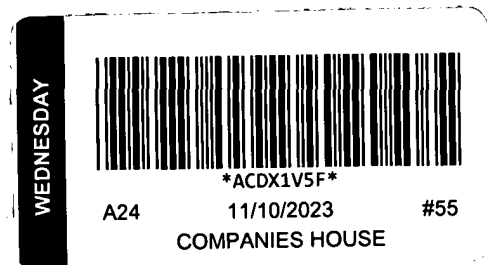


EDRINGTON DISTILLERS LIMITED

Annual Report and Financial Statements for the year ended 31 March 2023



Company No: SC014472

Annual report and financial statements

EDRINGTON DISTILLERS LIMITED

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Directors and auditor

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
Statutory Auditor
110 Queen Street
Glasgow
G1 3BX

Strategic report

EDRINGTON DISTILLERS LIMITED

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 strategy focuses the business sharply on ultra-premium spirits. We have continued to demonstrate our willingness to invest in our brands, other assets and capabilities that fuel growth. The company's values play a significant role in attracting and retaining exceptional talent and in the way we operate internally. As a result our culture continues to help drive our performance, placing the business consistently among the top performers in the global spirits sector.

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.

Key performance indicators

	2023	2022
Revenue increase	30.9%	38.9%
Operating margin	(1.1%)	(6.7%)
Profit / (loss) before tax	£1.9m	(£8.5m)
Profit / (loss) for the financial year	£2.1m	(£9.4m)

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.

Profit/ (Loss) before tax

Profit/ (Loss) before the deduction of taxation.

Profit/ (Loss) for the financial year

Profit/ (Loss) for the financial year defined as earnings after tax.

Revenue

Revenue of Edrington Distillers Limited increased by 30.9% to £184.0m (2022: £140.6m) as a result of increased revenues from the sale of bulk whisky and from the service of blending and bottling of the group's whisky portfolio as demand for the product has increased.

Operating margin

The operating margin of Edrington Distillers Limited has improved from (6.7%) in 2022 to (1.1%) in the current year. This reflects a significant increase in the volume of bulk whisky sold, and throughput from blending and bottling.

Profit before tax

The profit before tax of Edrington Distillers Limited of £1.9m (2022: loss of £8.5m) was driven by profit earned on the sale of bulk whisky to Row and Company Limited. The company also benefitted from an increase in interest earned from the pension scheme investments and loans.

Strategic Report (continued)

EDRINGTON DISTILLERS LIMITED

Market Development

We faced the impact of Covid lockdowns for part of the year, especially in China, and the global supply chains remained under extreme pressure, most notably affecting the supply of glass for bottles. This affected production and lower stocks in key markets at points during the year. As well as this we faced a high-inflation environment in the United Kingdom, where we purchase most of our goods and services.

The company benefits from the group's network of distribution entities (both wholly owned and joint venture partnerships) driven from the distribution and logistics from our site in Glasgow.

Principal risks and uncertainties

The board of The Edrington Group, of which the company is part of, 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.

The Group's risk management framework focuses on identifying, evaluating and managing financial and non-financial risks. It seeks to minimise exposure to unforeseen events and identified risks, allowing the business to focus on delivering its strategic objectives. During the year we have continued to enhance the culture of risk management throughout the Group through wider and deeper reviews at a market and functional level.

The Board regularly reviews the principal risks facing the Group including those that would impact its business model, future performance and solvency. A full review and assessment of principal risks was carried out in November 2022, allowing the Board to assess the Group's risk appetite and ensure that the nature and extent of the significant risks facing the business are identified and adequately managed. The assessment includes a review of the impact and likelihood of each risk, together with the controls in place to mitigate the risk. This included detailed scenario planning for our most critical risks. Given the dynamic nature of the 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 at both the Audit Committee and the Group Risk Management Committee.

Risk categories are predominately macroeconomic or operational in nature. Macroeconomic risks related to the external environment and the international markets in which the business operates, over which the Group has less control. Operational risks are more internally focused and include issues such as supply chain disruption, or a failure in business technology.

The environment in which the Group operates is constantly evolving so the business remains vigilant to new and emerging risks. These are assessed on a timely basis and appropriate actions are taken where possible to mitigate the impact of these risks on the business.

During the year the Audit Committee assessed reports received from the internal audit teams and has reviewed the actions in place to manage the key strategic risks. These have allowed the committee to assess the general control environment, identify control weaknesses, and quantify associated risks.

The internal controls in place are 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. The system includes both financial and non-financial controls and is regularly reviewed to ensure it remains robust and embedded in business processes to enable the Group to continuously manage the relevant business risks.

Whilst the overall level of risk in our operating environment continues to be extensive across the different geographies in which the Group operates there has not been a significant increase in risk exposure during the year.

Strategic Report (continued)

EDRINGTON DISTILLERS LIMITED

Principal risks and uncertainties (continued)

As part of our annual review of risk exposure and evolving risks, we have updated our assessment of principal risks as follows:

- Sustainability and Climate change has been included as a separate risk, given the increased number of climate related events and the ongoing changes to sustainability regulatory requirements.
- The risk of supply chain disruption has increased as a result of delays in supplier order fulfilment and increases in shipping lead-times.
- The risk of product contamination has been removed from our principal risks given recent improvements to our quality control processes.
- The risk of changing consumer drinking behaviours having a material impact on the group performance has reduced and therefore has been removed from the principal risks.

Both risks removed in the year will continue to be closely monitored as part of our standard risk management processes.

The table below provides details of our updated assessment of the principal risks for the business, including key risk drivers, risk outlooks, and current mitigating actions. The developments section provides details of actions taken in the last year to manage key risks effectively as they evolve.

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

Risk & Risk Impact	Risk Mitigating Actions	Developments in 2022-2023
Inter-state conflict & Protectionism Risk Outlook: ↔ Economic or political instability restricts market activity, affecting market access, demand or increased costs.	<ul style="list-style-type: none"> • 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, risk management and avoid over-reliance on a single country or region. • Regular pricing, tax and customs reviews to enable a timely reaction to changes in legislation. 	<ul style="list-style-type: none"> • Scenario and contingency planning reviews have been performed based on current global events and potential international responses. • Introduction of a new screening tool to enable real-time monitoring of changes in sanctioned parties to ensure compliance with international regulations. • We do not trade with sanctioned parties, however there is always a risk around changes in status globally. The sale of our business in Russia has significantly reduced our exposure to trading with sanctioned parties in the current year.
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.	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Updated mandatory cyber awareness training and phishing simulations. • Scenario testing of cyber-attacks to stress-test our risk management measures, crisis management and business continuity plans.

Strategic Report (continued)

EDRINGTON DISTILLERS LIMITED

Risk & Risk Impact	Risk Mitigating Actions	Developments in 2022-2023
<p>Misuse of Personal Data Risk Outlook: ↔</p> <p>Inadequate management of personal data could lead to reputational damage, penalties, and financial loss.</p>	<ul style="list-style-type: none"> • Reviews of consumer data, with safeguards developed to ensure ongoing compliance. • Enhanced data privacy measures, 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. 	<ul style="list-style-type: none"> • The Group's biennial mandatory data privacy training has been refreshed and issued to all employees. • An in-depth review of data retention procedures and a data mapping exercise is underway to ensure ongoing compliance. • A review of our data breach management process has been carried out in conjunction with initiatives to test the effectiveness of the measures in place.
<p>Supply Chain Disruption Risk Outlook: ↑</p> <p>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.</p>	<ul style="list-style-type: none"> • 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. • Ongoing review of stockholding levels of both raw materials and finished goods to mitigate the impact of disruption. 	<ul style="list-style-type: none"> • A change in manufacturing shift patterns to enable an increase in production capacity and the ability to support increased stockholding levels. • A review of contingency bottling arrangements to identify additional sources of capacity. • Contingency sourcing of packaging materials and geographical diversification of suppliers.
<p>Scarcity of Sustainable Raw Materials Risk Outlook: ↔</p> <p>Our ability to secure the appropriate quality and quantity of core raw materials due to environmental concerns, climate change and industry demands.</p>	<ul style="list-style-type: none"> • We have established long term contracts with key raw material suppliers in line with projected manufacturing requirements. • Ongoing audits of the quality and sustainability credentials of our raw materials are performed prior to manufacturing. • Circular economy KPIs have been introduced to monitor our compliance to this commitment. 	<ul style="list-style-type: none"> • Fully recyclable packaging being identified for our core and prestige ranges. • Increased use of recycled glass. • Elimination of non-essential packaging materials. • Glass weight reduction research has been completed. Design reviews and trials are being performed. • Acquisition of Grupo Estevez to provide ownership of vineyards and sherry wine supply for seasoning casks.
<p>Adverse Political and Social Attitudes to Alcohol Risk Outlook: ↔</p> <p>Tighter restrictions on alcohol promotion, sales and/or consumption may limit market access resulting in loss of revenue.</p>	<ul style="list-style-type: none"> • Membership of national and international organisations that work to encourage the responsible promotion and consumption of alcohol and reduce alcohol-related harms. • Annual review of our policies, communications, and requirements, including Code of Conduct and Marketing Code. • Edrington's policies and campaigns are reviewed annually by the Marketing Code Committee. 	<ul style="list-style-type: none"> • We continue to partner with relevant organisations, including the Scotch Whisky Association, spiritsEUROPE and other trade organisations, to monitor potential restrictions. • A full review of restrictions across all geographies has been performed to enable proactive monitoring of any changes.

Strategic Report (continued)

EDRINGTON DISTILLERS LIMITED

Risk & Risk Impact	Risk Mitigating Actions	Developments in 2022-2023
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.	<ul style="list-style-type: none"> • Ongoing monitoring of principal exposures of our brands. • Brand security education, surveillance and enforcement activities are performed to identify and address any potential counterfeit and/or refilling operations. • Ongoing monitoring of globally trademark applications, opposing those that infringe our rights. • Implementation of Custom's Notices in conjunction with a programme of market inspections and raiding and shutting down of counterfeit/refilling operations in key countries. 	<ul style="list-style-type: none"> • New trademarks in various classes registered across key geographies. • Clearance and application/registration process built into new product development. • Joint raids conducted with peer brands to broaden enforcement actions at cheaper rates due to cost savings.
Sustainability & Climate Change Risk Outlook: ↑ Global warming results in adverse weather conditions, increased risk of wildfire, flooding, sea level rises or other events that cause significant operational disruption.	<ul style="list-style-type: none"> • Sustainability related KPIs have been defined and assigned across the different Business Units to ensure requirements are built into their strategic objectives. • Sustainability risk assessments are reviewed regularly to ensure risks are managed at both a local and Group level. 	<ul style="list-style-type: none"> • A climate change risk assessment has been performed in line with TCFD recommendations and a specific review of the sustainability risks.
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.	<ul style="list-style-type: none"> • Scenario planning reviewed to ensure business continuity plans remain relevant and supportive of our operations. • Increased stockholding levels will support challenges to distribution should there be supply chain disruptions. 	<ul style="list-style-type: none"> • Although economies have resumed normal trading, monitoring of health risks across different geographies will be maintained.

Strategic Report (continued)

EDRINGTON DISTILLERS 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 decision 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 16-20
(c) the need to foster the company's business relationships with suppliers, customers and others	Stakeholder Engagement – pages 16-20
(d) the impact of the company's operations on the community and the environment	Stakeholder Engagement – pages 16-20
(e) the desirability of the company maintaining a reputation for high standards of business conduct	Corporate Sustainability and Responsibility – pages 24-29
(f) the need to act fairly as between members of the company	Stakeholder Engagement – pages 16-20

Cutting our Carbon Footprint

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

In 2022/23, the business reduced its annual CO₂e emissions for scopes 1 and 2 by 40% compared to 2021/22 driven by the roll out of further energy submeters to improve site energy management.

We report our emissions in line with the Greenhouse Gas Protocol Corporate Standard for our financial year. The below table reports Scope 1 and 2 emissions from our businesses where the company has operational control. This is in line with the Streamlined Energy and Carbon Reporting requirements (SECR).

	2022/23 (MWh)	2022/23 (tCO ₂ e)	2021/22 (MWh)	2021/22 (tCO ₂ e)	Change vs PY (tCO ₂ e)
Scope 1	4,318	838	4,348	856	(2%)
Scope 2	6,109	50	6,030	630	(92%)
Total Energy	10,427	888	10,377	1,486	(40%)
Gas	3,516	642	3,305	627	24%
Electricity	6,109	50	6,030	630	(92%)
Company Vehicles	788	170	817	178	(4%)
Total (Gas, Electricity + Company Vehicles)	10,413	862	10,152	1,435	(40%)
Other	14	26	25	51	(49%)
Distillery Production (LOA'000)		17,415		17,242	
Intensity Metric (tCO ₂ e/LOA)		0.0495		0.0832	

Paul Hyde

P. A. Hyde
Director

31 August 2023

Directors' Report

EDRINGTON DISTILLERS LIMITED

The directors present their Annual Report together with the audited financial statements for the year ended 31 March 2023.

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 2023.

The financial position of the company remains strong, with total equity of £132.1m (2022: £142.4m).

Further information on the business performance is detailed on pages 2-7 of the Strategic Report.

Future developments

We are confident that the Company will continue to grow value for its shareholders and make further progress toward its vision of "*Giving More by crafting exceptional ultra-premium spirits brands*". This is partly because the trading environment is improving as Covid recedes and inflationary pressures ease, but mainly because we have a clear strategy, healthy brands and a capable and motivated workforce. Whilst external risks remain, especially in relation to geopolitical tensions, our positive results this year have enabled investment in our business that will fuel growth and enable us to face whatever challenges lie ahead with confidence.

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" applicable in the UK and Republic of Ireland. 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' Report (continued)

EDRINGTON DISTILLERS LIMITED

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

The Edrington Group, of which the company is a part, is committed to engaging employees at all levels regarding matters which affect them and the performance of the Group. 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.

The Group has in place an employee engagement survey which runs every two years, with pulse surveys operating at intervals in between. We are pleased that the overall global engagement score from our pulse survey conducted in February 2023 increased from 74% to 80%, representing a top quartile engagement result.

The Group also surveys its employees on important matters that relate to the Company's culture and values.

Currently all employees can attend an annual Year in Review event delivered by a member of the senior management team. This allows employees the opportunity to understand detailed financial and strategic plans for the performance year and beyond, and to ask questions of senior management. There are also regular townhall sessions where members of the executive team host an interactive session encouraging questions, thoughts and opinions from the workforce.

Executives and senior management at the business undertake breakfast sessions aimed at fostering constructive and trusting relationships between executives and employees. Regular video interviews with executives and senior management are also available to provide employees with further insight into company performance and priorities throughout the year.

The Group continues to progress its diversity, equity, and inclusion (DE&I) strategy with a global DE&I working group that meets quarterly. This working group currently comprises of ten DE&I champions representing each of our Business Units and regions and the global co-chairs of our Balance and Kick-start employee networks. The working group provides employees at all levels with the organisation and opportunity to input and feedback on our DE&I strategy and actions.

A report from the Group HR Director is submitted to each Board meeting and the results of employee engagement surveys are also presented to the Board.

Our Your Voice forum operates across the Group with attendees appointed to represent a cross-section of employees in the business. The Chief Executive and Global HR Director attend each meeting in the UK, and one meeting regionally each year. The purpose of the forum is to support meaningful engagement with employees on topics that have a direct impact on employees such as organisational changes, sustainability, ways of working, learning and reward.

Engagement with our trade union partners, through monthly partnership meetings, ensures that we have regular dialogue on important matters, such as improving our places of work, employee safety, and shift working.

Directors' Report (continued)

EDRINGTON DISTILLERS LIMITED

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.

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 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 given the current risks highlighted around scarcity of supply and global uncertainty.	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.

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 6.

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 3-6 and note 20.

Directors' Report (continued)

EDRINGTON DISTILLERS LIMITED

Going concern

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 over the next three years. The underlying assumption continues to be that our operations in Scotland 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 over the last three years has given us the confidence that we have the ability to adapt quickly and decisively to manage our liquidity. 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. Based on a scenario showing a contribution decline of 10% from our plan, the business has the ability to remain within our lenders' covenant conditions through a reduction in the cost base and investment levels.

In addition, 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.

Paul Hyde

P. A. Hyde
Director
31 August 2023

Independent Auditor's Report to the members of Edrington Distillers Limited

For the year to 31 March 2023

EDRINGTON DISTILLERS LIMITED

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 2023 and of its profit 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 statement of accounting policies; and
- the related notes 1 to 26.

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.

Independent Auditor's Report to the members of Edrington Distillers Limited (continued)

For the year to 31 March 2023

EDRINGTON DISTILLERS LIMITED

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, internal audit and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

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, 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 including relevant internal specialists such as tax and IT 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 areas, and our procedures performed to address them 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 and succeeding the year end date, and agreed to the relevant supporting documentation to verify that revenue has been recognised in the correct accounting period.
- Accruals, specifically in relation to the completeness, existence, valuation and allocation of advertising and promotion and selling cost accruals. Our audit procedures to address this risk included, but were not limited to, substantive detail testing, including testing historical accuracy of accruals, recalculation of the year-end accruals balances with agreement to contracts and post year end invoices.

Independent Auditor's Report to the members of Edrington Distillers Limited (continued)

For the year to 31 March 2023

EDRINGTON DISTILLERS LIMITED

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, internal audit 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
31 August 2023

Income Statement

For the year to 31 March 2023

EDRINGTON DISTILLERS LIMITED

	Note	Total 2023 £m	Total 2022 £m
Revenue	1	184.0	140.6
Cost of sales		(183.6)	(147.5)
Gross profit/(loss)		0.4	(6.9)
Other administration costs		(2.4)	(2.5)
Operating loss		(2.0)	(9.4)
Investment income	6	1.9	0.8
Earnings before interest and tax		(0.1)	(8.6)
Finance Income	2	2.2	0.2
Finance Costs	2	(0.2)	(0.1)
Profit/(loss) before taxation	3	1.9	(8.5)
Taxation	5	0.2	(0.9)
Profit/(loss) in the year		2.1	(9.4)

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 40 form an integral part of these financial statements.

Statement of comprehensive income

For the year to 31 March 2023

EDRINGTON DISTILLERS LIMITED

	Note	2023 £m	2022 £m
Profit/(loss) for the financial year		2.1	(9.4)
Other comprehensive (expense)/income			
Items that will not be reclassified to profit and loss			
Actuarial (loss)/gain on pension scheme	18	(16.7)	7.0
Movement on deferred tax on pension scheme	15	4.0	0.6
Movement in post-retirement benefits taken straight to reserves		0.6	(0.6)
Pension fees paid directly to scheme		-	(0.1)
Total other comprehensive (expense)/income for the year		(12.1)	6.9
Total comprehensive expense for the year, net of tax		(10.0)	(2.5)

The accounting policies and notes on pages 19 to 40 form an integral part of these financial statements.

Statement of financial position

As at 31 March 2023

EDRINGTON DISTILLERS LIMITED

	Note	2023 £m	2022 £m
Non-current assets			
Intangible assets	7	4.6	4.2
Property, plant and equipment	8	38.6	38.5
Right of use assets	9	5.1	2.7
Investments	10	27.5	27.5
Deferred tax assets	15	1.3	-
Post-employment benefit surplus	18	7.1	20.2
Preference shares	21	-	-
Total non-current assets		84.2	93.1
Current assets			
Inventories	11	3.1	21.1
Trade and other receivables	12	84.7	65.0
Current tax asset		0.9	1.0
Cash and cash equivalents		6.8	9.2
Total current assets		95.5	96.3
Total assets		179.7	189.4
Equity and liabilities			
Share capital	16	36.0	36.0
Share based payment reserve		0.5	0.5
Retained earnings		95.6	105.9
Total equity		132.1	142.4
Non-current liabilities			
Deferred tax liabilities	15	-	2.2
Long term lease liabilities	25	5.6	2.9
Total non-current liabilities		5.6	5.1
Total current liabilities			
Trade and other payables	13	34.6	30.5
Short term lease liabilities	25	0.5	0.7
Borrowings	14	6.9	10.7
Total current liabilities		42.0	41.9
Total equity and liabilities		179.7	189.4

The accounting policies and notes on pages 19 to 40 form an integral part of these financial statements.

The financial statements of the company (registered number SC014472) were approved and authorised for issue by the directors on 31 August 2023. They were signed on their behalf by:

Paul Hyde

P. A. Hyde
Director
31 August 2023

Statement of changes in equity

For the year to 31 March 2023

EDRINGTON DISTILLERS LIMITED

	Share capital	Share Based Payment Reserve	Retained earnings	Total equity
	£m	£m	£m	£m
Balance at 1 April 2022	36.0	0.5	105.9	142.4
Share based payment movement	-	-	(0.3)	(0.3)
Transaction with owners	-	-	(0.3)	(0.3)
Profit for the year	-	-	2.1	2.1
Other comprehensive expense	-	-	(12.1)	(12.1)
Total comprehensive expense for the year	-	-	(10.0)	(10.0)
Balance at 31 March 2023	36.0	0.5	95.6	132.1

	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 expense for the year	-	-	(2.5)	(2.5)
Balance at 31 March 2022	36.0	0.5	105.9	142.4

The accounting policies and notes on pages 19 to 40 form an integral part of these financial statements.

Accounting policies

EDRINGTON DISTILLERS LIMITED

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 except 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 page 2.

Adoption of new and revised standards

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

- | | |
|---|--|
| • 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. |
| • Amendments to IAS 1 | Classification of Liabilities as Current or Non-current. |
| • 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. |

The adoption of the standards above do not have a material impact on the current year financial statements and 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 periods.

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new or revised IFRS Accounting Standards that have been issued but are not yet effective and in some cases had not yet been adopted in the UK.

- | | |
|---|--|
| • IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17) | Insurance Contracts. |
| • Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. |
| • Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies. |
| • Amendment to IAS 8 | Definition of Accounting Estimates. |
| • Amendment to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction. |

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 periods.

Accounting policies (continued)

EDRINGTON DISTILLERS LIMITED

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 entered into between two or more members of The Edrington Group as they are wholly owned with The Edrington Group;
- 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 and therefore it is appropriate to adopt the going concern basis in preparing the financial statements.

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.

Software

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%.

Accounting policies (continued)

EDRINGTON DISTILLERS LIMITED

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.

Accounting policies (continued)

EDRINGTON DISTILLERS LIMITED

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.

Accounting policies (continued)

EDRINGTON DISTILLERS LIMITED

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.

Amortised Cost

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 rise 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.

Accounting policies (continued)

EDRINGTON DISTILLERS LIMITED

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.

Accounting policies (continued)

EDRINGTON DISTILLERS LIMITED

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.

Notes to the financial statements

For the year to 31 March 2023

EDRINGTON DISTILLERS LIMITED

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:

	2023 £m	2022 £m
Sale of cased goods	118.0	94.9
Sale of non-cased goods	65.1	45.0
Income from services rendered	0.9	0.7
Total revenue	184.0	140.6

2 Finance income and finance costs

	2023 £m	2022 £m
Finance income		
Interest on defined benefit pension scheme (note 18)	0.7	0.2
Interest received from group companies	1.1	-
Other interest received	0.4	-
Total finance income	2.2	0.2
Finance costs		
Other interest payable	(0.2)	(0.1)
Total finance costs	(0.2)	(0.1)

3 Profit/(loss) before taxation

	2023 £m	2022 £m
Profit/(loss) before taxation is stated after charging:		
Inventory charged to income statement	18.7	3.5
Intangible amortisation (note 7)	0.8	0.8
Depreciation of tangible fixed assets - owned	6.5	5.6
Foreign exchange (loss)/gain	(2.8)	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 £30,030 (2022: £27,300). There were no non audit fees paid in the current or prior years.

Notes to the financial statements(continued)

For the year to 31 March 2023

EDRINGTON DISTILLERS LIMITED

4 Employees

	2023	2022
	Number	Number
The average number of employees during the year was as follows:		
Engaged in distilling, coopering, blending, bottling and marketing of Scotch whisky	710	688
	2023	2022
Employment costs during the year, (including temporary employees and directors' remuneration) amounted to:	£m	£m
Wages and salaries	31.6	28.9
Social security costs	4.6	4.2
Pension costs	5.9	4.6
Annual employee incentive schemes	1.4	1.7
Employee share schemes	0.5	0.4
Long term incentive plans	2.4	2.4
	46.4	42.2

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 and prior years.

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 2023.

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

	2023	2022
	£m	£m
Emoluments (excluding pension contributions)	1.5	1.1
Benefits	-	0.2
Employee share schemes	0.1	0.1
Performance related annual incentive plan	1.4	1.3
Performance related long term incentive plan & other payments	3.0	3.1
	6.0	5.8

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, one director (2022: no directors) exercised their share rights under the ShareSave Scheme.

During the year, no directors (2022: no directors) participated in the defined benefit pension scheme, and two participated in the defined contribution scheme (2022: two directors).

Notes to the financial statements(continued)

For the year to 31 March 2023

EDRINGTON DISTILLERS LIMITED

4 Employees (continued)

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

	2023 £m	2022 £m
Emoluments (excluding pension contributions)	0.7	0.6
Benefits	-	0.1
Employee share schemes	0.1	0.1
Performance related annual incentive plan	0.9	0.8
Performance related long term incentive plan & other payments	2.0	2.0
	<u>3.7</u>	<u>3.6</u>

The highest paid director did not exercise rights under the ShareSave Scheme in this year or the prior year. The aggregate gain by the director exercising share rights during the year was £nil (2022: £nil).

5 Taxation

	2023 £m	2022 £m
The tax charge represents:		
Current tax		
Current tax on profits for the year at 19% (2022: 19%)	(0.9)	(0.4)
Adjustment in respect of prior years	-	(0.1)
Foreign tax	0.1	-
Total current tax	<u>(0.8)</u>	<u>(0.5)</u>
Deferred tax		
In respect of the current year	0.5	(1.0)
Adjustment in respect of prior year	(0.1)	0.1
Effect of changes in tax rates	0.2	2.3
Total deferred tax	<u>0.6</u>	<u>1.4</u>
Total tax	<u>(0.2)</u>	<u>0.9</u>

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% (2022: 19%). The differences are explained below:

	2023 £m	2022 £m
Profit/(loss) before tax	1.9	(8.5)
Tax on loss at standard UK tax rate of 19% (2022: 19%)	0.4	(1.6)
Effect of income that is exempt from taxation	(0.4)	(0.2)
Adjustment in respect of prior years	(0.1)	-
Effect of expenses that are not deductible in determining taxable profit	0.3	0.5
Use of losses previously unrecognised	(0.6)	-
Tax rate changes	0.2	2.3
Effect of overseas tax rates	0.1	-
Other	(0.1)	(0.1)
Income tax expense recognised in income statement	<u>(0.2)</u>	<u>0.9</u>

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Group is reviewing these rules to understand any potential impacts. The Company does not account for deferred tax on top-up taxes and therefore, if these rules had been substantively enacted on the balance sheet date, there would have been no deferred tax accounting impact.

Notes to the financial statements(continued)

For the year to 31 March 2023

EDRINGTON DISTILLERS LIMITED

6 Investment income

	2023	2022
	£m	£m
Share in loss from joint venture investment	(0.2)	-
Dividend income	2.1	0.8
	<u>1.9</u>	<u>0.8</u>

7 Intangible fixed assets

	Software £m
Cost at 1 April 2022	6.7
Additions	1.2
Cost at 31 March 2023	<u>7.9</u>
Amortisation at 1 April 2022	2.5
Charge for the year	0.8
Amortisation at 31 March 2023	<u>3.3</u>
Net book value at 31 March 2023	<u>4.6</u>
Net book value at 31 March 2022	<u>4.2</u>

8 Tangible fixed assets

	Freehold land & buildings £m	Plant & equipment £m	Casks £m	Assets under construction £m	Total £m
Cost at 1 April 2022	39.5	80.5	4.4	5.3	129.7
Additions	0.2	4.5	-	2.2	6.9
Disposals	(0.1)	(6.1)	(4.4)	-	(10.6)
Transfer	0.2	1.4	-	(1.6)	-
Cost at 31 March 2023	<u>39.8</u>	<u>80.3</u>	<u>-</u>	<u>5.9</u>	<u>126.0</u>
Depreciation at 1 April 2022	24.9	63.1	3.2	-	91.2
Charge for year	1.1	4.1	-	-	5.2
Disposals	(0.1)	(5.7)	(3.2)	-	(9.0)
Depreciation at 31 March 2023	<u>25.9</u>	<u>61.5</u>	<u>-</u>	<u>-</u>	<u>87.4</u>
Net book value at 31 March 2023	<u>13.9</u>	<u>18.8</u>	<u>-</u>	<u>5.9</u>	<u>38.6</u>
Net book value at 31 March 2022	<u>14.6</u>	<u>17.4</u>	<u>1.2</u>	<u>5.3</u>	<u>38.5</u>

Notes to the financial statements(continued)

For the year to 31 March 2023

EDRINGTON DISTILLERS LIMITED

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 2022	4.3	0.1	4.4
Additions	3.0	-	3.0
At 31 March 2023	7.3	0.1	7.4
Depreciation at 1 April 2022	1.7	-	1.7
Charge for the year	0.6	-	0.6
31 March 2023	2.3	-	2.3
Net book value at 31 March 2023	5.0	0.1	5.1
Net book value at 1 April 2022	2.6	0.1	2.7

10 Fixed assets investments

	Subsidiary undertakings £m	Associated undertakings £m	Other investments £m	Total investments £m
Cost and Net book value				
At 1 April 2022 and 31 March 2023	14.8	12.6	0.1	27.5

At 31 March 2023 the company owned the following significant investments:

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 & 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

Notes to the financial statements(continued)

For the year to 31 March 2023

EDRINGTON DISTILLERS LIMITED

11 Inventories

	2023	2022
	£m	£m
Scotch whisky	0.5	18.6
Other stocks	2.6	2.5
	<u>3.1</u>	<u>21.1</u>

Within total inventory, there is no inventory which will be realised in greater than 1 year (2022: £13.1m). The replacement cost of other stocks is not significantly different from the values shown.

12 Trade and other receivables

	2023	2022
	£m	£m
Trade receivables	0.2	0.3
Less – expected credit loss	-	-
Trade receivables - net	<u>0.2</u>	<u>0.3</u>
Other receivables	3.7	2.3
Prepayments	8.2	2.0
Amounts owed by group undertakings	24.6	10.7
Amounts owed by associates	0.4	-
Loans to parent company	47.6	49.7
	<u>84.7</u>	<u>65.0</u>

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

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 £34,170 in the year and £33,454 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					
	Not past due	<30	31-60	61-90	>90	Total
31 March 2022	£m	£m	£m	£m	£m	£m
Expected credit loss rate	21.3%	13.4%	10.6%	10.6%	10.6%	16.8%
Expected total gross carrying amount at default	0.11	0.02	0.00	0.00	0.07	0.20
Lifetime ECL	0.02	0.00	0.00	0.00	0.01	0.03

	Trade receivables – days past due					
	Not past due	<30	31-60	61-90	>90	Total
31 March 2021	£m	£m	£m	£m	£m	£m
Expected credit loss rate	0.2%	1.0%	23.7%	49.5%	52.8%	11.0%
Expected total gross carrying amount at default	0.21	0.03	0.01	0.00	0.02	0.3
Lifetime ECL	0.00	0.00	0.00	0.02	0.01	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. Interest is charged at a rate of SONIA -0.1% which reflects the prevailing yield on the underlying deposits.

Notes to the financial statements(continued)

For the year to 31 March 2023

EDRINGTON DISTILLERS LIMITED

13 Trade payables and other liabilities

	2023	2022
	£m	£m
Trade payables	14.7	8.8
Amounts owed to group undertakings	6.5	4.6
Amounts owed to associates	-	0.2
Accruals and other creditors	11.5	15.9
Other taxes and social security costs	1.2	1.0
Bank borrowings / overdraft	0.7	-
	<u>34.6</u>	<u>30.5</u>

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

14 Borrowings

	2023	2022
	£m	£m
Loans from associates	6.0	6.0
Loans from group undertakings	0.9	4.7
	<u>6.9</u>	<u>10.7</u>

Edrington Distillers Limited has access to a £5.0m 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.

Loans from associates represents a loan payable to Lothian Distillers Limited which is non interest bearing. The loans from group undertakings are payable to The Clyde Cooperage Company Limited, Hepburn & Ross Limited, R & B (West Nile Street) Limited and Robertson & Baxter Limited, all of which are non interest bearing. The loan receivable from Marshall McGregor Limited was repaid during the year.

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)
Charge/(Credit) 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)
Prior Year Adjustment	0.1	-	-	0.1
Charge/(credit) to income statement	(0.3)	(1.2)	0.9	(0.6)
Charge to other comprehensive income	-	4.0	-	4.0
At 31 March 2023	(0.9)	(0.8)	3.0	1.3

Unrecognised deferred tax asset	2023	2022
	£m	£m
Temporary differences in trading (revenue in nature)	0.3	-
Tax losses (revenue in nature)	-	0.9
	<u>0.3</u>	<u>0.9</u>

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 2023 have been calculated based on these rates, reflecting the expected timing reversal of the related temporary differences (2022: 19%).

Notes to the financial statements(continued)

For the year to 31 March 2023

EDRINGTON DISTILLERS LIMITED

16 Share capital

	Authorised, Issued and fully paid £m
At 1 April 2022 and 31 March 2023:	
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 £0.5m relating to equity-settled share based payment transactions in the year to 31 March 2023 (2022: £0.4m).

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

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

	2023		2022	
	Number of share options	Weighted average exercise price (in £)	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of period	193,942	27.74	202,101	18.97
Granted during the period	67,023	39.80	92,164	36.56
Exercised during the period	(101,778)	19.76	(98,848)	18.14
Forfeited during the period	(6,788)	36.56	(1,475)	19.76
Outstanding at the end of the period	152,399	37.98	193,942	27.74

The weighted average share price at the date of exercise for share options exercised during the period was £19.76 (2022: £18.14). The options outstanding at 31st March 2023 had a weighted average exercise price of £37.98 (2022: £27.74), and a weighted average remaining contractual life of 3.0 years (2022: 2.0 years). The fair value of the options granted in April 2023 was £0.7m (April 2022: £0.8m). The inputs into the Black-Scholes model are as follows:

Grant date	01-Apr-22	01-Apr-21	01-Apr-20
Share price at grant date	£49.75	£45.71	N/a*
Exercise price at grant date	£39.80	£36.56	N/a*
Expected volatility	11%	12%	13%
Expected life	3 years	3 years	3 years
Risk free rate	1.43%	0.14%	0.66%
Expected dividend yield	0.95%	0.82%	N/a*

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 financial year beginning 1 April 2020.

Notes to the financial statements(continued)

For the year to 31 March 2023

EDRINGTON DISTILLERS LIMITED

18 Retirement Benefit Liabilities

The company operates a defined benefit pension scheme providing benefits based on final salary, which has been closed to new employees since February 2008. On 31 October 2014, the scheme was closed to future accrual. In addition, for new 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 6 April 2022. Both valuations were performed by independent, professionally qualified actuaries.

	2023	2022
	£m	£m
Pension scheme surplus	8.2	21.9
Other post-retirement benefit	(1.1)	(1.7)
	<u>7.1</u>	<u>20.2</u>

The major assumptions used by the actuary were as follows:

	2023	2022
Rate of increase of pensions in payment	1.85%-3.80%	2.30%-3.85%
Discount rate	4.85%	2.80%
Inflation assumption	3.35%	3.70%

The post retirement mortality assumption used to value the benefit obligation at 31 March 2023 is the S3 actuarial index adjusted by 98% for males and 108% for females (2022: 94% for both males and females), plus an allowance for 'CMI 2021' 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:

	2023	2022
	£m	£m
Bonds	76.0	103.3
Cash	8.3	4.8
Illiquid debt	-	33.0
Insured pensions	56.8	74.7
Total market value of assets	<u>141.1</u>	<u>215.8</u>
Present value of scheme liabilities	<u>(132.9)</u>	<u>(193.9)</u>
Surplus in pension schemes	<u>8.2</u>	<u>21.9</u>

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

	2023	2022
	£m	£m
Loss on curtailment of pension liabilities	-	(0.3)

Analysis of net charge to finance costs

	2023	2022
	£m	£m
Expected return on pension schemes assets	6.0	4.6
Interest on pension liabilities	(5.3)	(4.4)
Net credit to finance costs (note 2)	<u>0.7</u>	<u>0.2</u>

Notes to the financial statements(continued)

For the year to 31 March 2023

EDRINGTON DISTILLERS LIMITED

18 Retirement Benefit Liabilities (continued)

Analysis of amount recognised in statement of comprehensive income	2023	2021
	£m	£m
Actual return less expected return on assets	(72.0)	(8.2)
Experience losses on liabilities	(1.7)	(5.0)
Changes in assumptions	57.0	20.2
Actuarial (loss)/gain recognised in the statement of comprehensive income	<u>(16.7)</u>	<u>7.0</u>

Reconciliation of fair value of plan assets	2023	2021
	£m	£m
Opening fair value of scheme assets	215.8	217.7
Expected return on assets	6.0	4.6
Employers' contributions	2.3	10.9
Actuarial loss	(72.0)	(8.2)
Benefits paid	(11.0)	(9.2)
Closing fair value of scheme assets	<u>141.1</u>	<u>215.8</u>

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 £72.0m (2022: £8.2m).

Reconciliation of defined benefit obligation	2023	2021
	£m	£m
Opening defined benefit obligation	(193.9)	(213.6)
Past service cost including curtailment	-	(0.3)
Interest cost	(5.3)	(4.4)
Actuarial gain	55.3	15.2
Benefits paid	11.0	9.2
Closing defined benefit obligation	<u>(132.9)</u>	<u>(193.9)</u>

Movement in deficit during the year	2023	2021
	£m	£m
Surplus in scheme at beginning of year (before related deferred tax asset)	21.9	4.1
Loss on curtailment of pension liabilities	-	(0.3)
Contributions	2.3	10.9
Net interest cost	0.7	0.2
Actuarial (loss)/gain	(16.7)	7.0
Surplus in Scheme at end of year (before related deferred tax asset)	<u>8.2</u>	<u>21.9</u>

The company paid deficit reduction payments £2.3m (2022: £4.0m) to the pension schemes in the period to 31 March 2023.

Notes to the financial statements(continued)

For the year to 31 March 2023

EDRINGTON DISTILLERS LIMITED

18 Retirement Benefit Liabilities (continued)

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Five year history:					
Total fair value of assets	141.1	215.8	217.7	223.0	209.5
Present value of scheme liabilities	(132.9)	(193.9)	(213.6)	(196.6)	(204.1)
Surplus/(deficit) in pension scheme	8.2	21.9	4.1	26.4	5.4
History of experience gains and losses					
	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Experience adjustments on schemes' assets	(72.0)	(8.2)	(6.1)	10.2	(2.1)
Percentage of schemes' assets	(51.0%)	(3.8%)	(2.8%)	4.6%	(1.0%)
Experience adjustments on schemes' liabilities	(1.7)	(5.0)	(19.6)	3.4	(10.5)
Percentage of schemes' liabilities	1.3%	2.6%	9.2%	(1.7%)	5.1%
Total amount recognised in statement of other comprehensive income	(16.7)	7.0	(25.7)	13.6	(12.6)
Percentage of schemes' liabilities	12.6%	(3.6%)	12.0%	(6.9%)	6.1%

Sensitivity analysis

The sensitivity of the present value of scheme liabilities to changes in the principal assumptions used at 31 March 2023 is set out below:

Assumption	Sensitivity	Financial impact on overall liability Year to 31 March 2023	Financial impact on overall liability Year to 31 March 2022
Discount rate	+/- 0.5%	Decrease/increase by £9.0m	Decrease/increase by £17.7m
Mortality – increase in life	+/- 1 year	Decrease/increase by £4.7m	Decrease/increase by £6.8m
Increase in inflation	+/- 0.5%	Decrease/increase by £2.4m	Decrease/increase by £6.5m

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

	2023		2022	
	Males	Females	Males	Females
Average future life expectancy (in years) for a member aged 65 at 31 March	21.8	23.8	22.8	24.6
Average future life expectancy (in years) at age 65 for a member aged 45 at 31 March	23.4	25.6	24.5	26.4

Other Post Retirement Benefits

	2023 £m	2022 £m
Potential liability for discretionary post retirement benefits	(1.1)	(1.7)
Related deferred tax asset	0.4	0.4
Net potential liability for discretionary post retirement benefits	(0.7)	(1.3)

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 £3.8m (2022: £3.7m).

Notes to the financial statements(continued)

For the year to 31 March 2023

EDRINGTON DISTILLERS LIMITED

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.

		2024	2025	2026	2027	2028	2029 and thereafter	Total
31 March 2023	Note	£m	£m	£m	£m	£m	£m	£m
Borrowings	14	(6.9)	-	-	-	-	-	(6.9)
Payables	13	(33.4)	-	-	-	-	-	(33.4)
Lease Liabilities	25	(0.5)	(0.9)	(0.9)	(0.8)	(0.8)	(2.2)	(6.1)
Non-derivative financial liabilities		(40.8)	(0.9)	(0.9)	(0.8)	(0.8)	(2.2)	(46.4)

		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	(29.5)	-	-	-	-	-	(29.5)
Lease Liabilities	25	(0.7)	(0.8)	(0.8)	(0.8)	(0.7)	0.2	(3.6)
Non-derivative financial liabilities		(40.9)	(0.8)	(0.8)	(0.8)	(0.7)	0.2	(43.8)

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.

Currency risk management

The following 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 2023, 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 differ materially in the future as a result of developments in global financial markets impacting exchange rates.

	Impact on income statement gain/(loss)		Impact on comprehensive income gain/(loss)	
	2023	2022	2023	2022
	£m	£m	£m	£m
10% weakening of sterling	(0.1)	(0.1)	(0.1)	-
10% strengthening of sterling	0.1	0.1	0.1	-

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.

Notes to the financial statements(continued)

For the year to 31 March 2023

EDRINGTON DISTILLERS LIMITED

20 Risk Management (continued)

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.

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 2022. 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 2023			
	Amortised Cost £m	Total £m	Current £m	Non- Current £m
Financial Assets				
Trade receivables	72.8	72.8	72.8	-
Cash and Cash equivalents	6.8	6.8	6.8	-
	<u>79.6</u>	<u>79.6</u>	<u>79.6</u>	<u>-</u>
Financial Liabilities				
Trade and other payables	(39.5)	(39.5)	(33.9)	(5.6)
Borrowings	(6.9)	(6.9)	(6.9)	-
	<u>(46.4)</u>	<u>(46.4)</u>	<u>(40.8)</u>	<u>(5.6)</u>
	<u>33.2</u>	<u>33.2</u>	<u>38.8</u>	<u>(5.6)</u>

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

21 Preference Shares

The company holds preference shares to the value of £1 (2022: £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 (2022: £nil).

Notes to the financial statements(continued)

For the year to 31 March 2023

EDRINGTON DISTILLERS LIMITED

22 Other contractual obligations

	2023 £m	2022 £m
Contracted but provided for		
- Material purchase commitments	12.3	3.6
- capital commitments	1.5	1.7
	<u>13.8</u>	<u>5.3</u>

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.

23 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 no sales (2022: £0.1m) to companies that are associates of The Edrington Group Limited.

The company made purchases of £0.7m (2022: £0.8m) and received services to the value of £0.2m (2022: £0.6m) from Lothian Distillers Limited ("Lothian").

The Company made purchases of £1.1m (2022: £0.3m) from No.3 London Dry Gin Ltd.

The company held a working capital loan of £6.0m (2022: £6.0m) with Lothian and a working capital loan of £0.4m (2022: £0.2m) with No.3 London Dry Gin Ltd.

Balance Sheet Items	2023 £m	2022 £m
Payables		
Lothian	-	(0.1)
	-	(0.1)
Receivables		
Lothian	-	0.1
	-	0.1
	<u>-</u>	<u>-</u>

24 Leases

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

Amounts recognised in the income statement	2023 £m	2022 £m
Depreciation expense on right-of-use assets	0.6	0.6
Interest expense on lease liabilities	0.1	0.1
Expense related to short-term leases & low value assets	0.1	0.1
	<u>0.8</u>	<u>0.8</u>

At 31 March 2023, the company committed to £100,000 (2022: £100,000) for short-term leases.

Notes to the financial statements(continued)

For the year to 31 March 2023

EDRINGTON DISTILLERS LIMITED

25 Lease liabilities

	2023	2022
	£m	£m
Amounts due for settlement within 12 months	0.5	0.7
Amounts due to settlement after 12 months	5.6	2.9
	<u>6.1</u>	<u>3.6</u>
Maturity analysis	2023	2022
	£m	£m
Less than one year	0.6	0.8
One to two years	0.9	0.8
Two to three years	0.9	0.8
Three to four years	0.8	0.8
Four to five years	0.8	0.7
Later than five years	3.0	-
	<u>7.0</u>	<u>3.9</u>
Less unearned interest	(0.9)	(0.3)
	<u>6.1</u>	<u>3.6</u>

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.

26 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.