-	(8.4)	-	**(19.3)**
		55.5	(4.0)	14.4	-	**65.9**
Bank loans		(317.0)	2.6	0.1	-	**(314.3)**
US private placement financing		(189.0)	-	-	-	**(189.0)**
Loan notes		(0.1)	-	-	-	**(0.1)**
Total loans		(506.1)	2.6	0.1	-	**(503.4)**
Net debt before current asset investments		(450.6)	(1.4)	14.5	-	**(437.5)**
Current asset investments		0.7	-	-	0.4	**1.1**
Total net debt	24	(449.9)	(1.4)	14.5	0.4	**(436.4)**

24 Reconciliation of net cash flow to movement in net debt

	2014 £m	2013 £m
Increase/(decrease) in cash in hand in the year	**14.4**	(86.9)
Net cash outflow on loans	**0.1**	102.7
Change in net debt resulting from cash flows	**14.5**	15.8
Non cash movement in current asset investments	**0.4**	(0.1)
Exchange adjustment	**(1.4)**	(2.1)
Movement in net debt in year	**13.5**	13.6
Net debt at 1 April 2013	**(449.9)**	(463.5)
Net debt at 31 March 2014	**(436.4)**	(449.9)

25 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 £13.6m (2013: £10.5m) and received services to the value of £7.3m (2013: £7.5m) from Lothian Distillers Limited a joint venture of the Group. The Group also made purchases of £3.8m (2013: £4.3m) from its joint venture Row & Company Limited and made sales to that company of £6.7m (2013: £8.0m). The Group made sales to other joint ventures amounting to £170.9m (2013: £184.7m) and received services to the value of £60.4m (2013: £62.0m). 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 £10.3m (2013: £11.2m) and made purchases amounting to £0.9m (2013: £0.7m) to Suntory Liquors Limited, a related party.

The Group has an interest-free loan from Lothian Distillers Limited for £6.0m (2013: £6.0m) included in note 15.

The Edrington Group Limited received dividends of £62.0m (2013: £46.5m) from its subsidiary, The 1887 Company Limited. The directors of The Edrington Group Limited received dividends from the Group totalling £0.2m in the year (2013: £0.4m).

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

26 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 £2.8m relating to equity-settled share based payment transactions in the year to 31 March 2014 (2013: £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:

	2014 Number of share options	2014 Weighted average exercise price (in £)	2013 Number of share options	2013 Weighted average exercise price (in £)
Outstanding at 1 April	548,650	7.54	702,935	£5.63
Granted during the year	130,392	13.31	151,567	£10.14
Exercised during the year	(227,897)	5.52	(301,310)	£4.42
Forfeited during the year	(16,334)	9.49	(4,542)	£6.86
Outstanding at 31 March	**434,811**	**10.25**	548,650	£7.54

The weighted average share price at the date of exercise for share options exercised during the period was £5.52 (2013: £4.42). The options outstanding at 31 March 2014 had a weighted average exercise price of £10.25 (2013: £7.54), and a weighted average remaining contractual life of 2 years (2013: 2 years). The fair value of the options granted on 1 April 2013 was £0.5m (on 1 April 2012: £0.4m).

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 2013	1 April 2012	1 April 2011
Share price at grant date	£16.64	£12.67	£9.90
Exercise price at grant date	£13.31	£10.14	£7.92
Expected volatility	25%	27%	21%
Expected life	3 years	3 years	3 years
Risk free rate	0.3%	0.6%	1.9%
Expected dividend yield	2.3%	2.4%	2.9%

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

27 Retirement benefit liabilities

Retirement benefit liabilities after deferred tax comprise:

	2014 £m	2013 £m
Defined benefit liabilities in principal subsidiaries	**(54.5)**	(54.7)
Other defined benefit liabilities	**(1.6)**	(1.6)
Other post-retirement benefits	**(2.1)**	(2.2)
	(58.2)	(58.5)

Defined benefit schemes

The Group operates two defined benefit pension schemes in the UK providing benefits based on final salary, which have been closed to new employees since 2008. On 16 May 2014 the Group informed members of its proposal to close the two principal defined benefit schemes to future accrual from 31 July 2014 (see note 30). The benefit commitments are funded in advance and the assets of the schemes are held in separate trustee administered funds. The contributions are determined by a qualified actuary on the basis of regular valuations using the projected unit method.

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

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

The major assumptions used by the actuary were as follows:

	2014	2013
Rate of increase in salaries	**4.4%**	4.5%
Rate of increase of pensions in payment	**2.1%-3.7%**	2.3% - 3.8%
Discount rate	**4.4%**	4.5%
Inflation assumption (RPI/CPI)	**3.4%/2.4%**	3.5%/2.5%
Medical benefits inflation assumption	**5.7%**	5.8%

The post retirement mortality assumptions used to value the benefit obligation at 31 March 2013 - 2014 were those of the S1PXA actuarial index, adjusted by 94% (2013:115%) for both males and females, plus an allowance for 'CHI 2013 with a long term improvement rate of 1.5%'. Assumed life expectancy for scheme members currently aged 65 is 23 years for males, and 25 years for females, and for members currently aged 50 is expected to be 25 years (male) and 27 years (female) upon reaching 65.

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

	2014 Rate of return %	2014 Value £m	2013 Rate of return %	2013 Value £m
Equities	7.4%	40.3	6.8%	50.2
Corporate bonds	4.3%	99.8	4.1%	104.0
Bonds	3.4%	71.2	2.8%	41.6
Cash	0.5%	0.7	0.5%	31.1
Property	6.8%	13.6	6.2%	15.1
Insured pensions	4.4%	5.4	4.5%	6.7
Growth Fund	7.4%	24.8	-	-
Total fair value of assets		255.8		248.7
Present value of scheme liabilities		(324.8)		(319.7)
Deficit in pension schemes		(69.0)		(71.0)
Related deferred tax asset		14.5		16.3
Deficit in pension schemes after deferred tax		(54.5)		(54.7)

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

	2014 £m	2013 £m
Current service cost	(5.5)	(4.3)
Past service cost	(1.2)	-
Loss on curtailment of pension liabilities	(0.2)	(0.5)
	(6.9)	(4.8)

Analysis of net charge to finance costs

	2014 £m	2013 £m
Expected return on pension schemes assets	11.0	11.6
Interest on pension liabilities	(14.3)	(12.9)
Net charge to finance costs	(3.3)	(1.3)

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

	2014 £m	2013 £m
Actual return less expected return on assets	(4.3)	13.5
Experience gains and losses on liabilities	1.6	(5.2)
Changes in assumptions	(0.6)	(31.5)
Actuarial loss recognised in the STRGL	(3.3)	(23.2)

The cumulative actuarial losses recognised in the STRGL at 31 March 2014 were £67.1m (2013: losses £63.8m).

27 Retirement benefit liabilities (continued)

Reconciliation of fair value of scheme assets

	2014 £m	2013 £m
Opening fair value of scheme assets	**248.7**	219.2
Expected return on assets	**11.0**	11.6
Employers’ contributions	**15.5**	14.4
Members’ contributions	**1.1**	1.1
Actuarial (losses)/gains	**(4.3)**	13.5
Assets distributed on settlements	**(6.2)**	(3.7)
Benefits paid	**(10.0)**	(7.4)
Closing fair value of scheme assets	**255.8**	248.7

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 £5.2m (2013: £25.1m).

Reconciliation of defined benefit obligation

	2014 £m	2013 £m
Opening defined benefit obligation	**(319.7)**	(275.3)
Current service cost	**(5.5)**	(4.3)
Past service cost	**(1.2)**	(0.5)
Interest cost	**(14.3)**	(12.9)
Members’ contributions	**(1.1)**	(1.1)
Actuarial gains/(losses)	**1.0**	(36.7)
Liabilities extinguished on settlements	**6.0**	3.7
Benefits paid	**10.0**	7.4
Closing defined benefit obligation	**(324.8)**	(319.7)

Movement in deficit during the year

	2014 £m	2013 £m
Deficit in schemes at beginning of year	**(71.0)**	(56.1)
Current service cost	**(5.5)**	(4.3)
Past service cost	**(1.2)**	(0.5)
Loss on curtailment of scheme liabilities	**(0.2)**	-
Contributions	**15.5**	14.4
Net interest cost	**(3.3)**	(1.3)
Actuarial losses	**(3.3)**	(23.2)
Deficit in schemes at end of year	**(69.0)**	(71.0)

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Five year history:					
Total fair value of assets	**255.8**	248.7	219.2	195.2	175.6
Present value of scheme liabilities	**(324.8)**	(319.7)	(275.3)	(239.5)	(229.9)
Deficit in pension scheme	**(69.0)**	(71.0)	(56.1)	(44.3)	(54.3)

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
History of experience gains and losses					
Experience adjustments on schemes' assets	**(4.3)**	13.5	3.8	0.3	36.2
Percentage of schemes' assets	**1.7%**	5.4%	1.7%	0.2%	20.6%
Experience adjustments on schemes' liabilities	**1.6**	(5.2)	4.4	(1.0)	0.2
Percentage of schemes' liabilities	**0.5%**	1.6%	1.6%	0.4%	0.1%
Total amount recognised in statement of total recognised gains and losses	**(3.3)**	(23.2)	(21.4)	2.0	(17.7)
Percentage of schemes' liabilities	**1.0%**	7.3%	7.8%	0.8%	7.7%

Sensitivity analysis on scheme liabilities

The sensitivity of the present value of scheme liabilities to changes in the principle assumptions used at 31 March 2014 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%	+/- 6%

Defined benefit schemes

The Group paid contributions of 22% of pensionable salary and deficit reduction payments of £10.0m (2013: £9.8m) to the pension schemes during 2014.

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 £9.9m (2013: £9.4m).

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 £1.4m (2013: £1.0m).

Other post-retirement benefits

Other post-retirement benefits reflected in the accounts

	2014 £m	2013 £m
Potential liability for discretionary post-retirement benefits	**(2.7)**	(2.9)
Related deferred tax asset	**0.6**	0.7
Net potential liability for discretionary post-retirement benefits deficit	**(2.1)**	(2.2)

28 Other contractual obligations

	2014 £m	2013 £m
Contracted but not provided for		
- material purchase commitments	**24.4**	26.3
- capital commitments	**66.2**	58.0
	90.6	84.3

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

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

Capital commitments represent contracts entered into for the provision of buildings and casks inclusive of a £7.0m commitment in respect of the expansion of The Macallan Distillery.

29 Control

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

30 Post Balance Sheet Events

On 31 March 2014 the group's wholly owned subsidiary The Edrington Group USA, LLC assumed control of the distribution of our brands in the US market.

On 16 May 2014 the group informed members of The Edrington Group Defined Benefit Pension Scheme of its proposal to close the scheme to future accrual from 31 July 2014. A consultation process is taking place in line with legislative requirements. If the proposals proceed, members will be offered membership of the Defined Contribution Plan with effect from 1 August 2014.