

USL Holdings Limited
Annual Report and Financial Statements
31 March 2017

Registered number: 1385373 (BVI)

CONTENTS**PAGE**

Director's report	2-3
Statement of director's responsibilities in respect of the director's report and the financial statements	4
Statement of comprehensive income	5
Balance sheet	6
Statement of changes in equity	7
Notes to the financial statements	8-13
Independent auditor's report to the director of USL Holdings Limited	14-15

Director's report

The director has pleasure in submitting its annual report, together with the audited financial statements for the year ended 31 March 2017.

The director was entitled to take advantage of the small companies' exemption in not preparing a strategic report. This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Activities

The company is an investment holding company. The director foresees no changes in the company's activities.

Going concern

The director has no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of United Spirits Limited to continue as a going concern. On the basis of its assessment, the company's director has a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future as a fellow group undertaking has agreed to provide financial support for the foreseeable future. The going concern basis of accounting continues to be used to prepare the annual financial statements.

Financial

The results for the financial year ended 31 March 2017 are shown on page 5.

The profit for the financial year transferred to reserves was \$4,621,013 (2016 - loss of \$9,534,797 transferred from reserves).

No dividend was paid during the year (2016 - \$nil).

Director

The director who held office during the year was as follows:

DIR Corporate Services (2009) Limited

Director's remuneration

Details of the director's remuneration are shown in note 2 of these financial statements.

Director's indemnity

The Articles of Association permit qualifying third-party indemnities for the director as defined by Section 234 of the Companies Act 2006. No such indemnity was in force during the last financial year, nor is any currently in force.

Director's report (continued)

Internal control and risk management over financial reporting

The company operates under the financial reporting processes and controls of the Diageo group. The internal control and risk management systems over the financial reporting process of Diageo plc, which include those of the company, are discussed in the Diageo group's Annual Report 2016 on pages 60 to 61 at www.diageo.com, which does not form part of this report.

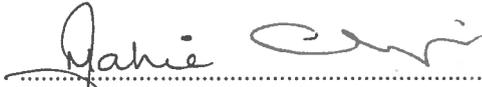
Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor, PricewaterhouseCoopers LLP, is deemed to be reappointed and will continue in office.

Disclosure of information to the auditors

The director who held office at the date of approval of this director's report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



.....
Marsha Fahie and Christopher McKenzie

*For and on behalf of
DIR Corporate Services (2009) Limited - Director*

Sea Meadow House
Road Town, Tortola,
VG1110 British Virgin Islands

19 May 2017

Statement of director's responsibilities in respect of the director's report and the financial statements

The director is responsible for preparing the director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. The director has elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101- Reduced Disclosure Framework (FRS 101).

The director must not approve the financial statements unless it is 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 director has:

- selected suitable accounting policies and then apply them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable UK Accounting Standards including FRS101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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. It also has responsibility for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection fraud and other irregularities.

STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 March 2017 \$	Year ended 31 March 2016 \$
Net foreign exchange gains		6,788,419	1,720,763
Operating costs	2	(29,510)	(182,449)
		<hr/>	<hr/>
Operating profit		6,758,909	1,538,314
Provision against receivables owed by group undertakings		(2,137,896)	(11,073,111)
		<hr/>	<hr/>
Profit/(loss) before taxation		4,621,013	(9,534,797)
Taxation on profit/(loss)		-	-
		<hr/>	<hr/>
Profit/(loss) for the year and total comprehensive income/(expense) for the year		4,621,013	(9,534,797)
		<hr/> <hr/>	<hr/> <hr/>

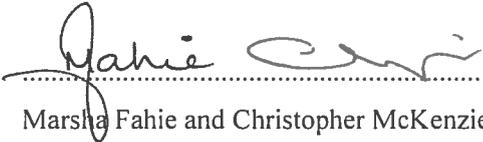
The accompanying notes are an integral part of these financial statements.

BALANCE SHEET

	<i>Notes</i>	31 March 2017	31 March 2016
		\$	\$
Fixed assets			
Investment in subsidiary undertakings	3	1,603	1,603
		<hr/>	<hr/>
Current assets: due within one year			
Trade and other receivables	4	9,579,598	22,155,754
Cash and cash equivalents		53,728	702
		<hr/>	<hr/>
		9,633,326	22,156,456
Creditors: amounts falling due within one year			
Trade and other payables	5	(859,203,018)	(876,347,161)
		<hr/>	<hr/>
Net current liabilities		(849,569,692)	(854,190,705)
		<hr/>	<hr/>
Net liabilities		(849,568,089)	(854,189,102)
		<hr/>	<hr/>
Equity			
Called up share capital	6	500,000	500,000
Accumulated losses		(850,068,089)	(854,689,102)
		<hr/>	<hr/>
Total shareholders' deficit		(849,568,089)	(854,189,102)
		<hr/>	<hr/>

The accompanying notes on pages 8 to 13 form part of the financial statements.

These financial statements on pages 5 to 13 were approved by the board of directors on 19 May 2017 and were signed on its behalf by:


.....
Marsha Fahie and Christopher McKenzie

For and on behalf of
DIR Corporate Services (2009) Limited - Director

19 May 2017

STATEMENT OF CHANGES IN EQUITY

	Called up share capital	Accumulated losses	Total shareholders' deficit
	\$	\$	\$
Balance at 31 March 2015	500,000	(845,154,305)	(844,654,305)
Loss for the year and total comprehensive expense	-	(9,534,797)	(9,534,797)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2016	500,000	(854,689,102)	(854,189,102)
Profit for the year and total comprehensive income	-	4,621,013	4,621,013
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2017	500,000	(850,068,089)	(849,568,089)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

These financial statements are prepared in accordance with the UK accounting standard *Financial Reporting Standard 101- Reduced Disclosure Framework* (FRS 101).

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (IFRS), but makes amendments where necessary to comply with Companies Act 2006 and sets out below where the FRS 101 disclosure exemptions have been taken.

The company is a wholly owned subsidiary of Diageo plc and is included in the consolidated financial statements of Diageo plc which are publicly available.

The company has taken advantage of the following exemption from the requirements of IFRS in the preparation of these financial statements, in accordance with FRS 101:

- a cash flow statement and related notes;
- comparative period reconciliation for share capital;
- disclosures in respect of transactions with wholly owned subsidiaries;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of Key Management Personnel; and
- the disclosures required by *IFRS 7 Financial Instruments Disclosures*.

The company has taken advantage of the exemption under Section 401 of the Companies Act 2006, from the requirement to prepare consolidated financial statements as it and its subsidiaries are included in the consolidated financial statements of its parent, Diageo plc.

These financial statements are separate financial statements.

Going concern

The financial statements have been prepared on a going concern basis as a fellow group undertaking has agreed to provide financial support for the foreseeable future. The only material liabilities at the balance sheet date are in respect of balances due to fellow group undertakings.

Functional and presentational currency

These financial statements are presented in US dollars (\$), which is the company's functional currency.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into dollars at the financial year end exchange rates and these foreign exchange differences are recognised in the income statement.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are initially recorded at cost including transaction costs less, where appropriate, provision for impairment in value where such impairment is expected by the director to be permanent.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Financial assets

Trade and other receivables Amounts owed by other group companies are initially measured at fair value and are subsequently reported at amortised cost. Non-interest bearing trade receivables are stated at their nominal value.

Cash and cash equivalents Cash and cash equivalents comprise cash in hand and deposits which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less at acquisition, including money market deposits, commercial paper and investments.

Financial liabilities

Trade creditors Amounts owed to other group companies are initially measured at fair value and are subsequently reported at amortised cost. Non-interest bearing trade creditors are stated at their nominal value.

Judgements in applying accounting policies and key sources of estimation uncertainty

The director makes estimates and assumptions concerning the future of the company. The resulting accounting estimates will, by definition, seldom equate to actual results. The company's director is of the opinion that there are no estimates and assumptions that have a significant risk of casting material adjustment to the carrying value of the assets and liabilities for the company within the next financial year due to the nature of the business.

The critical accounting policies, which the director considers are of greater complexity and/or particularly subject to the exercise of judgements, are set out in detail in the relevant accounting policies:

- investment in subsidiary undertakings: The carrying value of the investments was assessed to ensure that the investments are worth at least the amount at which they are stated in the financial statements. The impairment review involves management judgement and estimates.
- impairment of receivables: The calculation of allowance of doubtful debts incorporates management judgements in respect of the recoverable amount.

2. OPERATING COSTS

	Year ended 31 March 2017	Year ended 31 March 2016
	\$	\$
Operating costs	29,510	182,449

(a) Fees in respect of services provided by the auditors were: statutory audit \$6,300 (2016 - \$12,554).

The company did not employ any staff during either the current or prior year.

The director received \$3,500 (2016 - nil) during the financial year in respect of its services as directors of the company.

(b) The foreign exchange gain of \$6,788,419 (2016-\$1,720,763) arose primarily on intercompany balances with fellow group undertakings.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Cost and carrying amount	Subsidiary
At 31 March 2016 and 31 March 2017	\$
	1,603

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows. Unless otherwise stated the percentage of shares held are in respect of ordinary share capital.

Direct holding	Country of incorporation (of residence)	Registered office address	Proportion of ownership interest %
<i>Subsidiary</i>			
USL Holdings (UK) Limited	England and Wales	Lakeside Drive, Park Royal, London, NW10 7HQ, England	100
Indirect holding			
<i>Subsidiaries</i>			
United Spirits (UK) Limited	England and Wales	Lakeside Drive, Park Royal, London, NW10 7HQ, England	100
United Spirits (Great Britain) Limited	England and Wales	Lakeside Drive, Park Royal, London, NW10 7HQ, England	100

The investments in subsidiaries are held at cost less, where appropriate, provision for impairment in value.

In the opinion of the director, the investment in and amounts due from the company's subsidiary undertakings are worth at least the amount at which they are stated in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. TRADE AND OTHER RECEIVABLES

	31 March 2017	31 March 2016
	\$	\$
Amounts owed by fellow group undertakings	864,535,939	874,974,198
Impairment of receivables from fellow group undertaking	(854,956,341)	(852,818,444)
	<u>9,579,598</u>	<u>22,155,754</u>

All amounts fall due within one year.

Amounts owed by fellow group undertakings were interest free, unsecured and repayable on demand.

The amounts owed by fellow group undertakings are disclosed net of impairment of receivable from fellow group undertaking for bad and doubtful debts of \$851,426,586 (2016 - \$849,274,306) in respect of the company's immediate subsidiary undertaking, USL Holdings (UK) Limited and \$3,529,755 (2016 - \$3,544,138) in respect of Asian Opportunities and Investment Limited.

5. TRADE AND OTHER PAYABLES

	31 March 2017	31 March 2016
	\$	\$
Amounts owed to fellow group undertakings	859,191,043	876,236,265
Accruals and deferred expenses	11,975	110,896
	<u>859,203,018</u>	<u>876,347,161</u>

All amounts owed to fellow group undertakings are unsecured, interest free and repayable on demand.

6. SHARE CAPITAL

Allotted, called up and fully paid:

	31 March 2017
	\$
500,000 (2016 - 500,000) ordinary shares of \$1 each	<u>500,000</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking of the company is United Spirits Limited, a company incorporated and registered in India.

The ultimate parent undertaking of the company is Diageo plc which is the ultimate controlling party of Diageo group. Diageo plc is incorporated and registered in England. The consolidated financial statements of Diageo plc can be obtained from the registered office at Diageo, Lakeside Drive, Park Royal, London, NW10 7HQ.

Transactions between the company and its related parties are made on terms equivalent to those that prevail in an arm's length transaction.

8. CONTINGENT LIABILITY AND LEGAL PROCEEDINGS

In September 2014, the Board of Directors of United Spirits Limited (USL), the holding company of USL Holdings Limited, directed a detailed inquiry into certain matters referred to in the USL financial statements and Auditor's report for the year ended 31 March 2014 (Initial Inquiry). The Initial Inquiry report stated that between 2010 and 2013, funds involved in many of the transactions that were analysed, had been diverted from USL and/ or its subsidiaries to certain companies in the United Breweries Group, including in particular, Kingfisher Airlines Limited. On the question of the possible existence of any other transaction of a similar nature, the Initial Inquiry identified references to certain additional parties (Additional Parties) and matter (Additional Matter), where the documents identified raised concerns as to the propriety of the underlying transactions which could not be fully analysed during the Initial Inquiry. The Board of Directors of USL therefore mandated that USL's managing director and chief executive officer (MD & CEO) conduct further inquiry (Additional Inquiry) into historical transactions involving the Additional Parties and Additional Matter, to determine whether these transactions with these Additional Parties or involving these Additional Matter also suffered from improprieties.

Notwithstanding the limitations posed by lack of access to complete documentation despite best efforts, the Additional Inquiry was concluded in July 2016. The Additional Inquiry prima facie revealed further instances of actual or potential fund diversions arising from improper transactions amounting to approximately \$140.39 million (INR 9,135 million) as well as other potentially improper transactions involving USL and certain of its Indian and overseas subsidiaries amounting to approximately \$47.9 million (INR 3,118 million). These transactions occurred during the review period covered by the Additional Inquiry, i.e. from October 2010 to July 2014 (Review Period, which was substantially the same as the period covered by the Initial Inquiry), although certain transactions appear to have been initiated in years prior to the Review Period. The improper transactions identified in the Additional Inquiry involved, in most cases, diversion of funds to overseas and Indian entities that appear to be affiliated or associated with USL's former non-executive Chairman, Dr. Vijay Mallya.

In particular, and as regards USL Holdings Limited, the Additional Inquiry indicated that:

- \$14.39 million appeared to have potentially been diverted from USL Holdings Limited; and
- transactions amounting to \$33.25 million to which USL Holdings Limited was a party, were potentially improper.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. CONTINGENT LIABILITY AND LEGAL PROCEEDINGS (continued)

The above amounts identified in the Additional Inquiry with respect to USL Holdings Limited have been previously provided for or expensed in the financial statements in prior years.

During the financial year ended 31 March 2017, USL Holdings Limited has made such disclosures and filings with such regulatory authorities as are appropriate, disclosing the findings of the Additional Inquiry in so far as they relate to USL Holdings Limited.

Independent auditors' report to the director of USL Holdings Limited

Report on the financial statements

Our opinion

In our opinion, USL Holdings Limited's financial statements (the financial statements):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended; and
 - have been properly prepared in accordance with United Kingdom Accounting Standards.
-

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 31 March 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law.

In applying the financial reporting framework, the director has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, the director has made assumptions and considered future events.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the director

As explained more fully in the statement of director's responsibilities in respect of the director's report and the financial statements set out on page 4, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the company's director as a body for the director's private use to assist it to discharge its stewardship obligations and fiduciary responsibilities in accordance with our engagement letter dated 28 March 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing.

Independent auditors' report to the director of USL Holdings Limited (continued)

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the director; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the director's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



PricewaterhouseCoopers LLP
Chartered Accountants
London
19 May 2017

