



EDRINGTON

Annual Review 2016

GREAT PEOPLE • LEADING BRANDS • GIVING MORE



FOCUS FOR SUCCESS

Company Registration Number
SC36374

www.edrington.com

Please enjoy our brands responsibly

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





Last year Edrington set out its 2020 strategy and ambition to Perfect The Macallan, Accelerate Highland Park, Develop Super Premium brands, Optimise our Regional Power Brands, and Focus for Success.

Business units were introduced and are working well to drive improved focus and delivery. One year on from their launch, we see evidence that we have put the right strategy into effect, and that it is delivering results.

In this next phase of Edrington 2020 we will major on Focus for Success. Following a period of significant change during which we have invested in our systems, capability and people, now is the time to sharpen our attention towards the premium spirits consumer.

This report outlines the progress made in the last year towards our ambition. It also looks to the future, at the consumer landscape, the international markets, and the investments that will lead to growth.



Ian Curle
Chief Executive

PERFECT THE MACALLAN SCOTT McCROSKIE



In the last year we have made good progress implementing our 'Perfect The Macallan' strategy. In a very competitive marketplace The Macallan grew profit whilst investing additional funds in brand-building marketing.

The drive to perfect the brand's physical presence resulted in the successful launches of Rare Cask, Rare Cask Black, and Edition No.1. Rare Cask Black especially caught the imagination of the travel retail sector, securing striking displays in many of the world's major airports.

Closer to home, our new distillery and visitor centre is starting to take shape. The project is on track for an official opening in Spring 2018 when we will welcome admirers of our exceptional whisky in a truly inspirational setting.

Good progress was made during the year in perfecting our digital presence, with improved social media engagement and successful eCommerce initiatives around the world.

Our team structure has been reshaped and strengthened during the year. Internal appointments and new recruits have improved our resource levels and capabilities, which will enhance our ability to fully deliver our strategy for The Macallan and as a result make a significant contribution to the delivery of Edrington's 2020 Strategy.



The Macallan Rare Cask Black

The Macallan Rare Cask Black was launched in travel retail markets across the world in October. The remarkably rare peat-smoked edition was crafted from fewer than 100 sherry seasoned oak casks. Part of the 1824 Masters Series, the limited edition has beaten expectations, underlining that demand for The Macallan remains buoyant.

ACCELERATE HIGHLAND PARK BILL FARRAR



ICE Edition is a special bottling which delves into the world of classic Norse mythology. This stunning expression celebrates the Viking roots of our Orkney Islands home, where their influence and culture were woven for hundreds of years before our single malt whisky was created.



The last year has been a period of transition as we started to deliver the “Accelerate Highland Park” strategy. In a highly competitive environment, Highland Park delivered profit growth ahead of the previous year across its major European markets, the USA and Canada – driven through new expressions such as King Christian 1 in Travel Retail and the Ice Edition domestically which has won numerous international awards.

The focus for the year has been ensuring that all aspects of the brand are aligned to deliver acceleration. Our revised brand positioning, *The Orkney single malt with Viking soul* will underpin all aspects of the brand into the future and will be reflected in a powerful new range for domestic and travel retail markets. These packaging changes will be developed and launched in early 2017.

Recruitment of our target consumers is a key part of the strategy and our local markets are bringing that to life through brand plans covering activation, digital content creation, social media amplification plus appropriate partnerships and collaborations to boost our reputation.

The new global brand team, backed by a new distillery manager and master distiller, is looking forward to an increasingly exciting future for the brand.



OPTIMISE REGIONAL POWER BRANDS

PAUL HYDE



In the past year, Edrington has focused on consolidating and building the leading positions of our Regional Power Brands.

A dynamic new team has brought exceptional efficiency and effectiveness to every aspect of the business, releasing funds that are being invested in innovative and integrated brand-building campaigns.

The Famous Grouse

The Famous Grouse has sustained its leading positions in the highly competitive markets of the UK and Sweden. The Famous Grouse family has now been joined by new premium expressions The Famous Grouse Smoky Black and Mellow Oak.

New packaging was launched in 2015 and The Famous Grouse family of spirits now shares the brand's distinctive bottle and stylish metallised label design. The new packaging celebrates the brand's heritage, while adding a more premium look and feel. This has been supported by the award winning *Famous For a Reason* campaign, which drives the quality messaging.

In the coming year, The Naked Grouse will play a key role in developing the next generation of growth.

Cutty Sark

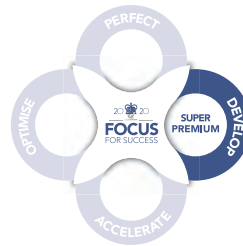
Cutty Sark has focused investment in its core regions of southern Europe, where the brand is defending its leading positions and has grown market share in Portugal. In Greece, the Urban Adventures campaign has built on its relationship with millennial consumers with an integrated programme of live events and social media activation that has won multiple awards.

Cutty Sark Prohibition Edition was created for the US and it continues to build on its distribution and reputation in the on-trade, where it is highly rated by bartenders as an excellent base for premium cocktails.

India is one of the world's largest and fastest-growing markets for Scotch whisky. As a result of Edrington's partnership with Kyndal Spirits, Cutty Sark destined for the local market is now bottled in India, giving it a stronger competitive position in this emerging market.



DEVELOP SUPER PREMIUM BILL FARRAR



Brugal

Our strategy of targeting priority markets and building the equity of Brugal's premium expressions is delivering results: Brugal has now returned to growth in the core markets of the Dominican Republic and Spain.

In what remains a challenging economic and competitive environment in its home market, Brugal has concentrated distribution and brand-building investments on urban areas that show the greatest potential for growth.

Brugal's success in the Dominican Republic is being built on the foundations of its acclaimed premium expressions, led by Brugal Extra Viejo, Brugal XV and new Brugal Leyenda.

The growth of premium spirits around the world demonstrates an established cultural shift towards consumers choosing spirit brands that deliver a distinctive experience. With a portfolio of quality spirits, experience in building super premium brands and reach in the world's key cities, Edrington is well placed to meet the demands of consumers.

To be successful, spirits need to be outstanding in every dimension, and communicate clearly what makes them stand out in a market where 'craft' spirits are proliferating.

Edrington's super premium unit is leading the acceleration of Highland Park, and steering the development of Snow Leopard vodka as it establishes a foothold in key cities around the world.

The coming year will bring exciting new innovations to the world of premium spirits, focusing on millennial consumers.



FOCUS ON GROWTH

Edrington's route to market strategy has established an international network of wholly owned companies across the world's fastest growing spirits markets.

Nine out of the company's top ten markets are now Edrington distribution businesses, and more than 80% of sales are generated by wholly owned and joint venture companies.

The regional hub in Asia Pacific and the US distribution entity began operations in 2014 and are now leading the growth of the business.

This year Edrington has brought its successful joint venture in the Middle East, Edrington Fix, under full ownership, and expanded its global travel retail business with the launch of Edrington European Travel Retail.





FOCUS ON GROWTH ROUTE TO MARKET

Edrington's route to market strategy is focused on strengthening distribution, extending its reach to get closer to target consumers in key international markets.



Almost 60% of Edrington's sales are now generated by wholly owned distribution companies, and a further 22% generated by joint ventures.

In 2016 Edrington exercised its right to purchase the remaining shareholding in Edrington Fix, which was formed as a joint venture to strengthen the company's distribution in the fast growing markets of the Middle East, the Gulf and North Africa.

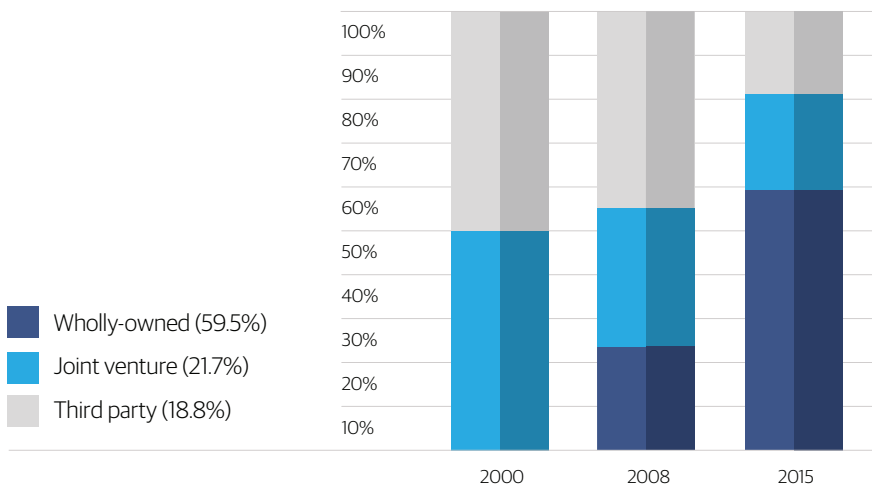
With travel, tourism and retail spend projected to grow dramatically in the next decade, Edrington has increased its investment in travel retail across the world.

Edrington's independence frees it to adapt its route to market approach. In mature markets, where brands are well established and pricing is more aggressive, the company operates under efficient joint venture and third-party relationships.

**EDRINGTON
GLOBAL DISTRIBUTION
& OWNERSHIP**

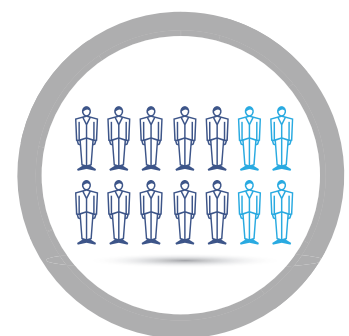


The Famous Grouse is the #1 blended Scotch whisky in six countries in Europe, and Europe's #2 blended Scotch.



90%

Edrington now owns its route to market in 9 of its top 10 markets



Singapore, home of Edrington's Asia Pacific regional headquarters is a fast growing market in its own right. Singapore's population is forecast to increase by

c20%

in the next 15 years (5.5m increasing to 7m by 2030)

FOCUS ON GROWTH

INTERNATIONAL POTENTIAL

- Growth Markets
- Edrington operations
- International Potential

USA: Single malt Scotch is growing at 9.6% in the USA and Edrington Americas is engaging consumers in the key cities that drive this growth.

Raise the Macallan



Colombia & Mexico: One in every six bottles of Scotch whisky is destined for Latin America, where a new generation has made premium Scotch whisky their drink of choice. The Scotch Whisky Association and the EU are working to secure fairer export terms for Scotch whisky, and success could further accelerate growth, which already stands at 7%.

The Dominican Republic: Edrington's strategy to build brand equity in its home market is returning Brugal to growth. This is being driven by increased sales of premium expressions and focusing investment on cities and other priority locations.



Europe is home to several of the world's largest and most competitive spirit markets. Edrington is focusing investment where our brands have leading positions, including the UK and Spain. Edrington's Regional Power Brands focus is connecting Europe through key cities across northern and southern Europe to build and maintain their leading positions.



Nigeria is Africa's largest economy, with a rising urban middle class that is keen to discover premium international spirits.

Middle East: The Macallan Spiritual Home programme was founded by Edrington Fix in the Middle East to forge close partnerships with the most luxurious hotels and venues in the world. Partners are selected for their ability to bring exceptional consumer experiences to life, and their commitment is rewarded with a dedicated programme of training, education and access to the rarest expressions of The Macallan.



Singapore: Scotch whisky is the spirit of choice for cosmopolitan Singaporeans, and The Macallan continues to be the ultimate single malt.

Like many conurbations in South East Asia, Singapore is forecast to see rapid economic growth.



South Africa is the continent's most developed economy and premium spirits market, with a growing and increasingly urban population. The Famous Grouse and The Macallan are growing in key cities including Johannesburg, Durban and Cape Town.



India now ranks as the world's 8th largest market for Scotch whisky, growing faster than any other major market. Edrington has established a firm foothold in the Indian market by bottling Cutty Sark Blend for the domestic market. The Company supports the Scotch Whisky Association and the EU negotiations for a free trade agreement that would unlock major growth potential for Scotch whisky in India.



China: Despite a slowdown in economic growth, China's growing middle class remains keen to discover premium quality international spirits. The Macallan has continued to grow in China, supported by tailored events and highly targeted purchase opportunities that foster a closer relationship with The Macallan.



FOCUS ON CONSUMERS

The millennial generation represents nearly a quarter of the world's population, and their influence extends beyond their own generation.

Having grown up in a digital world, millennials' affinity for technology is leading rapid and global changes in consumer attitudes and behaviour.

Co-Creators

The authenticity and quality of Edrington's brands resonate well with consumers who are keen to share the brands that they are passionate about, and which meet their high expectations. Edrington is working to fundamentally change the way we engage with consumers, creating shared experiences and opportunities for people to communicate and collaborate with our brands.

- > The #mapmyacallan photography competition attracted thousands of consumers to share their own images of The Macallan in beautiful locations around the world
- > 77% of millennials see themselves as 'co-creators'



New tastes and ideas

This international community expects freedom to reinterpret brands, personalising them and experimenting with new influences.

This includes discovering new ways that the flavours of Scotch whisky can be paired with food.

Value meets values

The millennial generation has an affinity for brands that share their perspective on life. A credible brand must be trustworthy and open.

Millennials are discerning buyers; they recognise and value luxury goods, but they expect to see genuine value for their investment.





FOCUS ON CONSUMERS

Urbanites

- > 80% of premium spirit consumers live in or near a city
- > Cities are becoming more multicultural, rapidly adopting and adapting international trends



Luxury Redefined

- > Meaningful luxury combines quality, authenticity and also value
- > Luxury is moving away from conspicuous opulence or excess, towards 'living well'
- > Experiences are as highly valued as products

DIGITAL

In the last year we have strengthened our consumer connections through digital activity

- > Edrington is creating opportunities for interaction, using compelling content, experiences and storytelling
- > The ability to customise creates a personal connection
- > The generation that lives on a smartphone expects to buy on a smartphone. Brand engagement must be able to be translated into action and transaction



57,000

The Macallan
Twitter followers in 2015



586,000

The Famous Grouse
Facebook fans in 2015

CONSUMER ENGAGEMENT

THE ACCELERATION OF MOBILE COMMERCE

We already have proven tactics to engage consumers



In 2016 the number of individuals who make a purchase on their mobile device (smartphone and tablet) will increase by

150%
to reach
50 million
regular users

'Touch commerce' reduces browsing to payment time to seconds

33%
of respondents in developed markets browse shopping websites on a weekly basis





FOCUS ON CAPABILITY

SUPPLY CHAIN



Victoria Hollywood
Director of Planning
and Global Supply Chain

Edrington's supply chain has never been in a better position to meet the needs of our customers and our growing business. We have restructured to align the supply chain to the company's business units and our key markets. Processes are in place to bring future improvements in efficiency and effectiveness, while maintaining our core focus on quality, cost and delivery.

In the year ahead we will continue this work, building and strengthening a single, unified supply chain that delivers visibility from the distillery right through to the consumer, wherever they are. To enable this we will be using new technology to ensure Edrington's Supply Chain is secure, fast moving and agile.

FOCUS ON CAPABILITY SUPPLY CHAIN



Secure, fast moving and agile.

Edrington is finding innovative ways to streamline its supply chain, creating better visibility and control across a global landscape of diverse languages, systems and structures.

Each piece of technology plays its role in delivering a single purpose: help our people to forge strong partnerships with customers and get closer to consumers.

Integra

Integra forms the foundations of Edrington's global SAP platform, replacing three systems with a global platform that provides information that is clear, consistent and always available to the people who need it.

Salesforce

Edrington is using Salesforce to transform its customer relationships. This system synchronises with Integra to show real-time information on every order and account, freeing up sales staff to build brands and strengthen customer relationships.

Vistaar

Edrington uses Vistaar, a price management tool, to manage the complex and fast-moving matrix of price structures and state regulations across the USA, allowing the team to recommend pricing that is clear and competitive. That means the Edrington Americas team can focus on marketing the brands in key cities.

VIP

In the USA, where Edrington cannot supply its product directly to the trade, VIP provides daily data on outlets that stock our brands. This supports smarter decision making and a focused approach to investment in high priority locations within Edrington's key city strategy.

FOCUS ON CAPABILITY INVESTMENT



The new distillery and visitor centre for The Macallan is taking shape. The undulating bespoke roof is now in place and The Macallan's curiously small stills are being moved into position.

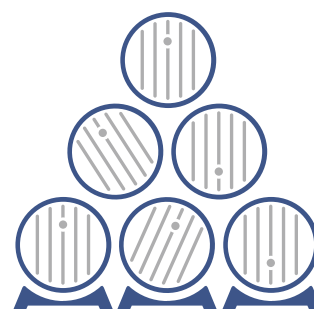
Edrington leads the industry with its commitment to sourcing the best sherry-seasoned oak casks.

The wood that provides the oak casks for whisky maturation travels from the North of Spain and America to Jerez in Spain to be coopered into casks and seasoned by maturing sherry. Edrington imports more sherry-seasoned oak casks than the rest of the Scotch whisky industry combined.



60%

of the final aromas and flavour are considered to come from the interaction between spirit and wood.



173,000

Casks of spirit are maturing at The Macallan distillery



FOCUS ON PEOPLE

The workplace is changing. Edrington is in a competitive market of companies who need to attract and retain a new generation of people who are looking for flexibility, development opportunities and employers who share their values.

Edrington's culture rewards innovation and leadership, and provides a range of development programmes from graduates to senior managers to help people build successful careers.



"If you have the ambition to go further, the Edrington Academy will give you the development and coaching you need to get there."

Veronika Gunn-Boesch
Group HR Director



EDRINGTON EDGE EVERY DAY, GREAT EXECUTION

Edrington wants its premium brands to be sold by the best sales and account management teams in the industry.

Edrington Edge is a collection of sales tools, best practice and training that gives Edrington sales representatives the edge, helping them to understand the needs of a customer's business, identify issues and opportunities and represent Edrington's premium brands brilliantly. The programme features training modules that cover every aspect of building positive customer relationships, including brand training, the premium spirit market, merchandising, account management and negotiation skills.

EMERGING TALENT PROGRAMME

Leadership creates a culture that drives performance.

Building on the Edrington Leadership Programme, around 50 people were selected from Edrington's international offices to take part in the company's Emerging Talent Programme last year. The programme builds the company's leadership capability and provides an opportunity for talented people to develop new skills and experience, as well as building strong networks with international colleagues, including Edrington's board.

EDRINGTON ACADEMY

The Edrington Academy puts world class development tools in the hands of employees.

The web-based Academy provides resources that help every employee to learn in a flexible way that suits their job, their lifestyle and their individual learning style.





Edrington's ownership model is unique in its industry. The company's principal shareholder is The Robertson Trust, which was established in 1961 by the Robertson sisters who donated their shares in the businesses founded by their grandfather.

Elsbeth, Agnes and Ethel Robertson wished to ensure that the family businesses remained active and independent, and continued the support they had given to charities.

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





FOCUS ON GIVING MORE

GIVING MORE TOGETHER

Edrington employees can sign up to be Robertson Trust Ambassadors, the team which advises and encourages their colleagues about the opportunities under the Giving More Together scheme.

In this arrangement The Robertson Trust and Edrington both match the charitable fundraising of employees; £1 raised for charity by an Edrington employee becomes £3 following the additional contributions from The Robertson Trust and Edrington. In the last year the total donated to good causes through this scheme was £453,000.



GIVING MORE INTERNATIONAL

Edrington encourages employees to give their time to volunteer in their communities and raise funds for good causes all over the world.



As Edrington grows internationally, it has extended the principle of donating a share of profits to good causes in the communities in which it operates. Edrington's International Giving More fund donates 1% of pre-tax earnings to charities chosen by its employees outside Scotland. In 2015-16, international charities received donations valued at £1.37 million.

GIVING MORE TO EDUCATION

Through Brugal, Edrington funds The Brugal Foundation, which supports development and reduces poverty in the Dominican Republic. The Foundation's chief focus is on making quality education available to talented students who face financial hardship.

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



Directors and Advisers



Norman Murray

Chairman

Norman Murray was appointed a non-executive director of Edrington in 2012 and became chairman in 2013. He has chaired two FTSE 100 companies and is a former non-executive director of Greene King plc. Norman is past president of the Institute of Chartered Accountants of Scotland.



Ian Curle

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 former chairman of the Scotch Whisky Association.



Alex Short

Chief Financial Officer

Alex Short has more than 20 years' experience in senior financial roles within the drinks industry, including Coca Cola Schweppes, William Grant & Sons and AG Barr plc. Alex joined the board of Edrington in September 2014.

Directors

N L Murray, Chairman

I B Curle, Chief Executive

A B C Short

G R Hutcheon

R W Farrar

S J McCroskie

P A Hyde

K C O Barton

D H Richardson

R J S Bell (resigned 31 July 2015)

A M C Avis MBE (appointed 1 August 2015)

Secretary

M A Cooke

Registered Office

2500 Great Western Road
Glasgow G15 6RW

Independent Auditor

Grant Thornton UK LLP
Statutory Auditor

Solicitors

Maclay Murray & Spens LLP



Graham Hutcheon

Managing Director Group Operations

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.



Bill Farrar

Managing Director Super Premium

Bill Farrar joined Edrington in 1989 and was appointed to the Board in 2003. As managing director of Edrington's super premium business, Bill takes responsibility for Highland Park single malt Scotch whisky and Snow Leopard vodka, as well as the development of other super premium opportunities and innovations.



Alice Avis MBE

Non-Executive Director

Alice Avis MBE was appointed a non-executive director of Edrington in 2015. She has significant international marketing and executive experience, as a former director of marketing and e-commerce for Marks and Spencer, global brand director of Johnnie Walker and chief executive of Sanctuary Spa.



Calum Barton

Non-Executive Director

Callum Barton became a non-executive director of Edrington in 2007. He has more than 30 years' experience of the luxury goods business with Richemont North America, Cartier, Piaget and Baume & Mercier.



David Richardson

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.



Scott McCroskie

Managing Director The Macallan

Scott McCroskie has spent more than 20 years' in senior commercial roles in the drinks industry. He joined Edrington in 2009, was appointed commercial director in 2011 and joined Edrington' board in 2013. In 2015 Scott became managing director of The Macallan. Scott also leads Edrington's businesses in the Americas, Asia Pacific and Global Travel Retail.



Paul Hyde

Managing Director Regional Power Brands

Paul joined Edrington in 1997 and became strategy and development director in 2014. He was appointed managing director of Edrington's regional power brands in 2015, leading The Famous Grouse, Cutty Sark and Brugal rum. Paul also leads Edrington's businesses in Europe, the Dominican Republic and a number of emerging markets.



Martin Cooke

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.

Strategic Report

Edrington Business Model and Principal Activities

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

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

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

Edrington's strategy centres on:

- > developing its expertise in brand building,
- > continued investment in effective and efficient route to market execution, and
- > developing organisational capability.

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

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

Strategic Report

Chairman's Statement

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

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

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

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

Of course today's consumer also seeks out great experiences. The Company's record investment in a new Macallan distillery and visitor centre is well tuned to this expectation.

The brand's new home is starting to take shape and excitement is building towards the 2018 launch when The Macallan will fulfil the consumer demand for its exceptional whisky in an inspirational setting.

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

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



Norman Murray
Chairman

when our carefully planned investments will turn to implementation.

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

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

A handwritten signature in dark ink, reading "Norman C Murray". The signature is written in a cursive, flowing style.

Norman Murray
Chairman

15 June 2016

Strategic Report

Chief Executive's Review



Ian Curle
Chief Executive

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

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

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

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

Strategic Focus

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

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

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

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

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

Perfect The Macallan

The Macallan will continue to drive our growth and the key focus regions will be the Americas, Asia and Global Travel Retail. The vision for The Macallan is to become the ultimate luxury spirit brand in the world's leading cities. Our aim is to engage and

inspire consumers by applying our authentic mastery and creativity to deliver exceptional whiskies. We will support growth of Macallan with improvements to range and packaging whilst increasing investment behind the brand.

Accelerate Highland Park and Develop Super Premium

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

Optimise Regional Power Brands

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

Focus for Success

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

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

Market Context

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

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

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

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

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

Performance Summary

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

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

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

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

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

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

their business to become predominantly premium and gaining market share.

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

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

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

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

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

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

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

Our Brands

The Macallan

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

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

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

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

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

Highland Park

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

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

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

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

The Famous Grouse

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

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

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

Cutty Sark

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

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

Snow Leopard

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

Brugal

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

Route to Market Execution

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

Developing Organisational Capability

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

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

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

Towards the end of the year the Company also announced plans to move to a new HQ in central Glasgow in early 2017.

The move to a new city centre location will bring together Edrington's Executive Board and other essential HQ functions, which are currently split between offices in Great Western Road in Glasgow and West Kinfauns in Perth.

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

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

Prospects

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

From a market perspective we continue to expect growth to be led by the super premium category, but within the context of

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

Our Business Model

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

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

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



Ian Curle
Chief Executive

15 June 2016

Strategic Report

Financial Review

STATUTORY KEY PERFORMANCE INDICATORS

Earnings before interest and tax
2015: (£14.6m) **£166.7m**

Profit before tax
2015: (£41.6m) **£144.8m**

Retained Profit
2015: (£2.4m) **£69.2m**

MANAGEMENT KEY PERFORMANCE INDICATORS

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



Alex Short
Chief Financial Officer

> Volumes

The total quantity of cases sold, where a case equivalent is measured as 12 70cl bottles.

> Revenue Growth

The increase in value of revenue recorded in the period relative to the prior year.

> Operating Profit Margin

Operating profit before exceptional items and before the deduction of interest and taxation, divided by revenue.

> Organic Group EBIT

Profit on ordinary activities before tax and exceptional items, adding back interest, other investment income, non-branded sales and the impact of currency.

> Group EBIT

EBIT defined as profit on ordinary activities before tax and exceptional items, adding back interest and other investment income.

> Profit before Tax

Profit before exceptional items and the deduction of taxation.

> Profit for the year

Retained earnings defined as earnings after tax and minority interests excluding exceptional items.

> Total equity

Defined as the Company's assets less its liabilities.

> Free Cash Flow

Net cash flow excluding the movements in borrowings, shares, dividend payments, expansionary capital expenditure and non-cash exceptional items.

> Net Debt/EBITDA

The ratio of consolidated gross borrowings to reported EBITDA.

> EBIT as a % of net revenue

EBIT before exceptional items divided by revenue.

> Interest Cover

The ratio of EBITA (EBITDA less depreciation) relative to interest charges in respect of the relevant period.

> Return on Capital Employed

Operating profit before exceptional items as a percentage of invested capital. Invested capital is defined as period end non-current plus current assets less current liabilities excluding all balances relating to any financial instruments, interest-bearing liabilities and cash or cash equivalents.

International Financial Reporting Standards

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

P&L Review

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

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

Trading Performance

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

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

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

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

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

Other Profit and Loss Items (pre-exceptional)

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

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

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

Exceptional Items

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

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

Balance Sheet Review

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

Property, Plant and Equipment

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

Intangible Assets

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

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

Inventory

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

Post-employment Benefit Obligations

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

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

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

Derivatives and Financial Instruments

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

Cash flow and Net Debt

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

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

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

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

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

Dividends

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

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

Summary

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

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

Principal Risk and Uncertainties

The responsibility for risk management and internal control systems resides with the board, with a framework to support the process for identifying, evaluating and

managing financial and non-financial risks. The Audit Committee is responsible for the direct oversight of the Group Risk Management Committee and the internal control function.

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

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

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

actions are taken to mitigate the impact of these risks on the business.

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

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

Principal Risks

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

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

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

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

Approved and signed on behalf of the board



Alex Short
 Chief Financial Officer
 15 June 2016

Corporate Governance

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

1. Board composition

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

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

2. The role of the board

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

The board, which meets at least five times a year, has responsibility for defining and

executing the Company's strategy, for reviewing trading performance and funding levels, assessing acquisitions and disposals, changes to the structure of the business and overall corporate governance issues. The board also approves the Company's budget together with its annual report and financial statements.

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

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

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

The non-executive directors have a responsibility to ensure that the strategies proposed by the executive directors are

properly considered and challenged, and that the performance of the Company is monitored in the appropriate way.

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

3. Board effectiveness

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

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

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

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

4. Shareholders

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

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

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

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

5. Board committees

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

5.1 Remuneration & Nomination Committee

The Remuneration & Nomination Committee is chaired by David Richardson and meets at least three times each year. Together with the committee, the Company determines directors' remuneration policy with reference to an external triennial benchmarking review prepared with the assistance of independent specialist consultants. In addition, the committee reviews a number of reward

initiatives for all Edrington wholly-owned businesses. Both senior-executive and non-executive succession and development programmes also feature on an annual basis.

5.2 Audit Committee

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

Financial statements and audit

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

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

External auditor

During the course of the year the audit committee monitored the relationship with the auditor and assessed their performance, cost-effectiveness, objectivity and

independence. The board is satisfied that the auditor is independent of the Company and that best practice is being observed.

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

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

Committee	Members	Remit
Remuneration & Nomination Committee	David Richardson (chair) Norman Murray Alice Avis MBE	<ul style="list-style-type: none"> > 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	<ul style="list-style-type: none"> > reviews and monitors financial results and reporting > approves audit planning > monitors internal financial controls > oversees external audit relationships > considers auditor appointment > reviews audit effectiveness > oversees risk management

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

Committee	Chairman	Remit
Group Risk Management Committee	Martin Cooke	<ul style="list-style-type: none"> > identifies and evaluates principal operational risk > reviews the adequacy of risk management processes > recommends improvements in risk management processes > reports material findings to the Audit Committee
Corporate Sustainability & Responsibility Committee	Gerry O'Donnell (Corporate Affairs Director)	<ul style="list-style-type: none"> > ensures Edrington conducts business in a socially responsible and ethical way > setting and adhering to industry standards on responsible consumption of alcohol identification and monitoring of performance against targets on environmental sustainability > in conjunction with The Robertson Trust and Edrington's network of Robertson Trust Ambassadors, ensures the business supports local communities in which it operates
Marketing Code Committee	Alice Avis MBE	<ul style="list-style-type: none"> > sets marketing policy in compliance with industry standards to ensure responsible marketing practice > reviews marketing practice on an annual basis and maintains processes for complying with marketing code prospectively
Capital Expenditure Committee	Graham Hutcheon	<ul style="list-style-type: none"> > develops five year Capital Expenditure plan > ensures evaluation of business cases and that resources allocated on an informal basis > ensures risks and interdependencies are clearly understood > manages liquidity requirements and post evaluation reviews
Treasury Committee	Alex Short	<ul style="list-style-type: none"> > ensures compliance with terms of group borrowing facilities > minimises financial risk arising from exposure to fluctuations in foreign exchange rates, interest rates and cash flow > determines hedging policy on interest rates and currency > approves significant decisions on commercial credit limits > monitors and approves cash signing authority in the Company
IT Steering Committee	Euan Fraser (Director of Business Technology)	<ul style="list-style-type: none"> > ensures that technology strategic plan aligns with business priorities and return on investment > approves proposed technology projects, and scrutinises ongoing activity > audits completed projects to ascertain effectiveness

Corporate Sustainability and Responsibility

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

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

Alcohol in society

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

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

Partnerships

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

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

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

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

UK alcohol guidelines

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

Edrington joins with many other organisations, including the Royal Statistical Society, in expressing significant concern that the Chief Medical Officer's message that

there is no safe level of alcohol contradicts the balance of independent scientific evidence. Furthermore, it does not provide consumers with accurate and contextualised information about the relative risks of alcohol and may not be considered common sense.

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

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

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



Sustainability

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



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

Ingredients

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

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

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

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

Distilling, maturing and packaging

Edrington sources 100% of its electricity from renewable sources.

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

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

A new biomass Combined Heat and Power plant will supply steam to The Macallan distillery in 2016, as well as low carbon



electricity to the National Grid. The plant will use local wood to generate 15 MWe of electricity – enough to power 20,000 homes – as well as steam that provides heat for the whisky making process.

The Helius CoRDe power plant in Rothes, Morayshire uses by-products from Speyside distilleries, including The Macallan and Glenrothes, to produce 7.2MWe of renewable electricity for the National Grid. A similar amount of electricity produced by a typical UK coal-fired station would emit an additional 46,000 tonnes of CO₂ per year.

Wood

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

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

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

Packaging

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

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

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

A distillery for the future

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

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

Partnerships

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

Since 2008 The Famous Grouse has worked in partnership with the RSPB to raise over £600,000 to protect 85,000 acres of black

grouse habitat at seven RSPB reserves. The population of black grouse is now growing successfully at the reserves in northern Scotland, England and Wales.

Supply Chain Governance

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

Giving More

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

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

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

Edrington's Giving More programme has three strands:

Giving More Together means that Edrington and The Robertson Trust each match the charitable fundraising of employees in



Scotland; every £1 raised becomes £3. In 2015/16 the total donated to good causes through this scheme was £453,000.

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

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

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

Directors' Report

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

Results for the year

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

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

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

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

Directors' responsibilities for the financial statements

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

Company law requires the directors to prepare financial statements for each

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

- > select suitable accounting policies and then apply them consistently;
- > make judgements and accounting estimates that are reasonable and prudent;
- > state whether applicable IFRSs have been followed for the Group financial statements and whether United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) have been followed for the Parent Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- > prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- > so far as each director is aware, there is no relevant audit information of which the Group and Parent Company's auditor is unaware; and
- > the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Employee share schemes

The Company operates two share schemes for eligible employees.

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

The ShareReward Scheme allows Edrington 'B' Ordinary Shares to be awarded annually to eligible employees of the Company. The employee's entitlement to receive shares is dependent on the growth in the Company's profit in the year, attributable to shareholders, exceeding inflation by a pre-determined amount. The scheme has been

approved by HM Revenue and Customs. The Company charges the annual fair value of this scheme to the income statement, if the performance criteria have been met.

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

Executive incentive plans

The Company operates two incentive plans for senior executives.

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

Disabled employees

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

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

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

Going Concern

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

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

Auditors

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

Approved and signed on behalf of the board



Martin Cooke

Group Company Secretary

15 June 2016

Independent Auditor's Report

to the members of The Edrington Group Limited

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

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- > the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2016 and of the group's profit for the year then ended;
- > the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- > the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- > the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- > adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- > the parent company financial statements are not in agreement with the accounting records and returns; or
- > certain disclosures of directors' remuneration specified by law are not made; or
- > we have not received all the information and explanations we require for our audit.



Andrew Howie

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

21 June 2016

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Group Consolidated Income Statement

year ended 31 March 2016

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

All the activities of the Group are classed as continuing.

Group Statement of Comprehensive Income

year ended 31 March 2016

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

Statement of Financial Position

as at 31 March 2016

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

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

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



I B Curle
Director



A B C Short
Director

Group Cash Flow Statement

year ended 31 March 2016

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

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

Consolidated Statement of Changes in Equity

year ended 31 March 2016

Group

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

Statement of Changes in Equity

year ended 31 March 2016

Company

	Share capital £m	Share premium £m	Capital Redemption Reserve £m	Liability for Share based payments £m	Cash Flow Hedge Reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2015	6.6	0.5	1.0	2.0	-	213.1	223.2
Profit for the period	-	-	-	-	-	29.4	29.4
Cash flow hedge reserve	24	-	-	-	(0.8)	-	(0.8)
Total comprehensive income for the period	-	-	-	-	(0.8)	29.4	28.6
Dividends	-	-	-	-	-	(26.8)	(26.8)
Own shares acquired in the period	-	-	-	0.1	-	-	0.1
Buy back and cancellation of shares	(0.2)	-	0.2	-	-	(37.0)	(37.0)
	(0.2)	-	0.2	0.1	-	(63.8)	(63.7)
Balance at 31 March 2016	6.4	0.5	1.2	2.1	(0.8)	178.7	188.1

	Share capital £m	Share premium £m	Capital Redemption Reserve £m	Liability for Share based payments £m	Cash Flow Hedge Reserve £m	Retained earnings £m	Total equity £m
Balance at 1 April 2014	6.6	0.5	1.0	3.2	-	340.3	351.6
Loss for the period	-	-	-	-	-	(103.6)	(103.6)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	(103.6)	(103.6)
Dividends	-	-	-	-	-	(23.6)	(23.6)
Share based payment expense	-	-	-	(1.2)	-	-	(1.2)
	-	-	-	(1.2)	-	(23.6)	(24.8)
Balance at 31 March 2015	6.6	0.5	1.0	2.0	-	213.1	223.2

Edrington Offices

2500 Great Western Road
Glasgow
G15 6RW
Tel: +44 (0)141 940 4000

West Kinfauns
Perth
PH2 7XZ
Tel: +44 (0)1738 440000

Edrington USA

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

Edrington Asia Pacific

12 Marina View Asia Square
Tower 2 Level 24-01
Singapore 018961
Tel: +65 6653 2000

Edrington Global Travel Retail

Edrington Singapore Pte Ltd
12 Marina View Asia Square
Tower 2 Level 24-01
Singapore 018961
Tel: +65 6653 2000

Edrington Taiwan

9F, No. 9 Songgao Road
Xinyi Dist., Taipei
Taiwan 110
Tel: +886 2 8786-9068

Edrington Hong Kong

Suite 1207-07
Exchange Tower
33 Wang Chiu Road
Kowloon Bay
Hong Kong
Tel: +852 2891 8086

Edrington Shanghai

Unit 1, 19/F, Tower 1
Grand Gateway
No.1 Hong Qiao Road
Shanghai 200030
China
Tel: + 86 21 6448 3388

Edrington-Fix Middle East

Reef Tower Level 2 Office 06
JLT PO Box 115738 T Dubai
United Arab Emirates

Edrington Korea

5F, 570 Samsung-ro
Gangnam-gu
Seoul 06163
Korea
Tel: +82 2 2140 4600

Edrington Sweden

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

Edrington Denmark

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

Edrington Finland

Vuorikatu 14 B
4 krs
00100 Helsinki
Finland
Tel: +358 (0)20 7981 520

Edrington Norway

Hegdehaugsveien 21b, 0352
Oslo
Norway
Tel: +47 91 152 020

Edrington Africa Pty Ltd

Block A, Ground floor
3021 William Nicol Drive
Bryanston
Johannesburg
Tel: +27 11 514 0858

The Macallan Distillery

Easter Elchies
Craigellachie
Banffshire
AB38 9RX
Tel: +44 (0)1340 871471

The Famous Grouse Experience

Glenturret Distillery
The Hosh
Crieff
Perthshire
PH7 4HA
Tel: +44 (0)1764 656565

Highland Park Distillery

Holm Road
Kirkwall
Orkney
KW15 1SU
Tel: +44 (0)1856 873107

The Glenrothes Distillery

Rothes
Aberlour
Banffshire
AB38 7AA
Tel: +44 (0)1340 872300

Clyde Cooperage Company

North British Warehouses
Addiewell
West Lothian
EH55 8NT
Tel: +44 (0)1506 873433

Brugal & Co., S.A.

Av. J. F. Kennedy No. 57
Edificio Brugal
Santo Domingo
Dominican Republic 1183
Tel: +1 809 566 5651

Luperon Street KM 3½.
Puerto Plata
Dominican Republic
Tel: +1 809 261 1888

Prolongacion Jose Rojas No 1
San Pedro de Macoris
Dominican Republic
Tel: +1 809 529 1212



Design and production:
Smith Brands Limited



EDRINGTON

The
MACALLAN



2500 Great Western Road, Glasgow, G15 6RW.
www.edrington.com

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