EDRINGTON DISTILLERS LIMITED

Annual Report and Financial Statements
for the year ended 31 March 2022

Company No: SC014472

Annual report and financial statements

EDRINGTON DISTILLERS LIMITED

Contents	Page

Directors and advisers

EDRINGTON DISTILLERS LIMITED

Directors

S. J. McCroskie
P. A. Hyde

Secretary

G. J. Murray

Registered Office

100 Queen Street
Glasgow
G1 3DN

Independent Auditors

Deloitte LLP
110 Queen Street
Glasgow
G1 3BX

Solicitors

Dentons
1 George Square
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G2 1AL

Strategic Report

Principal activities

The company, a subsidiary of The Edrington Group Limited (the "group"), is principally engaged in the blending and bottling of Scotch whisky.

Strategy and Culture

The Board took the opportunity to refresh the group's strategy in 2021. It has served the Company well during the pandemic, focusing effort and investment in the areas where they make the biggest impact. We have concluded that our focus on crafting exceptional ultra-premium spirit brands remains appropriate and will continue to drive growth for the foreseeable future.

The results we have reported eflect the quality of our people and our unique culture. We have continued to see a collaborative and agile approach to the many challenges faced by the business during the year as well as a huge effort by our people to deliver.

Business model

Our business model allows the company to invest behind long term potential whilst strengthening short term competitiveness.

The enduring values of the company provide strength and inspiration for the challenges ahead.

Performance Summary

Our growth this year comes in the context of a recovery in the global premium spirits market and our performance has benefitted from a continued investment in our people, brands, and capabilities.

Market Development

The company benefits from the group's network of distribution entities (both wholly owned and joint venture partnerships). During the year the group expanded its European footprint with the opening of Edrington France and extended the Maxxium Netherlands joint venture with Lucas-Bols through the creation of Maxxium BeLux, based in Brussels.

In May last year, the group and Beam-Suntory agreed to swap their joint venture stakes in the UK and Spanish distribution companies, with the 1887 Group assuming full ownership of Edrington UK. Beam-Suntory continues to represent our brands in Spain under a new distribution agreement.

In response to the invasion of Ukraine we suspended shipments to Russia and continue to monitor the situation carefully. Our thoughts are with all those displaced and suffering because of this crisis. Through our Giving More Together initiative, we committed to supporting our employees worldwide in their efforts to help international humanitarian charities.

Principal risks and uncertainties

The board of The Edrington Group, discharges its responsibility for risk management and internal control systems. The responsibility for risk management and internal control systems resides with The Edrington Group 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 their internal control and assurance function.

Robust risk management drives improved commercial decisions and enables the business to deliver our strategy and growth ambition with resilience. Our risk management processes focus on protecting and enhancing value, maximising the benefits from new opportunities whilst safeguarding our reputation and balancing the risks with potential return.

The Board regularly reviews the principal risks facing the company including those that would impact its business model, future performance and solvency. A full review and assessment of principal risks was carried out in September 2021 and reviewed in February 2022 to help update the principal risks. These reviews allow 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. Given the fast-evolving nature of the company's operating environment and external factors, the review of principal risks is performed by both the Executive Committee and the Board on an annual basis, and specific risk reviews are carried out on a quarterly basis at both the Audit Committee and the Group Risk Management Committee.

Principal risks and uncertainties (continued)

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 the company operates is constantly evolving, so the company remains vigilant to be sure that new and emerging risks are identified and assessed on a timely basis, and that appropriate actions are taken where possible to mitigate the impact of these risks on the business.

The ongoing impact of the Covid-19 outbreak and the impact of the Russia/Ukraine conflict have resulted in several of the previously identified risks materialising simultaneously. These included increased financial risks, raw material scarcity and disruption to supply chain operations. The company was able to react promptly and apply the necessary mitigating actions to protect our people and our operations. Measures required to respond to these challenges continue to be monitored closely.

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.

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. It is continuously reviewed to ensure it remains robust and embedded in business processes to enable the company to continuously address its relevant business risks.

Principal Risks

Below is the list of risks that the board believes to be the most important risks and uncertainties that may impact the company's ability to deliver its strategy effectively. Following the board's most recent triennial risk review changes and updates have been made to the principal risks disclosed in previous annual reports, including:

- Risk reprioritisation: given the current macroeconomic environment, the impact and likelihood of some risks materialising have increased. These include changes on tariffs and the risk of material cyber-attacks;
- New risk additions: these include misuse of consumer personal data, due to the increase in digital activity and the ongoing shift towards e-commerce and sustainability, due to the increased focus on the sustainability of our end to end supply chain; and
- Risks removed: generic risks that are under management's control, such as regulatory compliance or financial risks have been deprioritised from the list of principal risks given that, whilst still relevant, they are part of the day-to-day management of our operating activities.

Risk & Risk Impact	Risk Mitigating Actions	Developments in 2021-2022
Inter-state conflict & Protectionism Risk Outlook: ↑ Economic or political instability restricts market activity, affecting market access, demand or increased costs.	•Continuous local and global monitoring of changes in economic, political and operational environments that could impact business performance. •Group level strategic analysis and scenario planning to support strategy delivery and risk management and avoid over-reliance on a single country or region. •Regular pricing, tax and customs reviews to enable a timely reaction to rapid changes.	•We have developed further scenario and contingency planning based on global events, including the war in Ukraine and potential different international responses. This includes ongoing monitoring of changes in sanctioned parties to ensure compliance with international regulations. •Stress test analysis of key market impacted by ongoing lockdowns, specifically China. •Review of operations and funding arrangements of our joint venture in Russia in light of the war in Ukraine and the evolving sanction situation.

Risk & Risk Impact	Risk Mitigating Actions	Developments in 2021-2022
Cyber Attack Risk Outlook: ↑ Continued development of cyber threats increases the risk of theft, failure, or corruption of digital assets and/or key systems which could lead to business disruption, reputational damage and financial loss.	•Group-wide cyber risk management processes and policies. •Regular review of effectiveness measures including vulnerability management monitoring, penetration testing and testing measures. •Annual cyber security review in line with National Cyber Security Principles.	•Enhanced digital security monitoring implemented through the introduction of a Security Information & Event Management tool to enable continuous monitoring. •Obtained the Cyber Essentials certification following an extensive external review of our processes and tools. •Updated mandatory cyber awareness training and phishing simulations were launched.
Product Contamination Risk Outlook: ↔ Product contamination due to human error or malicious intent could harm consumers and result in reputational damage and financial loss.	•All manufacturing processes are performed in compliance with Hazardous Analysis and Critical Control Point (HACCP), ISO and Food Safety standards. •External audits are performed annually by Lloyds Register Quality Assurance (LRQA). •Appropriate training is given to employees with an internal programme in place to continuously review and ensure compliance with relevant manufacturing standards.	•Our product recall procedures are reviewed continuously to monitor effectiveness.
Misuse of Consumer Personal Data Risk Outlook: ↔ Inadequate management of consumer data could lead to reputational damage, penalties and financial loss.	•Reviews of consumer data, with safeguards developed to ensure ongoing compliance. •Enhanced data privacy measures were introduced, including brand and market specific data privacy policies, and revised data processing agreements. •IT security measures are regularly reviewed, including data encryption and contractual protections with key third party data processors.	•A data-mapping for record processing and an in-depth review of data retention procedures are being performed to ensure ongoing compliance. •The Group's biennial mandatory data privacy training is being refreshed and issued to all employees. •Our Data Breach Management process is under review alongside initiatives to test effectiveness of the measures in place.
Changing Consumer Behaviours Risk Outlook: ↔ Ongoing changes in consumer behaviours including a shift to low or no-alcohol drinks could impact long-term growth.	•Our strategy development process ensures an ongoing review of consumer trends at global and market level. •Our premiumisation strategy allows us to maximise opportunities of our product portfolio that are less impacted by the reduction of alcohol consumption. •Regular monitoring of key performance indicators is in place including brand performance and brand health across key market segments and geographies.	•We are reviewing our route-to-market options and expanding our exposure to markets with new opportunities, investment choices and resource allocation. •We are investing in insight generating tools to ensure we are vigilant and aware of evolving consumer behaviours.

Risk & Risk Impact	Risk Mitigating Actions	Developments in 2021-2022
Adverse Political and Social Attitudes to Alcohol Risk Outlook: ↑ Tighter restrictions on alcohol promotion, sales and/or consumption may limit market access resulting in a loss of revenue.	•The Group supports a responsible approach to alcohol and considers this to be a core element of its strategy to grow a sustainable, long-term business. •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. •Our Company Code of Conduct and Global Marketing Code proactively promote responsible drinking and are reinforced through the Group-wide training programme. •Our policies and campaigns are reviewed annually by the Marketing Code Committee.	•Covid-19 evidenced the evolving attitudes towards alcohol and the impact of restrictions imposed by different governments. •We continue to partner with relevant organisations (including the Scotch Whisky Association and other trade organisations) to monitor potential restrictions.
Counterfeit Products & Brand Protection Risk Outlook: ↑ Ineffective or inadequate protection of intellectual property rights, resulting in reputational damage, an increase in counterfeit goods and a decline in sales volumes and/or market share.	•*Ongoing monitoring of principal* exposures of our brands. •Brand security education, surveillance and enforcement activities are continuously performed to identify and address any potential counterfeit and/or refilling operations. •A review of our globally registered trademarks and introduction of custom notices is ongoing along with a programme of market inspections and raids in key countries.	•*The level of sophistication of* counterfeit products is ever evolving and increasing in a post-pandemic operating environment. •Product security measures are being reviewed and new technological counterfeit prevention measures are being developed. •A dedicated resource is now in place at Group level coordinating brand protection across all brands.
Scarcity of Sustainable Raw Materials Risk Outlook: ↑ Our ability to secure the appropriate quality and quantity of core raw materials due to environmental concerns, climate change and industry demands.	•We have established long term contracts with key raw material suppliers in line with projected manufacturing requirements. •Ongoing audits of the quality of our raw material are performed prior to manufacturing. •We continue to promote a circular economy through our sustainability objectives.	•Resource scarcity is accelerating due to constraints in supply chain networks around the world. •Alterative raw material options are being researched to assess alternative materials for the longer term.
Supply Chain Disruption Risk Outlook: ↑ Our ability to maintain the continuity of our supply chain is hindered due to constraints in logistic operations and shipment of raw materials or finished goods leading to revenue loss.	•Proactive collaborative business forecasting provides insight into demand requirements that allow for real-time management of potential shortages. •Ongoing relationship management of key vendors and continuous review of raw material quality and availability.	•Lead times of both raw material and finished goods have increased due to driver and container shortages. •Increased stockholding levels have been introduced to limit the impact of increased delivery lead-times.

Risk & Risk Impact	Risk Mitigating Actions	Developments in 2021-2022
Pandemics Risk Outlook: ↔ Ongoing impact of the Covid-19 pandemic or a new global outbreak of a health threat that results in government-imposed restrictions to travel, trading, and human interaction, which could have a negative effect on business operations, trading or logistic activities.	•We continuously review and update our business continuity plans and test various scenarios to ensure they remain relevant and supportive of our operations. •Established links with government bodies to enable ongoing visibility around regulatory changes. •A continuous focus on protecting our people, our business and supporting our suppliers, customers and communities.	•Although world economies are starting to resume operations and adopt a 'new normal', ongoing health concerns remain in some of the geographies in which we operate. •The Executive working group and local leadership teams continue to monitor and enhance mitigation actions required to adapt to the different operating challenges as they arise.

Risk Outlook Legend from prior year: ↑ Increased ↔ Stayed the Same ↓ Reduced

Key performance indicators

	2022	2021
Revenue	38.9%	(27.9%)
Operating margin	(6.7%)	(7.0%)
Loss before tax	(£8.5m)	(£1.7m)
Loss for the financial year	(£9.4m)	(£2.0m)

Definitions

Revenue
The movement in value of revenue recorded in the year relative to the prior year.

Operating margin
Operating loss before the deduction of interest and taxation and investment income, divided by revenue.

Loss before tax
Loss before the deduction of taxation.

Loss for the financial year
Loss for the financial year defined as earnings after tax.

Revenue

Revenue of Edrington Distillers Limited increased by 38.9% to £140.6m (2021: £101.2m) as a result of increased revenues from the service of blending and bottling of the group's whisky portfolio. The growth in revenue is linked to the reopening of the on-trade and travel retail channels following the closures in the prior year due to the global pandemic.

Operating margin

The operating margin of Edrington Distillers Limited has increased from -7.0% in 2021 to -6.7% in the current year. This reflects a reduced gross margin despite higher revenues due to increasing costs with 2021 reflecting the impact of short-term cost saving measures implemented in response to Covid-19.

Loss before tax

The loss before tax of Edrington Distillers Limited of £8.5m (2021: loss of £1.7m) has increased significantly, with the prior year benefitting from a one-off gain on revaluation of its investment in Row & Company Limited.

Corporate Governance

The director's priority is to ensure that they have acted both individually and collectively in the way that they consider, in good faith, to be most likely to promote the success of the company for the benefit of its members as a whole with regards to all its stakeholders and to the matters set out in paragraphs a-f of Section 172(1) of the *Companies Act 2006. The group operates as a whole on the matters listed below therefore the details on how the* directors have regard to the matters set out in paragraphs a-f of Section 172(1) in the following sections of The Edrington Group Limited annual report and within the Directors' Report.

(a) the likely consequence of any decis on in the long term	Wates Principles – pages 13-15
(b) the interests of the company's employees	Wates Principles – pages 13-15 Stakeholder Engagement – pages 17-20
(c) the need to foster the company's business relationships with suppliers, customers and others	Stakeholder Engagement – pages 17-20
(d) the impact of the company's operations on the community and the environment	Stakeholder Engagement – pages 17-20
(e) the desirability of the company maintaining a reputation for high standards of business conduct	Corporate Sustainability and Responsibility – pages 23-27
(f) the need to act fairly as between members of the company	Stakeholder Engagement – pages 17-20

Cutting our Carbon Footprint

The company falls under the long-term ambition of the parent company, The Edrington Group, with the full details *on environmental sustainability detailed within the* Edrington Group Limited *annual report.*

In 2021-22, we reduced our annual CO_2e emissions for scope 1 and 2 plus business travel by 21% compared to 2019, the last non-Covid impaired and audited year. We have been tracking significantly ahead of plan on the existing scopes 1 and 2 plus travel target and have already reduced this number by over 30% versus the 2016 base year.

We report our emissions in line with the Greenhcuse Gas Protocol Corporate Standard. This document reports scope 1 and 2 emissions from our operations as well as the majority of scope 3 emissions from business travel in line with the Streamlined Energy and Carbon Reporting requirements (SECR). Additionally, we now include scope 3 emissions relating to the grain whisky used in The Famous Grouse blended Scotch.

The streamlined energy and carbon reporting (SECR) disclosures relating to the company are included within the SECR disclosures made in the annual report of The Edrington Group Limited. The company has taken advantage of the exception from the requirement to make SECR disclosures in these financial statements.

Approved and signed by order of the Board

P. A. Hyde
Directcr

31 August 2022

The directors present their Annual Report together with the audited financial statements for the year ended 31 March 2022.

Review of the business

The financial results for the company, which are detailed in the income statement on page 15, cover the year ended 31 March 2022.

The financial position of the company remains strong, with total equity of £142.4m (2021: £144.9m).

Further information on the business performance are detailed on page 6 of the Strategic Report.

Future developments

These results of the company represent the recovery of our brands from the effects of the pandemic in markets around the world despite the volatile trading environment. We expect consumer price inflation, input cost pressures and supply chain disruption to continue throughout the new financial year, and Covid-19 remains a threat. In the short term, efforts to suppress the virus are likely to affect our sales in China, and the risk of a more dangerous variant emerging anywhere in the world remains.

However, we have healthy brands, an effective strategy, record levels of investment in the business, great people, and strong momentum.

Directors

Directors who served during the year and to the date of this report were:

S. J. McCroskie
P. A. Hyde

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' responsibilities statement (continued)

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

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

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 company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

We want to cultivate an inclusive environment that celebrates diversity of thinking and enables everyone to make meaningful contributions.

The company is committed to engaging employees at all levels regarding matters which affect them and the performance of the company. The board takes its responsibilities to hear and understand our employees' voices seriously and firmly believes that good corporate governance is underpinned by board members meaningfully engaging with stakeholders, including the employees.

Edrington, the ultimate parent company, has in place an employee engagement survey. The survey is run every two years, with pulse surveys operating at intervals in between. Our most recent survey, which was conducted early in 2022, confirmed an overall employee engagement score of 74%, an improvement of 1% from the last survey, with particular improvement in the area of communication.

Edrington also surveys its employees on important matters that relate to the company's culture and values.

Currently all employees have the opportunity to attend an annual Year in Review event delivered by a member of the senior management team. This allows employees to understand detailed financial and strategic plans for the performance year and beyond and ask questions of senior management.

There are also regular townhall sessions, which in the year were held virtually, in which members of the executive team host an interactive session encouraging questions, thoughts and opinions from the workforce.

Executives at Edrington also undertake breakfast sessions aimed at fostering constructive and trusting relationships between executives and employees. In lieu of being able to hold these physically during the year, these were largely replaced with "10 Minutes With..." video interviews with executives. In addition, the Executive Committee host "Ask the Exec" sessions at the talent development programmes and the annual Edrington Leadership Conference.

The group's "Balance Network", has a remit to promote diversity within Edrington. The network is sponsored by the Chief Executive and the Group HR Director and allows employees at all levels within the organisation to candidly engage on the topic of diversity.

In 2020/21 we re-established our staff forum, known as Your Voice. Attendees are appointed and represent a cross-section of employees in the business. The Chief Executive and HR Director attend each meeting. The intent is to support meaningful engagement with employees on a number of topics that have a direct impact on the employees. Over the course of the year, the Your Voice forum has been extended and now operates group-wide on a regional basis.

We have also engaged with employees on ways of working following the ease of Covid-19 restrictions, including surveys in relation to employee preferences regarding our new hybrid approach to working.

Employee share schemes

The group operates two share schemes for eligible employees of the group.

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 group 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 group. The employee's entitlement to receive shares is dependent on the growth in the group's core contribution in the year, exceeding a pre-determined growth rate. The scheme has been approved by HM Revenue and Customs. The group charges the annual fair value of this scheme to the income statement if the performance criteria have been met.

The ShareReward Scheme was reinstated in the year following its withdrawal for the performance year ended 31 March 2021.

Business Relationships

Fostering business relationships with our suppliers, customers and lenders is key to the success of the business. Further details of our engagement with our business partners is detailed in the table below:-

Key Stakeholder	Principal Methods of Engagement	How this stakeholder group influenced Board / committee discussions and decisions
Customers	We have regular engagement with our customers through face-to-face or virtual meetings, conferences and events. Quarterly and annual performance reviews are generally held by our commercial teams with our distributors, allowing for structured feedback from our distributors.	Customers and channels are reviewed in annual Performance and Strategy Reviews, which are attended by, among others, the Chief Executive, the Chief Finance Officer, the Managing Director for Group Operations and relevant business unit and commercial teams. Engagement with customers informs discussion at these Performance and Strategy Reviews. During the year we engage with certain key customers on new product development and launches.
Suppliers	We have regular engagement with our suppliers through face-to-face or virtual meetings, conferences and events. The company has formal quarterly reviews with key suppliers, which involve senior management and cover quality, service, commercials, innovation, key business updates, strategic reviews and our vendor rating scores. With other suppliers, we generally have bi-annual reviews. We actively engaged with key suppliers to ensure we had sufficient stocks of key raw materials and finished goods in preparation for Brexit.	Updates on significant supply chain activities and issues are provided to board meetings and are considered and discussed by the directors. Engagement with key suppliers during the year informed the board's discussions and decisions regarding the annual budgeting and long-term strategic planning processes for the company.
Lenders	Our Treasury team is in regular contact with our banking partners and Private Placement note holders. Annual review meetings are held with our lenders where business performance, future plans and strategy are presented to our lenders and they have the opportunity to ask questions and give their views to management. The Chief Financial Officer attends these review meetings. In addition, regular updates on performances are shared with our lenders.	The company's lenders give their views on key areas of financial risk management strategy. These are regularly discussed by the Treasury Committee and additionally the Chief Financial Officer briefs the board on the views of the company's lenders. The company also engaged directly with its lenders in relation to the impact of the Covid-19 crisis, including providing scenario assessments and action plans for the management of cashflow and compliance with covenant conditions.

Corporate Governance

Further detail on how the group manages its corporate governance is detailed within the "Corporate Governance" section within the Strategic Report on page 7.

Financial Risk Management

Details of how the company manages financial risk and uncertainty is detailed within the "Principal Risks and Uncertainties" section of the strategic report on page 2.

Going concern

The company's performance is intrinsically linked to the performance of The Edrington Group and its brands. To assess the appropriateness of adopting the going concern basis for The Edrington Group, and the company, the directors have reviewed the strategic and financial plan together with the impact of the Russia/Ukraine conflict and the continuing impact that Covid-19 will have on performance over the next two years. The underlying assumption is that our operations will remain open, and that our global supply chain continues to support the shipment of product to our markets.

The experience of the Covid-19 driven uncertainty last year has given us the confidence that we have the ability to adapt quickly and decisively and, with the support of our stakeholders and investment to manage our liquidity.

The plan for 2022/23 shows strong contribution growth despite having reflected the reduction in contribution from Russia and the associated economic uncertainty. Core contribution is continuing to grow with 2022/23 expected to exceed the original pre-pandemic plan. The plan includes a reduction in contribution to reflect the potential impact of the current economic uncertainty including the Russia/Ukraine conflict.

The company has reviewed a number of different scenarios of revenue decline, together with cost and cash savings, to assess the impact on the company and wider group liquidity and our debt covenant conditions.

We have modeled a contribution decline of 10% from our plan. The business has the ability to manage such a decline in sales with reductions in the cost base and the levels of investment to maintain the lenders covenant conditions.

The Edrington Group Limited has provided a letter of financial support to the company which together with the forecasts indicate, to the Directors' satisfaction, that the company has resources more than sufficient to continue in operational existence for the foreseeable future, and therefore it is appropriate to adopt the going concern basis in preparing the financial statements.

Auditor

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

Approved by the board of directors and signed by order of the board

P. A. Hyde
Director
31 August 2022

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Edrington Distillers Limited (the 'company'):
- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the accounting policies; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors
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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- Revenue recognition cut-off risk: Due to the complexity of delivery arrangements there exists a risk that revenue is recognised in the incorrect accounting period. As part of our audit procedures, we selected a sample of invoices from the period immediately preceding the year end date, and agreed to the relevant supporting documentation to verify that revenue had been recognised in the correct accounting period.
- Accruals, specifically in relation to the completeness, existence, valuation and allocation of advertising & promotion and selling cost accruals. Our audit procedures to address this risk included, but were not limited to, substantive detailed testing, including testing historical accuracy of accruals, recalculation of the year-end accruals balances with agreement to contracts and post year end invoices.
- Maturing inventory, specifically in relation to existence of inventory. Our audit procedures to address this risk included, but were not limited to, attendance at and re-performance of inventory counts.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report
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.

David Mitchell

David Mitchell, CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, UK
5 September 2022

Income Statement

For the year to 31 March 2022

	Note	Total	Total
		2022	2021
		£m	£m
Revenue	1	**140.6**	101.2
Cost of sales		**(147.5)**	(106.0)
Gross loss		**(6.9)**	(4.8)
Other administration costs		**(2.5)**	(2.3)
Operating loss		**(9.4)**	(7.1)
Investment income	6	**0.8**	0.5
Gain on revaluation of investment	28	**-**	4.4
Earnings before interest and tax		**(8.6)**	(2.2)
Finance Income	2	**0.2**	0.7
Finance Costs	2	**(0.1)**	(0.2)
Loss before tax	3	**(8.5)**	(1.7)
Taxation	5	**(0.9)**	(0.3)
Loss in the year		**(9.4)**	(2.0)

All the activities of the company are classed as continuing for this year and the prior year.

The accounting policies and notes on pages 19 to 41 form an integral part of these financial statements.

Statement of comprehensive income

For the year to 31 March 2022

	Note	2022	2021
		£m	£m
Loss for the financial year		(9.4)	(2.0)
Other comprehensive income/(expense)			
Items that will not be reclassified to profit and loss			
Actuarial gain/(loss) on pension scheme	18	7.0	(25.7)
Movement on deferred tax on pension scheme	15	0.6	4.8
Movement in post-retirement benefits taken straight to reserves		(0.6)	-
Pension fees paid directly to scheme		(0.1)	0.1
Total other comprehensive income/(expense) for the year		6.9	(20.8)
Total comprehensive expense for the year, net of tax		(2.5)	(22.8)

The accounting policies and notes on pages 19 to 41 form an integral part of these financial statements.

Statement of financial position

As at 31 March 2022

	Note	2022 £m	2021 £m
Non-current assets			
Intangible assets	7	**4.2**	4.0
Property, plant and equipment	8	**38.5**	38.2
Right of use assets	9	**2.7**	3.3
Investments	10	**27.5**	27.5
Post-employment benefit surplus	18	**20.2**	3.0
Preference shares	21	**-**	-
Total non-current assets		**93.1**	76.0
Current assets			
Inventories	11	**21.1**	21.7
Trade and other receivables	12	**65.0**	87.2
Current Tax asset		**1.0**	0.5
Cash and cash equivalents		**9.2**	1.5
Total current assets		**96.3**	110.9
Total assets		**189.4**	186.9
Equity and liabilities			
Share capital	16	**36.0**	36.0
Share based payment reserve		**0.5**	0.1
Retained earnings		**105.9**	108.8
Total equity		**142.4**	144.9
Non-current liabilities			
Deferred tax liabilities	15	**2.2**	1.4
Long term lease liabilities	26	**2.9**	3.6
Total non-current liabilities		**5.1**	5.0
Total current liabilities			
Trade and other payables	13	**30.5**	26.3
Short term lease liabilities	26	**0.7**	0.8
Borrowings	14	**10.7**	9.9
Total current liabilities		**41.9**	37.0
Total equity and liabilities		**189.4**	186.9

The accounting policies and notes on pages 19 to 41 form an integral part of these financial statements.

The financial statements of the company (registered number SC014472) were approved by the directors on 31 August 2022 and were signed on their behalf by:

P. A. Hyde
Director
31 August 2022

Statement of changes in equity

For the year to 31 March 2022

EDRINGTON DISTILLERS LIMITED

	Share capital	Share Based Payment Reserve	Retained earnings	Total equity
	£m	£m	£m	£m
Balance at 1 April 2021	**36.0**	**0.1**	**108.8**	**144.9**
Share based payment movement	-	0.4	(0.4)	-
Transaction with owners	**-**	**0.4**	**(0.4)**	**-**
Loss for the year	-	-	(9.4)	(9.4)
Other comprehensive income	-	-	6.9	6.9
Total comprehensive income for the year	**-**	**-**	**(2.5)**	**(2.5)**
Balance at 31 March 2022	**36.0**	**0.5**	**105.9**	**142.4**

	Share capital	Share Based Payment Reserve	Retained earnings	Total equity
	£m	£m	£m	£m
Balance at 1 April 2020	**36.0**	**1.6**	**132.7**	**170.3**
Share based payment movement	-	(1.5)	(1.1)	(2.6)
Transaction with owners	**-**	**(1.5)**	**(1.1)**	**(2.6)**
Loss for the year	-	-	(2.0)	(2.0)
Other comprehensive income	-	-	(20.8)	(20.8)
Total comprehensive income for the year	**-**	**-**	**(22.8)**	**(22.8)**
Balance at 31 March 2021	**36.0**	**0.1**	**108.8**	**144.9**

The accounting policies and notes on pages 19 to 41 form an integral part of these financial statements.

Accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

Basis of preparation

These financial statements have been prepared on the going concern basis, under the historical cost convention as modified by financial instruments recognised at fair value and in accordance with the Companies Act 2006, with the company reporting under Financial Reporting Standard 101 "Reduced Disclosure Framework".

Edrington Distillers Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in Scotland. The financial statements are presented in sterling and all values are to the nearest £m expect where otherwise stated. The address of the company's registered office is shown on page 1.

The principal activities of the company and the nature of its operations are set out in the strategic report on pages 2 to 7.

Adoption of new and revised standards

At the date of authorisation of these financial statements, the following Standards and Interpretations were newly in effect:

Standard	Scope
• IFRS 17 (Including the June 2020 amendment)	Insurance contracts
• Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture
• Amendment to IAS 1	Classification of liabilities as current or non-current
• Amendment to IFRS 3	*Reference to the Conceptual Framework*
• Amendment to IAS 16	Property, plant and equipment – proceeds before intended use
• Amendment to IAS 37	Onerous Contracts – cost of fulfilling a contract
• Annual improvements to IFRS Standards (2018-20)	Amendment to IFRS 1 First-time adoption of international financial reporting standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture
• Amendments to IAS 1 and IFRS Practical Statement 2	Disclosure of accounting policies
• Amendment to IAS 8	Definition of accounting estimates

In the current year, the company, has applied the amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements (issued by the IASB in January 2020). The amendments specify the requirements for classifying liabilities as current or non-current.

The amendments clarify that the classification of liabilities as current or non-current should be based on rights which have substance and that are in existence at the end of the reporting period.

The company has implemented the amendments to IAS 1 from 1 April 2021 and had no updates to make in this regard.

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the company in future period.

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of some of disclosure exemptions conferred by FRS 101.

Therefore these financial statements do not include:

- a statement of cash flows and related notes;
- the requirement of IAS 24 related party disclosures to disclose related party transactions;
- disclosure of key management personnel compensation;
- capital management disclosures;
- certain share based payments disclosures; and
- certain disclosures in respect of financial instruments.

Consolidation

In view of the fact that consolidated financial statements have been prepared by the company's parent undertaking, The Edrington Group Limited, the company has not prepared consolidated financial statements as permitted by s400 of the Companies Act 2006 and information is presented for the individual company and not the group.

Going Concern

A full assessment of the appropriateness of the going concern method of preparation has been included in the directors' report. 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 the financial statements. The forecast reflects the challenges and growth potential faced by the company, and indicates, to the company's satisfaction, that it has resources more than sufficient to continue as a going concern for the foreseeable future.

In addition The Edrington Group Limited, the parent company, has provided a letter of financial support to the company. The letter of support together with the forecasts indicate, to the Directors' satisfaction, that the company has resources more than sufficient to continue in operational existence for the foreseeable future.

Revenue

Revenue comprises the sale of goods and rents receivable from contracts with customers. Revenue is measured at the fair value of consideration received or receivable, excluding sales tax, and reduced by any rebates and trade discounts allowed. The sale of goods are recognised depending upon individual customer terms based on the point at which the transfer of control is deemed to have been made. For most customers this is the point at which the goods are transported onto the ship for delivery but it can differ for some customers.

Revenue is recognised to the extent that it is highly probable that a material reversal will not occur and at the value the company expects to be entitled.

Investment income is recognised at the point the right to receive payment is established.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

<u>Software</u>
Software is stated at historic cost net of amortisation. Amortisation is charged on a straight-line basis over the useful life of the asset. The principal annual rates used for this purpose are 10% to 33%.

Property, plant and equipment

Property, plant and equipment are stated at cost net of depreciation and any provision for impairment.

No depreciation has been provided on freehold land. Depreciation of other fixed assets has been calculated on cost, on a straight-line basis by reference to the useful life of the assets. The principal annual rates used for this purpose are:

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

Depreciation is not charged on assets under construction until the asset comes into use, at which point it will be moved to the appropriate category above.

Property, plant and equipment is reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of assets and are recognised in profit or loss within other income or other expenses.

Investments

Fixed asset investments are stated at cost, net of any provision for impairment.

Inventories

Inventory is valued at the lower of cost and net realisable value. Cost is defined as the production cost (including distillery overheads) or purchase price, as appropriate, plus carrying costs such as depreciation, warehousing rent and freight but excluding interest. Net realisable value is based on estimated selling price, less the estimated costs of completion and selling. The inventory is valued at standard cost which is reviewed at least annually. Provision is made for obsolete and slow-moving items where appropriate.

Leases

The company assesses whether a contract is or contains a lease, at inception of the contract. The company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease terms reflect the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

Leases (continued)

The company re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The company did not make any such adjustments during the years presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the company incurs an obligation for costs to dismantle and remove a lease asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the period of the lease the right of use asset is expected to be utilised. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Property, plant and equipment and depreciation" policy.

Variable rents that do not depend on an index or rate are not included in the measurement of lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are charged to the income statement.

Taxation

Income tax expense comprises current and deferred tax. It is recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income.

Current Tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. Taxable income differs from the profit before tax reported in the income statement loss because of items of income/expense which are taxable/deductible in other years ("temporary differences") and items that are never taxable/deductible ("permanent differences"). Current tax is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Foreign currencies

The company presents its financial statements in Sterling and conducts business in many currencies. As a result, it is subject to foreign currency risk due to exchange rate movements which will affect the company's transactions and translation of the results and underlying net assets of its operations.

Transactions in foreign currencies are translated at the spot rate at the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at each statement of financial position date, with exchange gains and losses recognised in the income statement.

Financial instruments

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the statement of financial position. Finance costs and gains or losses relating to financial liabilities are included in the income statement. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

When the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and contributions relating to equity instruments are debited directly to equity.

The company classifies its financial assets and liabilities into the following categories: amortised cost and cash and cash equivalents.

<u>Amortised Cost</u>
Financial assets measured at amortised cost, are assets held for the purpose of collecting contractual cash flows where the contractual terms of the financial asset give risk to cash flows, on specific date, that are solely payments of principal and/or principal and interest on the principal amount outstanding.

Trade and other receivables are recognised initially at the transaction price. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less an allowance for expected credit loss (ECL). The amount of the ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the receivable. The ECL on financial assets is estimated using a provision matrix by reference to past default experience and an analysis of current financial position, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The company only writes off trade receivables when there is information that the debtor is in financial distress (liquidation or bankruptcy) and there is no prospect of recovery. The carrying amount of the asset is reduced by the allowance for ECL and the amount of the loss is recognised in the income statement within cost of sales.

Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks and deposits which are readily convertible to known amounts of cash and have an original maturity of three months or less.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported on a net basis only when the company has a legally enforceable right to set off the amounts and either intends to settle on a net basis, or to realise the asset or liability simultaneously.

Share based payments

The ultimate parent company, The Edrington Group Limited, issues equity-settled share based payments to certain group employees (ShareReward Scheme). The fair value at grant date of the shares granted, which relate to employees of the company, is charged to the income statement over the vesting period with a corresponding credit to 'Share based payments reserve' in the statement of financial position.

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

The fair value of shares and options granted is calculated at grant date using the Black Scholes model and in accordance with IFRS 2 Share based payments.

Liability for share based payments

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

Pensions and other post-retirement benefits

Edrington Distillers Limited operates one principal pension scheme based on final pensionable salary in addition to a scheme based on defined contributions. The assets of the scheme are held separately from those in the company.

Defined benefit scheme assets are measured at fair value. Scheme liabilities which represent the present value of obligation are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the statement of financial position. A net surplus is recognised only to the extent that it is recoverable by the company.

For defined benefit schemes the amounts charged to operating profit are the current service cost and gains/losses from settlements and curtailments. These are included as part of staff costs. Past service costs are spread over the period until the benefits vest. Interest on the scheme liabilities and the expected return on the scheme assets are included in other finance costs. Actuarial gains and losses are reported in the statement of comprehensive income.

For defined contribution schemes the amount charged to the income statement in respect of pension costs is the contributions payable in the year. Any difference between contributions payable in the year and the contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

In addition, the company pays other post retirement discretionary benefits which are accounted for in accordance with IAS 19 Retirement Benefits. In the view of the directors, there is no further legal commitment to pay these benefits. However, a constructive obligation exists as it has been custom and practice to pay them in the past; therefore, the most appropriate treatment is to provide for the full potential liability in the accounts.

Retained earnings

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

Estimation uncertainty and Significant judgements

There are no significant judgements which the group has applied in the process of preparing the financial statements.

There is one key area of estimation uncertainties with the group being the valuation of pension assets and liabilities:

Pensions and other post-retirement benefits

The company operates both defined benefit pension schemes providing benefits based on final pensionable earnings, and a defined contribution scheme. The determination of any pension scheme surplus/deficit is based on assumptions determined with independent actuarial advice. The assumptions used include discount rate, inflation, pension increases, salary increases, the expected return on scheme assets and mortality assumptions. Sensitivity analysis has been undertaken on these key assumptions as detailed in note 18.

1 Revenue

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

An analysis of revenue is as follows:

	2022	2021
	£m	£m
Sale of cased goods	**94.9**	67.2
Sale of non-cased goods	**45.0**	33.6
Income from services rendered	**0.7**	0.4
Total revenue	**140.6**	101.2

2 Finance income and finance costs

	2022	2021
	£m	£m
Finance income		
Interest on defined benefit pension scheme (note 18)	**0.2**	0.7
Total finance income	**0.2**	0.7
Finance costs		
Other interest payable	**(0.1)**	(0.2)
Total finance costs	**(0.1)**	(0.2)

3 Loss before taxation

	2022	2021
	£m	£m
Loss before taxation is stated after charging:		
Inventory charged to income statement	**3.5**	1.4
Intangible amortisation (note 7)	**0.8**	0.8
Depreciation of tangible fixed assets - owned	**5.6**	5.6
Foreign exchange gain/(loss)	**0.4**	(0.4)

The depreciation charge noted above is different from that shown in note 8 to these financial statements, as cask and warehouse depreciation is added to the cost of stocks of Scotch whisky and is not released to the income statement until the relevant stock is sold. The figure shown above represents the annual depreciation charge on other fixed assets together with cask depreciation released through cost of sales.

The fees paid to the auditor for audit service in the year totalled £27,300 (2021: £26,000). Fees paid to Deloitte LLP for non-audit services to the company itself have not been disclosed in these accounts, because the Parent Company's consolidated accounts are required to disclose such fees on a consolidated basis.

4 Employees

	2022 Number	2021 Number
The average number of employees during the year was as follows:		
Engaged in distilling, coopering, blending, bottling and marketing of Scotch whisky	**688**	656

	2022	2021
Employment costs during the year, (including temporary employees and directors' remuneration) amounted to:	**£m**	£m
Wages and salaries	**28.9**	21.9
Social security costs	**4.2**	3.0
Annual employee incentive schemes	**1.7**	-
Pension costs	**4.6**	2.8
Employee share schemes	**0.4**	-
Long term incentive plans	**2.4**	0.6
	42.2	28.3

In the prior year, the company received government funding in the form of Covid-19 government support schemes of £1.4m, no such funding was received in the year to 31 March 2022. The figures above do not include the impact of these payments.

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

Performance related payments included the Annual Incentive Plan and Long-Term Incentive Plan costs.

The Annual Incentive Plan rewards directors and senior executives on both personal targets and on annual performance results. Payments were partially triggered in the current year but were not triggered in the prior year.

The Long-Term Incentive Plan rewards senior executives based on the Company's performance over a three-year period, by awarding a cash incentive. The Company charges any associated costs to the income statement over the period of the plan. The financial performance conditions, which represents 75% of the award, partially meet threshold performance in respect of the three-year period ended 31 March 2022.

Remuneration in respect of the directors by Edrington Distillers Limited was as follows:

	2022 £m	2021 £m
Emoluments (excluding pension contributions)	**1.1**	1.3
Benefits	**0.2**	0.2
Employee share schemes	**0.1**	-
Performance related annual incentive plan	**1.3**	-
Performance related long term incentive plan & other payments	**3.1**	0.3
	5.8	1.8

Amounts disclosed under benefits include a non-pensionable salary supplement made to certain directors in lieu of the company's contribution to the pension scheme, following their withdrawal from the group pension scheme.

During the year, no directors (2021: three directors) exercised their share rights under the ShareSave Scheme.

During the year, no directors (2021: no directors) participated in the defined benefit pension scheme, and two participated in the defined contribution scheme (2021: two directors).

4 Employees (continued)

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

	2022 £m	2021 £m
Emoluments (excluding pension contributions)	**0.6**	0.5
Benefits	**0.1**	0.1
Employee share schemes	**0.1**	-
Performance related annual incentive plan	**0.8**	-
Performance related long term incentive plan & other payments	**2.0**	0.1
	3.6	0.7

The highest paid director did not exercise rights under the ShareSave Scheme in this year (2021: did). The aggregate gain by the director exercising share rights during the year was £nil (2021: £0.03m).

5 Taxation

The taxation charge represents:

	2022 £m	2021 £m
Current tax:		
Current tax on profits for the year	**(0.4)**	(0.4)
Adjustment in respect of the prior periods	**(0.1)**	0.6
Total current tax	**(0.5)**	0.2
Deferred tax:		
Current year	**(1.0)**	(0.1)
Adjustment in respect of the prior periods	**0.1**	0.2
Effect of changes in tax rates	**2.3**	-
Total deferred tax	**1.4**	0.1
Total tax	**0.9**	0.3

Factors affecting the total tax charge for the year

The tax assessed for the year differs to the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £m	2021 £m
Loss before tax	**(8.5)**	(1.7)
Tax on loss at standard UK tax rate of 19% (2021: 19%)	**(1.6)**	(0.3)
Effect of income that is exempt from taxation	**(0.2)**	(0.9)
Effect of expenses that are not deductible in determining taxable profit	**0.5**	0.3
Losses not recognised for deferred tax	**-**	0.7
Effect on deferred tax balances due to changes in tax rates	**2.3**	-
Other	**(0.1)**	(0.3)
	0.9	(0.5)
Prior year adjustments	**-**	0.8
Income tax expense recognised in income statement	**0.9**	0.3

6 Investment income

	2022	2021
	£m	£m
Dividend income	**0.8**	0.5

7 Intangible fixed assets

	Software
	£m
Cost at 1 April 2021	8.8
Additions	1.0
Disposals	(3.1)
Cost at 31 March 2022	6.7
Amortisation at 1 April 2021	4.8
Charge for the year	0.8
Disposals	(3.1)
Amortisation at 31 March 2022	2.5
Net book value at 31 March 2022	**4.2**
Net book value at 31 March 2021	4.0

8 Tangible fixed assets

	Freehold land & buildings	Plant & equipment	Casks	Assets under construction	Total
	£m	£m	£m	£m	£m
Cost at 1 April 2021	39.5	87.1	4.6	-	131.2
Additions	-	0.7	-	5.1	5.8
Disposals	-	(7.3)	-	-	(7.3)
Transfer	-	-	(0.2)	0.2	-
Cost at 31 March 2022	39.5	80.5	4.4	5.3	129.7
Depreciation at 1 April 2021	23.7	66.2	3.1	-	93.0
Charge for year	1.2	4.2	0.1	-	5.5
Disposals	-	(7.3)	-	-	(7.3)
Depreciation at 31 March 2022	24.9	63.1	3.2	-	91.2
Net book value at 31 March 2022	**14.6**	**17.4**	**1.2**	**5.3**	**38.5**
Net book value at 31 March 2021	15.8	20.9	1.5	-	38.2

9 Right of use assets

The following assets are subject to operating lease arrangements.

	Freehold land & buildings £m	Plant, vehicles & equipment £m	Total £m
Cost at 1 April 2021	4.3	0.1	4.4
At 31 March 2022	**4.3**	**0.1**	**4.4**
Depreciation at 1 April 2021	1.1	-	1.1
Charge for the year	0.6	-	0.6
31 March 2022	**1.7**	**-**	**1.7**
Net book value at 31 March 2022	**2.6**	**0.1**	**2.7**
Net book value at 1 April 2021	3.2	0.1	3.3

10 Fixed assets investments

	Subsidiary undertakings £m	Associated undertakings £m	Other investments £m	Total investments £m
Cost and Net book value				
At 1 April 2021 and 31 March 2022	14.8	12.6	0.1	**27.5**

At 31 March 2022 the company owned the following significant investments in UK companies:

Principal investments

Name of company	Holding	Proportion held	Nature of business
Edrington Singapore Holdings Pte. Limited (12 Marina View Asia Square, Tower 2 Level 24-01, Singapore 018961)	Ordinary shares	100%	Holding company
Row and Company Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	100%	Sales and marketing of Scotch whisky
Marshall McGregor Limited (100 Queen Street, Glasgow, Scotland, G1 3DN)	Ordinary shares	50%	Marketing of Scotch whisky
Lothian Distillers Limited (9 Wheatfield Rd, Edinburgh, EH11 2PX)	Ordinary shares	50%	Distillation and maturing of Scotch whisky

11 Inventories

	2022	2021
	£m	£m
Scotch whisky	**18.6**	20.2
Other stocks	**2.5**	1.5
	21.1	21.7

Within total inventory £13.1m relates to inventory which will be realised in greater than 1 year (2021: £19.5m). The replacement cost of other stocks is not significantly different from the values shown.

12 Trade and other receivables

	2022	2021
	£m	£m
Trade receivables	**0.3**	0.2
Less – expected credit loss	**-**	-
Trade receivables - net	**0.3**	0.2
Other receivables	**2.3**	0.5
Prepayments	**2.0**	3.4
Amounts owned by parent company	**-**	0.8
Amounts owed by group undertakings	**10.7**	11.6
Loans to parent company	**49.7**	70.4
Amounts owed by associates	**-**	0.3
	65.0	87.2

The maximum credit terms are 120 days. There is no credit insurance in place and no interest is charged on outstanding trade receivables. The company always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss (ECL). The expected credit loss on trade receivables are estimated using a provision matrix by reference to past default experience on the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The company has recognised an aggregated loss allowance of £33,454 in the year and £34,000 in the prior year.
The company only writes off trade receivables when there is information that the debtor is in financial distress (liquidation or bankruptcy) and there is no prospect of recovery.

The following table details the risk profile of the trade receivables based on the company's provision matrix:

	Trade receivables – days past due					
31 March 2022	**Not past due**	**<30**	**31-60**	**61-90**	**>90**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Expected credit loss rate	**0.2%**	**1%**	**24%**	**50%**	**53%**	**11%**
Expected total gross carrying amount at default	**0.21**	**0.03**	**0.01**	**0.04**	**0.02**	**0.31**
Lifetime ECL	**-**	**-**	**-**	**0.02**	**0.01**	**0.03**

	Trade receivables – days past due					
31 March 2021	Not past due	<30	31-60	61-90	>90	Total
	£m	£m	£m	£m	£m	£m
Expected credit loss rate	1%	1%	22%	94%	94%	15%
Expected total gross carrying amount at default	0.13	0.05	0.02	0.00	0.03	0.2
Lifetime ECL	-	-	-	-	0.03	0.03

The company has not recognised a loss allowance on intercompany loans on the basis that the counterparties to the loans have access to sufficient funds via a committed revolving credit facility.

Loans to group undertakings are floating rate loans and repayable on demand. There is no interest charge on the loan receivable from Edrington International Brands Limited. The interest on the loan receivable from The Edrington Group Limited is based on the interest earned by The Edrington Group who deposits the surplus cash in short term deposits, money market funds or interest bearing current accounts. The rate is rebased on a monthly basis to reflect the prevailing yield on the underlying deposits. At as 31 March 2022 the rate was 0.5% (2021: 0.01%). There was no interest charged on the loan with Snow Leopard Vodka Limited. The loan with Edrington Africa Limited was repaid during the year, the interest charged was based upon the cost of borrowing in Africa (2021: 9%).

13 Trade payables and other liabilities

	2022	2021
	£m	£m
Trade payables	8.8	9.1
Amounts owed to group undertakings	4.6	6.8
Amounts owed to associates	0.2	-
Accruals and other creditors	15.9	9.5
Other taxes and social security costs	1.0	0.9
	30.5	26.3

Amounts owed to group undertakings are, non-interest bearing, unsecured and repayable on demand.

14 Borrowings

	2022	2021
	£m	£m
Loans from associates	6.0	6.0
Loans from group undertakings	4.7	3.9
	10.7	9.9

Edrington Distillers Limited has access to a £10m uncommitted overdraft facility, renewable on an annual basis with interest linked to the banks cost of funding + a margin of 0.5%.

The book value of borrowings equates to the fair value.

The company is party to floating charges and cross-guarantee arrangements with certain other group companies in respect of bank borrowings.

The loan from associates is from Lothian Distillers Limited. The loan is non interest bearing. The loans from group undertakings are from Row & Company Limited and Marshall McGregor Limited. The interest rate applicable at 31 March 2022 was 0.5%.

15 Deferred Tax

	Accelerated tax depreciation	Retirement benefit obligations	Other temporary differences	Total
	£m	£m	£m	£m
At 31 March 2021	(1.2)	(0.6)	0.4	(1.4)
(Credit)/charge to income statement	0.5	(3.6)	1.7	(1.4)
Charge to other comprehensive income	-	0.6	-	0.6
At 31 March 2022	**(0.7)**	**(3.6)**	**2.1**	**(2.2)**

Unrecognised deferred tax asset	2022	2021
	£m	£m
Tax losses (revenue in nature)	0.9	0.7

UK corporation tax rate changes

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the UK companies' future current tax charge accordingly. The deferred tax assets/liabilities at 31 March 2022 have been calculated based on these rates, reflecting the expected timing reversal of the related temporary differences (2021: 19%).

16 Equity share capital

	Authorised, Issued and fully paid £m
At 1 April 2021 and 31 March 2022:	
12,761,820 'A' Ordinary shares of £1 each	**12.8**
23,238,180 'B' Ordinary shares of £1 each	**23.2**
	36.0

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

17 Share based payments

Equity-settled share option scheme

The company has a share option scheme for all employees of the group. The company recognised a movement of £0.4m relating to equity-settled share based payment transactions in the year to 31 March 2022 (2021: £0.5m).

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

Details of the share options outstanding during the year are as follows.

	2022		2021	
	Number of share options	**Weighted average exercise price (in £)**	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of period	**202,101**	**18.97**	335,981	17.63
*Granted during the period**	**92,164**	**36.56**	-	N/a
Exercised during the period	**(98,848)**	**18.14**	(122,971)	15.31
Forfeited during the period	**(1,475)**	**19.76**	(10,909)	18.99
Outstanding at the end of the period	**193,942**	**27.74**	202,101	18.97

The weighted average share price at the date of exercise for share options exercised during the period was £18.14 (2021: £15.31). The options outstanding at 31 March 2022 had a weighted average exercise price of £27.74 (2021: £18.97), and a weighted average remaining contractual life of 2.0 years (2021: 1.5 years). The fair value of the options granted in April 2021 was £0.8m (April 2020: £nil). The inputs into the Black-Scholes model are as follows:

Grant date	01-Apr-21	01-Apr-20	01-Apr-19
Share price at grant date	£45.71	N/a*	£24.70
Exercise price at grant date	£36.56	N/a*	£19.76
Expected volatility	12%	13%	11%
Expected life	3 years	3 years	3 years
Risk free rate	0.14%	0.66%	0.66%
Expected dividend yield	0.82%	N/a*	1.71%

Expected volatility was determined by calculating the historical volatility of the group's share price over the previous 3 years.

* There was no new ShareSave Scheme in the previous financial year.

18 Retirement Benefit Liabilities

The company operates a defined benefit pension scheme providing benefits based on final salary, which have been closed to new employees since February 2008. On 31 October 2014, the scheme was closed to future accrual. In addition, for new and foreign employees, the company also provides defined contribution schemes. The benefit commitments are funded in advance and the assets of the schemes are held in separate trustee administered funds. The contributions are determined by a qualified actuary on the basis of regular valuations using the projected unit method.

In addition, the company provides other discretionary post-retirement benefits (including discretionary pensions).

The most recent actuarial valuations of the Edrington Group Pension Scheme pension scheme and other post-retirement benefits were undertaken on 5 May 2022. Both valuations were performed by independent, professionally qualified actuaries.

	2022	2021
	£m	£m
Pension scheme surplus	**21.9**	4.1
Other post-retirement benefit	**(1.7)**	(1.1)
	20.2	3.0

The major assumptions used by the actuary were as follows:	**2022**	2021
Rate of increase of pensions in payment	**2.30%-3.85%**	2.20%-3.65%
Discount rate	**2.80%**	2.10%
Inflation assumption	**3.70%**	3.30%

The post retirement mortality assumption used to value the benefit obligation at 31 March 2022 is the S3 actuarial index adjusted by 94% (2021: 94%) for both males and females, plus an allowance for 'CMI 2019' with a long term improvement rate of 1.5%. In 2015, as permitted by scheme rules, the company has linked the deferred pension valuation in excess of Guaranteed Minimum Pension to CPI. Inflation-linked pension increases continue to be based on RPI.

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

	2022	2021
	£m	£m
Bonds	**103.3**	80.8
Diversified growth fund	**-**	11.4
Cash	**4.8**	6.3
Illiquid debt	**33.0**	38.6
Insured pensions	**74.7**	80.6
Total market value of assets	**215.8**	217.7
Present value of scheme liabilities	**(193.9)**	(213.6)
Surplus in pension schemes	**21.9**	4.1

Analysis of amount charged to operating profit in respect of defined benefit schemes	**2022**	2021
	£m	£m
Loss on curtailment of pension liabilities	**(0.3)**	(0.2)

Analysis of net charge to finance costs	**2022**	2021
	£m	£m
Expected return on pension schemes assets	**4.6**	5.2
Interest on pension liabilities	**(4.4)**	(4.5)
Net credit to finance costs (note 2)	**0.2**	0.7

18 Retirement Benefit Liabilities (continued)

Analysis of amount recognised in statement of comprehensive income	**2022**	2021
	£m	£m
Actual return less expected return on assets	**(8.2)**	(6.1)
Experience losses on liabilities	**(5.0)**	-
Changes in assumptions	**20.2**	(19.6)
Actuarial gain/(loss) recognised in the statement of comprehensive income	**7.0**	(25.7)

Reconciliation of fair value of plan assets	**2022**	2021
	£m	£m
Opening fair value of scheme assets	**217.7**	223.0
Expected return on assets	**4.6**	5.2
Employers' contributions	**10.9**	2.9
Actuarial (loss)/gain	**(8.2)**	(6.1)
Benefits paid	**(9.2)**	(7.3)
Closing fair value of scheme assets	**215.8**	217.7

The expected return on assets is based on long term expectations for each asset class at the beginning of the year. The actual return on plan assets was £8.2m (2021: £6.1m).

Reconciliation of defined benefit obligation	**2022**	2021
	£m	£m
Opening defined benefit obligation	**(213.6)**	(196.6)
Past service cost including curtailment	**(0.3)**	(0.2)
Interest cost	**(4.4)**	(4.5)
Actuarial gain/(loss)	**15.2**	(19.6)
Benefits paid	**9.2**	7.3
Closing defined benefit obligation	**(193.9)**	(213.6)

Movement in deficit during the year	**2022**	2021
	£m	£m
Surplus in scheme at beginning of year (before related deferred tax asset)	**4.1**	26.4
Loss on curtailment of pension liabilities	**(0.3)**	(0.2)
Contributions	**10.9**	2.9
Net interest cost	**0.2**	0.7
Actuarial gain/(loss)	**7.0**	(25.7)
Surplus in Scheme at end of year (before related deferred tax asset)	**21.9**	4.1

The company paid £4.0m of additional deficit repayments in the period to March 2022. The company's best estimate of the contributions expected to be paid in the year beginning April 2022 is £6.9m.

18 Retirement Benefit Liabilities (continued)

	2022	2021	2020	2019	2018
	£m	£m	£m	£m	£m
Five year history:					
Total fair value of assets	**215.8**	217.7	223.0	209.5	213.1
Present value of scheme liabilities	**(193.9)**	(213.6)	(196.6)	(204.1)	(201.6)
Surplus/(deficit) in pension scheme	**21.9**	4.1	26.4	5.4	11.5

History of experience gains and losses	**2022**	2021	2020	2019	2018
	£m	£m	£m	£m	£m
Experience adjustments on schemes' assets	**(8.2)**	(6.1)	10.2	(2.1)	2.7
Percentage of schemes' assets	**(3.8%)**	(2.8%)	4.6%	(1.0%)	1.3%
Experience adjustments on schemes' liabilities	**(5.0)**	(19.6)	3.4	(10.5)	4.9
Percentage of schemes' liabilities	**2.6%**	9.2%	(1.7%)	5.1%	2.4%
Total amount recognised in statement of other comprehensive income	**7.0**	(25.7)	13.6	(12.6)	7.6
Percentage of schemes' liabilities	**(3.6%)**	12.0%	(6.9%)	6.1%	3.8%

Sensitivity analysis

The sensitivity of the present value of scheme liabilities to changes in the principal assumptions used at 31 March 2022 is set out below:

Assumption	**Sensitivity**	**Financial impact on overall liability**	Financial impact on overall liability
		Year to 31 March 2022	Year to 31 March 2021
Discount rate	+/- 0.5%	**Decrease/increase by £17.7m**	Decrease/increase by £21.1m
Discount rate	+/- 1.0%	**Decrease/increase by £38.0m**	Decrease/increase by £43.9m
Mortality – increase in life	+/- 1 year	**Decrease/increase by £6.8m**	Decrease/increase by £9.4m
Increase in inflation	+/- 0.5%	**Decrease/increase by £6.5m**	Decrease/increase by £7.8m

Methods and assumptions used in preparing the sensitivity analysis

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

Mortality Assumptions

	2022		2021	
	Males	**Females**	Males	Females
Average future life expectancy (in years) for a member aged 65 at 31 March	**22.8**	**24.6**	22.8	24.6
Average future life expectancy (in years) at age 65 for a member aged 45 at 31 March	**24.5**	**26.4**	24.5	26.4

Other Post Retirement Benefits

	2022	2021
Other post retirement benefits	**£m**	£m
Potential liability for discretionary post retirement benefits	**(1.7)**	(1.1)
Related deferred tax asset	**0.4**	0.2
Net potential liability for discretionary post retirement benefits	**(1.3)**	(0.9)

Defined contribution schemes
The company operates a number of defined contribution schemes for employees' pension cost charge for the year in respect of the company's defined contribution schemes amounted to £3.7m (2021: £4.3m).

19 Liquidity risk

Liquidity risk is the risk that the company may encounter difficulties in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

The following table provides an analysis of the anticipated contractual cash flows for the company's financial liabilities including derivative instruments on an undiscounted basis.

		2023	2024	2025	2026	2027	2028 and thereafter	Total
31 March 2022	**Note**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Borrowings	14	(10.7)	-	-	-	-	-	(10.7)
Payables	13/26	(30.2)	(0.7)	(0.7)	(0.8)	(0.7)	-	(33.1)
Non-derivative financial liabilities		(40.9)	(0.7)	(0.7)	(0.8)	(0.7)	-	(43.8)

		2022	2023	2024	2025	2026	2027 and thereafter	Total
31 March 2021	**Note**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Borrowings	14	(9.9)	-	-	-	-	-	(9.9)
Payables	13/26	(26.3)	(0.7)	(0.7)	(0.8)	(0.8)	(0.6)	(29.9)
Non-derivative financial liabilities		(36.2)	(0.7)	(0.7)	(0.8)	(0.8)	(0.6)	(39.8)

20 Risk Management

Market Risk

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

Interest rate risk management

Edrington Distillers Limited is financed via an intercompany on demand loan with The Edrington Group Limited. The loan is a floating rate loan based on base rate. The flowing table details the company's sensitivity to a 10% increase and decrease in currency rates and the impact on profit and loss and equity.

The sensitivity analysis is based on outstanding foreign currency denominated monetary items and interest bearing debt on the statement of financial position as at 31 March 2022, adjusted for a 10% movement in foreign currency rates to quantify the impact over a 12 month period.

The result of the sensitivity analysis should not be considered as projections of likely future events, gains or losses as actual results may different materially in the future as a result of developments in global financial markets impacting exchange rates.

	Impact on income statement (loss)/gain		Impact on comprehensive income gain/(loss)	
	2022	**2021**	**2022**	**2021**
	£m	**£m**	**£m**	**£m**
10% weakening of sterling	**(0.1)**	**0.2**	-	-
10% strengthening of sterling	**0.1**	**(0.2)**	-	-

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. Credit risk arises on cash balances, derivatives financial instruments and credit exposures to customers. The carrying amount of financial assets represents the company's exposure to credit risk at the statement of financial position date.

Credit risk is managed through application of risk management policies approved and monitored by the Board. Financial credit risk is managed by limiting counterparties to major banks and financial institutions primarily with a long term credit rating within the A band. The company's policy is to spread the risk by using a number of banks to avoid significant concentration of credit risk.

20 Risk Management (continued)

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

The company's customers are primarily intercompany and UK based.

Capital Risk

The company manages its capital to ensure that entities in the company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance. The company's overall strategy remains unchanged from 2021.The capital structure of the company consists of net debt and equity if the group (comprising issued capital, reserves and retained earnings) as detailed in the statement of changes in equity.

The company is not subject to any externally imposed capital requirements.

Reconciliation of financial instruments

	31 March 2022			
	Amortised Cost	Total	Current	Non-Current
	£m	£m	£m	£m
Financial Assets				
Trade receivables	**60.7**	**60.7**	**60.7**	-
Cash and Cash equivalents	**9.2**	**9.2**	**9.2**	-
	69.9	**69.9**	**69.9**	-
Financial Liabilities				
Trade and other payables	**(33.1)**	**(33.1)**	**(30.2)**	**(2.9)**
Borrowings	**(10.7)**	**(10.7)**	**(10.7)**	-
	(43.8)	**(43.8)**	**(40.9)**	**(2.9)**
	26.1	**26.1**	**29.0**	**(2.9)**

	31 March 2021			
	Amortised cost	Total	Current	Non-Current
	£m	£m	£m	£m
Financial Assets				
Trade receivables	83.3	83.3	83.3	-
Cash and Cash equivalents	1.5	1.5	1.5	-
	84.8	84.8	84.8	-
Financial Liabilities				
Trade and other payables	(23.8)	(23.8)	(23.8)	-
Borrowings	(9.9)	(9.9)	(9.9)	-
	(33.7)	(33.7)	(33.7)	-
	51.1	51.1	51.1	-

21 Preference Shares

The company holds preference shares to the value of £1 (2021: £1) in Edrington Singapore Pte Limited, a company engaged in the marketing and distribution of alcoholic beverages in South East Asia. In the year the company received no dividends (2021: £nil).

22 Contingent liabilities

The Edrington Group Limited's debt was previously secured by a floating charge over the assets of the group's subsidiary undertakings, including those of Edrington Distillers Limited. As at 31 March 2022 the facility has been terminated.

23 Other contractual obligations

	2022 £m	2021 £m
Contracted but provided for		
- Material purchase commitments	**3.6**	3.2
- capital commitments	**1.7**	-
	5.3	3.2

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

Capital commitments represent contracts entered into for the provision of buildings, plant and machinery and casks.

24 Transactions with related parties

During the year, in the normal course of business, the company entered into the following transactions with related parties as defined by IAS 24: Related Party Transactions.

The company made sales of £135.7m (2021: £96.4m) to other subsidiaries of The Edrington Group Limited and made £0.1m (2021: £2.3m) to companies that are associates of The Edrington Group Limited.

The company made purchases of £0.8m (2021: £0.2m) and received services to the value of £0.6m (2021: £0.5m) from Lothian Distillers Limited ("Lothian").

The company held a working capital loan of £6.0m (2021: £6.0m) with Lothian. The company also held a working capital loan of £1.9m (2021: £1.1m) with Row & Company Limited ("Row").

		2022	2021
Balance Sheet Items		**£m**	£m
Payables			
	Lothian	**0.1**	-
		0.1	-
Receivables			
	Row	**0.1**	0.2
		0.1	0.2
		-	0.2

25 Leases

The company leases several assets including buildings, plants, IT equipment. The average lease term is 4 years.

Amounts recognised in the income statement	**2022**	2021
	£m	£m
Depreciation expense on right-of-use assets	**0.6**	0.5
Interest expense on lease liabilities	**0.1**	0.2
Expense related to short-term leases & low value assets	**0.1**	0.1
	0.8	0.8

At 31 March 2022, the company committed to £100,000 (2021: £100,000) for short-term leases.

26 Lease liabilities

	2022	2021
	£m	£m
Amounts due for settlement within 12 months	**0.7**	0.8
Amounts due to settlement after 12 months	**2.9**	3.6
	3.6	4.4

Maturity analysis	**2022**	2021
	£m	£m
Less than one year	**0.8**	1.0
One to two years	**0.8**	0.8
Two to three years	**0.8**	0.8
Three to four years	**0.8**	0.8
Four to five years	**0.7**	0.8
Later than five years	**-**	0.6
	3.9	4.8
Less *unearned interest*	**(0.3)**	(0.4)
	3.6	4.4

The company does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the company's treasury function.

27 Control

The company is controlled by its parent undertaking, The Edrington Group Limited, and is ultimately controlled by The Robertson Trust, a registered charity, which has a controlling shareholding in The Edrington Group Limited. The company which consolidates the largest and smallest group of companies in which this company is included is The Edrington Group Limited. Consolidated accounts are available from the company secretary, 100 Queen Street, Glasgow, Scotland, G1 3DN.

28 Acquisition of subsidiary

On 30 March 2021, the Group purchased the remaining 50% of the issued share capital of Row & Company Limited from the joint venture partner obtaining full control of the company. Row & Company Limited is involved in the blending, bottling and supply of Scotch whisky. The step acquisition resulted in the revaluation of our existing investment to the relevant acquisition value of the remaining 50% of shares. This has resulted in a gain on the revaluation of our initial investment.

	2021
	£m
Investment value at 1 April 2020	2.8
Gain on revaluation of investment	4.4
Revalued investment value at March 2021	7.2

Acquisition summary	£m
Property, plant and equipment	0.3
Inventory	13.1
Trade and other receivables	1.8
Cash and cash equivalents	0.1
Trade and other payables	(0.6)
Total identifiable assets	14.7
Less amounts already owned	(7.2)
Goodwill, written off in the period	(0.2)
Total consideration	7.3

28 Acquisition of subsidiary (continued)

Satisfied by:	£m
Cash	7.3
Total consideration transferred	7.3

Net cash outflow arising on acquisition	£m
Cash consideration	(7.3)
Less cash acquired	0.1
Net cash outflow	(7.2)