Palmer Investment Group Limited

Annual Report and Financial Statements
31 March 2017

Registered number: 0447034 (BVI)

Palmer Investment Group Limited
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Year ended 31 March 2017

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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.

Activities

The company was incorporated in Mauritius as a private limited company and redomiciled to British Virgin Islands with effect from 31 May 2001.

Even though the company has one subsidiary, UB Sports Management Overseas Ltd, the company has not issued a consolidated financial statements for the group and these financial statements have been prepared for the Company as separate financial statements of a 'stand alone' entity.

Going concern

The director has no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the United Spirits group 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 loss for the financial year transferred from reserves was $30,947 (2016 - loss of $75,694,696).

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

The company has applied FRS 101 for the first time for the year ended 31 March 2017 with comparative information for the year ended 31 March 2016 also prepared under FRS 101. This involved preparation of an opening FRS 101 balance sheet as at 1 April 2015, which is the company's date of transition to FRS 101 reporting. The transition to FRS has no change in the loss for the financial year reported in the year ended 31 March 2016.

Director

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

DIR Corporate Services (2009) Limited

Director's remuneration

The company has paid $3,500 towards director's remuneration to DIR Corporate Services (2009) Limited.

Director's indemnity

As permitted by the Articles of Association, the director has benefit of an indemnity. The indemnity was in force throughout the tenure of each director during the last financial year, and is currently in force.

Independent auditors

Following an audit tender conducted, PricewaterhouseCoopers LLP were selected as auditors for Diageo group. Accordingly, PricewaterhouseCoopers LLP were appointed to replace MSI Alnoman & Ravi Chartered Accountants as auditors for the year ended 31 March 2017.

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 he is aware, there is no relevant audit information of which the company's auditors are 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.

On behalf of the board

Fahie

....

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 directors 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;
- notify its shareholder in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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.

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Year ended 31 March 2017

STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year ended 31 March 2017**	**Year ended 31 March 2016**
		$	**$**
Operating costs	*2*	**(30,840)**	(2,876)
Operating loss		**(30,840)**	(2,876)
Impairment of receivables from fellow group undertaking	*3*	-	(75,691,832)
Net finance (charges)/ income	*4*	**(107)**	12
Loss before taxation on ordinary activities		**(30,947)**	(75,694,696)
Taxation on loss on ordinary activities		-	-
Loss for the financial year and total comprehensive expense for the year		**(30,947)**	(75,694,696)

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

Palmer Investment Group Limited
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Year ended 31 March 2017

BALANCE SHEET

	Note	**As at 31 March 2017 $**	**As at 31 March 2016 $**
Fixed assets			
Investment in subsidiary undertaking	*5*	**10**	10
Current assets: due within one year			
Trade and other receivables	*6*	**-**	12,287
Cash and cash equivalents		**14,825**	6,675
		14,825	18,962
Creditors: amounts falling due within one year	*7*		
Trade and other payables		**(1,238,691)**	(1,226,931)
Accruals and deferred expenses		**(17,550)**	(2,500)
		(1,256,241)	(1,229,431)
Net current liabilities		**(1,241,416)**	(1,210,469)
Net liabilities		**(1,241,406)**	(1,210,459)
Equity			
Called up share capital	*8*	**15,000,000**	15,000,000
Accumulated losses		**(16,241,406)**	(16,210,459)
Total deficit		**(1,241,406)**	(1,210,459)

The accompanying notes are an integral part of these 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

Palmer Investment Group Limited
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Year ended 31 March 2017

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

	Called up share capital $	Retained earnings / (accumulated losses) (restated) $	Total equity/ (deficit) (restated) $
Balance at 1 April 2015	15,000,000	59,484,237	74,484,237
Loss for the financial year and total comprehensive expense	-	(75,694,696)	(75,694,696)
Balance at 31 March 2016	15,000,000	(16,210,459)	(1,210,459)
Loss for the financial year and total comprehensive expense	-	(30,947)	(30,947)
Balance at 31 March 2017	**15,000,000**	**(16,241,406)**	**(1,241,406)**

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 have been prepared under the historic cost convention and are 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 subsidiary of Diageo plc and is included in the consolidated financial statements of Diageo plc which are publicly available. The company is headquartered at Sea Meadow House, Black Burne Highway, P.O. Box 116, Road Town, Tortola, British Virgin Islands.

Transition to FRS 101

The company has applied FRS 101 for the first time for the year ended 31 March 2017 with comparative information for the year ended 31 March 2016 also prepared under FRS 101. The accounting policies applicable to the company from 31 March 2015 are set out below. This involved preparation of an opening FRS 101 balance sheet as at 31 March 2015, which is the company's date of transition to FRS 101 reporting.

The FRS 101 figures have been prepared in accordance with IFRS standards and interpretations as in force at 31 March 2017. In preparing the comparative information and the opening FRS 101 balance sheet, the company has adjusted amounts reported previously in financial statements prepared in accordance with its former basis of accounting under IFRS.

An explanation of how the transition to FRS 101 has affected the company's financial position and financial performance is set out in note 11 to the financial statements.

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;
- an additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy;
- 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 IAS 27, 'Consolidated and separate financial statements', 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 12 months from the date of the approval at the financial statements. The only 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 sterling at the financial year end exchange rates and these foreign exchange differences are recognised in the income statement.

Investments in subsidiaries

Investments in subsidiaries 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.

Financial assets

Financial assets and liabilities are initially recorded at fair value including any directly attributable transaction costs. The company assesses whether there is any impairment at each balance sheet date. Amounts owed to and from other group companies are reported at initial cost, subject to impairment, as they are repayable on demand

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Taxation

The company operates in British Virgin Islands and is not subject to any taxes on income.

Judgements in applying accounting policies and key sources of estimation uncertainty

The directors make 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 directors consider 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 subsidiaries: 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 $
Other external charges (a)	**(30,840)**	(2,876)

(a) **Auditors' fees:** Fees in respect of services provided by auditors were: audit $11,875 (2016 - $2,876); other non-audit work $nil (2016 - $nil).

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

The company has paid $3,500 towards Director's remuneration to DIR Corporate Services (2009) Limited.

3. IMPAIRMENT OF RECEIVABLES FROM FELLOW GROUP UNDERTAKING

	Year ended 31 March 2017 $	Year ended 31 March 2016 $
Impairment of receivables from fellow group undertaking	-	(75,691,832)

The impairment is in respect of the amounts receivable from the company's immediate subsidiary, USL Holdings Limited, after assessing the expected amount recoverable.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. NET FINANCE (CHARGES)/ INCOME

	Year ended 31 March 2017 $	Year ended 31 March 2016 $
Bank (charges)/ income and exchange differences	**(107)**	12

5. INVESTMENT IN SUBSIDIARY UNDERTAKING

	Subsidiary $
Cost and carrying amount	
At 31 March 2016 and 31 March 2017	10

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.

	Registered office address	Proportion of ownership interest %
Name of subsidiary:		
UB Sports Management Overseas Ltd	Ordnance House, 31 Pier Road, St Helier, JE4 8PW	100

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

In the opinion of the directors, 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)

6. TRADE AND OTHER RECEIVABLES

	31 March 2017 $	31 March 2016 $
Amounts owed by fellow group undertakings	**75,491,832**	75,504,119
Impairment of receivables from fellow group Undertaking	**(75,491,832)**	(75,491,832)
	-	12,287

All amounts fall due within one year.

The amounts owed by fellow group undertakings are disclosed net of impairment of receivable from fellow group undertaking for bad and doubtful debts in the amount of $75,491,832 (2016 - $75,491,832) in respect of the company's immediate subsidiary undertaking, USL Holdings Limited.

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

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2017 $	31 March 2016 $
Trade and other payables	**1,238,691**	1,226,931
Accruals and deferred expenses	**17,550**	2,500
	1,256,241	1,229,431

All trade and other payables are with fellow group undertaking, unsecured, interest free and repayable on demand.

8. CALLED UP SHARE CAPITAL

Allotted, called up and fully paid:

	31 March 2017 $
15,000,000 (2016 - 15,000,000) ordinary shares of $1 each	15,000,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. 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 transactions.

10. CONTINGENT LIABILITY AND LEGAL PROCEEDINGS

In September 2014, the Board of Directors of United Spirits Limited (USL), the holding company of Palmer Investment Group 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 Palmer Investment Group Limited, the Additional Inquiry indicated that:

- $6.99 million appeared to have potentially been diverted from Palmer Investment Group Limited; and

- Transactions amounting to $6.71 million to which Palmer Investment Group Limited was a party, were potentially improper.

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

During the financial year ended 31 March 2017, Palmer Investment Group 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 Palmer Investment Group Limited.

11. EXPLANATION OF TRANSITION TO FRS 101 FROM OLD IFRS

As stated in note 1, these are the company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2017, the comparative information presented in these financial statements for the year ended 31 March 2016 and in the preparation of the opening FRS 101 balance sheet at 1 April 2015 (the company's date of transition).

In preparing its FRS 101 balance sheet, the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting. There was no impact of the transition from previous IFRS to FRS 101 on the balance sheet at 31 March 2016 and 31 March 2015, and statement of comprehensive income for the year ended then.

Independent auditors' report to the director of Palmer Investment Group 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 loss 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 it's 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.

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
19 May 2017