Palmer Investment Group Limited

Director’s Report and Financial Statements
31 March 2019

Registered number: 0447034 (BVI)

Palmer Investment Group Limited
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Year ended 31 March 2019

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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 2019.

This report has been prepared in accordance with the provisions of BVI Business Companies Act (as amended), 2004.

Activities

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

The company is headquartered at Sea Meadow House, Black Burne Highway, P.O. Box 116, Road Town, Tortola, British Virgin Islands.

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.

Merger with United Spirits Limited, the holding company

The Board of Directors of United Spirits Limited (USL), the holding company of Palmer Investment Group Limited, has on 24 May 2018 approved merger of Palmer Investment Group Limited as a going concern, with United Spirits Limited. For enabling the resolution, USL is required to obtain approval from Reserve Bank of India (RBI), India's Central Banking institution. USL proposes to file the said application after completion of merger of UB Sports Management Overseas Limited, the step down subsidiary of USL, with Palmer Investment Group Limited. Based on past experience for similar application and certain pending filings with RBI, the Company believes that approval from RBI and subsequent merger of the Company is unlikely to be completed in a period of twelve months from the reporting date.

Financial results

The results for the year ended 31 March 2019 are shown on page 5.

The profit for the year transferred to reserves was $1,199,214 (2018 - profit of $68,040).

No dividend was paid during the year (2018 - $nil).

Director

The director of the company who was in office during the year and up to the date of signing the financial statements was as follow:

DIR Corporate Services (2009) Limited

Director's report (continued)

Director's remuneration

The company has paid $3,500 (2018 - $4,000) towards director's remuneration to DIR Corporate Services (2009) Limited during the year.

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 year and is currently in force.

Disclosure of information to the auditor

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 auditor is unaware; and the 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 auditor is aware of that information.

On behalf of the board

....
Claire Abrehart

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

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

15 May 2019

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

The director is responsible for preparing the company financial statements in accordance with United Kingdom Accounting Standards for the private use to assist to discharge the stewardship obligations and fiduciary responsibilities in accordance with our engagement letter.

The director must not approve the financial statements unless they are satisfied that the financial statements 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 the financial statements, the directors are responsible for:

- selecting suitable accounting policies and then applying them consistently;
- stating whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- making judgements and accounting estimates that are reasonable and prudent; and
- preparing the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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 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.

Palmer Investment Group Limited
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Year ended 31 March 2019

STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year ended 31 March 2019**	**Year ended 31 March 2018**
		$	**$**
Operating expenses	*2*	(12,061)	(18,274)
Operating loss		**(12,061)**	**(18,274)**
Reversal of impairment of receivables from fellow group undertaking	*3*	1,208,691	87,500
Other income		2,690	-
Finance charges	*4*	(106)	(1,186)
Profit before taxation		**1,199,214**	**68,040**
Tax on profit		**-**	**-**
Profit for the year		**1,199,214**	**68,040**

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

The company had no other comprehensive income or expense during the current and previous year.

Palmer Investment Group Limited
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BALANCE SHEET

	Note	**As at 31 March 2019 $**	**As at 31 March 2018 $**
Non-current assets			
Investment in subsidiary undertakings	*5*	10	10
Current assets			
Trade and other receivables	*6*	**-**	**-**
Cash and cash equivalents		34,560	82,190
		34,570	**82,200**
Current liabilities	*7*		
Trade and other payables		-	(1,238,691)
Accruals		(8,722)	(16,875)
		(8,722)	**(1,255,556)**
Net assets/(liabilities)		**25,848**	**(1,173,366)**
Equity			
Called up share capital	*8*	15,000,000	15,000,000
Accumulated losses		(14,974,152)	(16,173,366)
Total equity		**25,848**	**(1,173,366)**

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

These financial statements on pages 5 to 14 were approved by the board of directors on 15 May 2019 and were signed on its behalf by:

....

Claire Abrehart

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

15 May 2019

Palmer Investment Group Limited
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Year ended 31 March 2019

STATEMENT OF CHANGES IN EQUITY

	Called upshare capital $	Accumulated losses $	Total equity $
Balance at 31 March 2017	15,000,000	(16,241,406)	(1,241,406)
Profit and total comprehensive income for the year	-	68,040	68,040
Balance at 31 March 2018	15,000,000	(16,173,366)	(1,173,366)
Profit and total comprehensive income for the year	-	1,199,214	1,199,214
Balance at 31 March 2019	**15,000,000**	**(14,974,152)**	**25,848**

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 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 as sets out below where the FRS 101 disclosure exemptions have been taken.

These financial statements are prepared on a going concern basis under the historical cost conversion, except that certain financial instruments are stated at their fair value.

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

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

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 reconciliations for share capitals and investments;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Diageo plc include equivalent disclosures, the company has also utilised exemptions available under FRS 101 in respect of the following disclosures:

- The disclosures required by IFRS 7 Financial Instruments Disclosures and IFRS 9 Financial Instruments;

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 ultimate 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 the foreseeable future.

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 statement of comprehensive income.

Investment in subsidiary undertaking

Investment in subsidiary undertaking is stated at historical cost less impairment provisions for any permanent decrease in value. The carrying amount of the company's investment is reviewed at each reporting date to determine whether there is an indication of impairment. If such an indication exists, then the asset's recoverable amount is estimated. Losses are recognised in the statement of comprehensive income and reflected in an allowance against the carrying value. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

Financial assets and liabilities

Financial assets and liabilities are initially recorded at fair value including, where permitted by IFRS 9, any directly attributable transaction costs. For those financial assets that are not subsequently held at fair value, the company assesses whether there is evidence of impairment at each balance sheet date. The company classifies its financial assets and liabilities into the following categories: financial assets and liabilities at amortised cost, financial assets and liabilities at fair value through profit and loss and financial assets at fair value through other comprehensive income. Where financial assets or liabilities are eligible to be carried at either amortised cost or fair value the company does not apply the fair value option.

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 as they are due on demand. Allowance for expected credit losses are made based on the risk of non-payment taking into account ageing, previous experience, economic conditions and forward-looking data. Such allowance are measured as either 12-months expected credit losses or lifetime expected credit losses depending on changes in the credit quality of the counterparty.

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.

Trade and other payables Amounts owed to other group companies are initially measured at fair value and are subsequently reported at amortized cost. Non-interest bearing trade payables are stated at their nominal value as they are due on demand.

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 director make estimates and judgements 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 judgements that have a significant risk of causing a 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 consider is of greater complexity and particularly subject to the exercise of judgements, are set out in detail in the relevant accounting policies:

• Investment in subsidiary undertaking: A critical accounting judgement, specific to the company, is the assessment that recoverable amount of the company's investment in subsidiary undertaking is greater than the carrying amount.

• Recoverability of receivables: A critical accounting judgement, specific to the company, is the assessment on recovery of receivables including inter-group advances basis their ability to repay.

2. OPERATING EXPENSES

	Year ended 31 March 2019 $	**Year ended 31 March 2018 $**
Other operating expenses	(12,061)	(18,274)

The auditor’s remuneration was $8,035 (2018 - $10,174). There were no fees payable to the auditor in respect of non-audit services (2018 - £nil).

The director received $3,500 (2018 - $4,000) for its work in the financial year in respect of its services as a director of the company.

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

3. REVERSAL OF IMPAIRMENT OF RECEIVABLES FROM FELLOW GROUP UNDERTAKING

	Year ended 31 March 2019 $	**Year ended 31 March 2018 $**
Reversal of impairment of receivables from fellow group undertaking	1,208,691	87,500

The reversal of impairment is in respect of the amounts received from fellow group company, USL Holdings Limited which was earlier considered as non-recoverable.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. FINANCE CHARGES

	Year ended 31 March 2019 $	Year ended 31 March 2018 $
Bank charges	(106)	(1,186)

5. INVESTMENT IN SUBSIDIARY UNDERTAKING

	Subsidiary $
Cost and carrying amount	
At 31 March 2019 and 31 March 2018	10

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

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

The investment in subsidiary undertaking is held at cost less, where appropriate, provision for impairment in value.

In the opinion of the director, the investment in the company's subsidiary undertaking is worth at least the amount at which it is stated in the financial statements.

The Board of Directors of USL has passed resolution for merger of UB Sports Management Overseas Limited as a going concern, with Palmer Investment Group Limited on May 24, 2018. The UB Sports Management Overseas Limited proposes to file necessary documents to effect the merger in due course.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. TRADE AND OTHER RECEIVABLES

	31 March 2019 $	31 March 2018 $
Amounts owed by fellow group undertakings	**74,195,641**	**75,404,332**
Impairment of receivables from fellow group undertaking	**(74,195,641)**	**(75,404,332)**
	-	**-**

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 $74,195,641 (2018 - $75,404,332) in respect of fellow subsidiary undertakings, USL Holdings Limited and Liquidity Inc.

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

7. TRADE AND OTHER PAYABLES

	31 March 2019 $	31 March 2018 $
Trade and other payables	-	1,238,691
Accruals	8,722	16,875
	8,722	1,255,566

All trade and other payables with fellow group undertakings have been fully repaid during the year. These payables were unsecured, interest free and repayable on demand.

8. CALLED UP SHARE CAPITAL

Allotted, called up and fully paid:

	31 March 2019
15,000,000 (2018 - 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

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 the 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 $131.66 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 $44.94 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. CONTINGENT LIABILITY (continued)

In particular, and as regards Palmer Investment Group Limited, the Additional Inquiry indicated that:

- $7.12 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 year ended 31 March 2018, pursuant to USL undertaking a detailed review of each case of identified fund diversion, and after obtaining expert legal advice, USL has, where appropriate, filed civil suits for recovery of funds from certain parties, including USL’s former non-executive chairman, Dr. Vijay Mallya, before the appropriate courts in India.

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. There has been no subsequent correspondence with the said regulatory authorities to whom disclosure of findings of Additional Inquiry had been made.

Independent auditor's report to the directors of Palmer Investment Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, Palmer Investment Group Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended; and
- have been properly prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law.

We have audited the financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2019; the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Use of this report

This report, including the opinion, has been prepared for and only for the company's directors as a body for to assist to discharge the stewardship obligations and fiduciary responsibilities in accordance with our engagement letter dated 21 March 2019 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.

PricewaterhouseCoopers LLP
Chartered Accountants
London
15 May 2019