

USL Holdings Limited

**Director's Report and Non-Statutory Financial Statements
31 March 2021**

Registered number: 1385373 (BVI)

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USL Holdings Limited
Registered number: 1385373 (BVI)
Year ended 31 March 2021

Director's report

The director is pleased to submit its director's report, together with the audited non-statutory financial statements ("financial statements") for the year ended 31 March 2021.

Principal activities

The company is incorporated and domiciled as a private limited company in the British Virgin Islands. The registered address is Sea Meadow House, PO box 116, Road town, Tortola, VG1110, British Virgin Islands.

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

Going concern

On 23 July 2018 The Board of Directors of United Spirits Limited ("USL"), the intermediate holding company of USL Holding Limited ("the company") approved the voluntary liquidation of the company. The completion of the liquidation of the company is subject to regulatory approvals from Reserve Bank of India (Central bank of India). As a consequence, these financial statements are prepared on a basis other than going concern ("break up basis").

All assets and liabilities have been recognised as current at their fair value. On the basis of their assessment, the company's director estimated that the fair value approximates to the carrying value as at 31 March 2021. In arriving at this conclusion, the director has also considered the potential impact that the Covid-19 outbreak may have on the company and believe that any impact would be minimal.

Loan Conversion to Equity

The company had an interest free loan from USL. Pursuant to the decision taken by the Board of USL at their meeting held on 27 July 2020, the conversion of the outstanding loans with USL amounting to \$766,140,114 into equity shares was completed on 21 September 2020 by allotting 766,140,114 additional equity shares of \$1 each to USL.

Financial results

The results for the financial year ended 31 March 2021 are shown on page 5.

The loss for the financial year transferred from reserves was \$2,063,179 (2020 – profit transferred to reserve \$3,837,619).

No dividend was paid during the year (2020 - £nil) and there was no dividend proposed to be distributed to the shareholders in regard to the financial year (2020 - £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 follows:

DIR Corporate Services (2009) Limited (resigned 26 October 2020)
AMS Management Limited (appointed 27 October 2020)

Director's remuneration

The company has paid \$3,500 (2020: \$3,500) towards director's remuneration to AMS Management Limited (2020: DIR Corporate Services (2009) Limited) during the year.

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Director's report (continued)

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.

Internal control and risk management over financial reporting

The company operates under the financial reporting processes and controls of the Diageo group ("the 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 2020 Annual Report on pages 80 at www.diageo.com, which does not form part of this report.

Independent auditors

The auditors, 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 hit 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 he 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

A handwritten signature in blue ink, appearing to read 'Engelbert van Aalst and Marsha Fahie', is written over a horizontal dotted line. The signature is stylized and cursive.

Engelbert van Aalst and Marsha Fahie

For and on behalf of
AMS Management Limited - Director

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

19 May 2021

Statement of director's responsibilities in respect of director's report and non-statutory financial statements

The director is responsible for preparing the company financial statements in accordance with the basis of preparation and accounting policies in note 1 for the private use to assist to discharge the stewardship obligations and fiduciary responsibilities.

The director must not approve the financial statements unless they are satisfied that they have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies in note 1 to the financial statements. In preparing the financial statements, the director is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- stating the basis of preparation and accounting policies applied;
- 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 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.

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.

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STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 March 2021	Year ended 31 March 2020
		\$	\$
Foreign exchange (losses) / gains	2	(2,056,681)	2,242,371
Operating costs	2	(6,498)	(18,411)
Operating (loss) / profit		(2,063,179)	2,223,960
Reversal of impairment of receivables from fellow group undertaking		-	1,580,965
Finance income		-	32,694
(Loss) / profit before taxation		(2,063,179)	3,837,619
Tax on (loss) / profit		-	-
(Loss) / profit for the year and total comprehensive (expense) / income for the year		(2,063,179)	3,837,619

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.

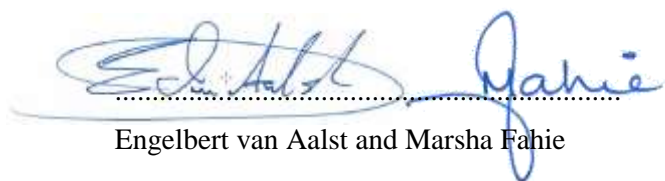
USL Holdings Limited
Registered number: 1385373 (BVI)
Year ended 31 March 2021

BALANCE SHEET

	<i>Note</i>	As at 31 March 2021 \$	As at 31 March 2020 \$
Current assets			
Investment in subsidiary undertaking	3	1,603	1,603
Receivables from subsidiary undertakings	4	-	-
Cash and cash equivalents		564,826	608,878
Total assets		566,429	610,481
Current liabilities			
Trade and other payables	5	(84,356,759)	(848,477,746)
Net liabilities		(83,790,330)	(847,867,265)
Equity			
Called up share capital	6	766,640,114	500,000
Accumulated losses		(850,430,444)	(848,367,265)
Total equity		(83,790,330)	(847,867,265)

The accompanying notes on pages 8 to 14 form part of the financial statements.

These financial statements on pages 5 to 14 were approved by the board of directors on 19 May 2021 and were signed on its behalf by:



Engelbert van Aalst and Marsha Fahie

For and on behalf of
AMS Management Limited - Director

USL Holdings Limited
Registered number: 1385373 (BVI)
Year ended 31 March 2021

STATEMENT OF CHANGES IN EQUITY

	Called up share capital	Accumulated losses	Total equity
	\$	\$	\$
Balance at 31 March 2019	500,000	(852,204,884)	(851,704,884)
Profit and total comprehensive income for the year	-	3,837,619	3,837,619
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2020	500,000	(848,367,265)	(847,867,265)
Conversion of loan to equity	766,140,114	-	766,140,114
Loss and total comprehensive expense for the year	-	(2,063,179)	(2,063,179)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021	766,640,114	(850,430,444)	(83,790,330)
	<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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 in order to comply with Companies Act 2006 and sets out below where the FRS 101 disclosure exemptions have been taken.

These financial statements are prepared on a break up basis and all assets and liabilities have been recognised as current at the lower of their cost or recoverable value, which is equivalent to 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.

The following exemptions from the requirement of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 79(a)(iv) (comparative information requirements);
 - 111 (cash flow statement information);
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'
- The following paragraphs of IAS 8, 'Accounting policies, changes in accounting estimates and errors':
 - 30 (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
 - 31 (disclosures relating to the new IFRS).
- Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets' (disclosure when the recoverable amount is fair value less costs of disposal, assumptions involved in estimating recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives, and management's approach to determining these amounts)
- The following paragraphs of IAS 24 'Related party disclosures':
 - 17 (key management compensation);
 - 18A (key management services provided by a separate management entity).
- IFRS 7 Financial Instruments: Disclosures, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

New accounting standards and interpretations

The following amendments to the accounting standards, issued by the IASB which have been endorsed by the EU, have been adopted by the group and therefore by the company from 1 April 2020 with no impact on the company's results, financial position or disclosures:

- Amendments to References to the Conceptual Framework in IFRSs;
- Amendments to IFRS 3 - Definition of a Business;
- Amendments to IAS 1 and IAS 8 - Definition of Material;
- Amendments to IFRS 16 - Covid-19 - Related Rent Concessions;
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform (phase 1);
- Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement.

The following amendment and standard, issued by the IASB have not been adopted by the company:

- IFRS 17 – Insurance contracts (effective in the year ending 31 March 2024) is ultimately intended to replace IFRS 4. Based on a preliminary assessment the company believes that the adoption of IFRS 17 will not have an impact on its results or financial position.
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform (phase 2). The amendment to IFRS 9 provides relief from applying specific hedge accounting and financial instrument derecognition requirements directly affected by interbank offered rate (IBOR) reform. Based on a preliminary assessment the company believes that the adoption of the amendment will not have an impact on its results or financial position.

There are a number of other amendments and clarifications to IFRS, effective in future years, which are not expected to significantly impact the company's results or financial position.

Going concern

On 23 July 2018 The Board of Directors of USL, the intermediate holding company of USL Holdings Limited approved the voluntary liquidation of the company. The completion of the liquidation of the company is subject to regulatory approvals from Reserve Bank of India (Central bank of India). As a consequence, these financial statements are prepared on a basis other than going concern.

All assets and liabilities have been recognised as current at their fair value. On the basis of their assessment, the company's director estimated that the fair value approximates to the carrying value as at 31 March 2021. In arriving at this conclusion, the director has also considered the potential impact that the Covid-19 outbreak may have on the company and believe that any impact would be minimal.

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 statement of comprehensive income.

1. ACCOUNTING POLICIES (continued)

Investments in subsidiary undertakings

Investments in subsidiaries are stated at historical cost less impairment provisions for any permanent decrease in value. The carrying amounts of the company's investments are 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. 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 is 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 amortised cost. Non-interest bearing trade payables are stated at their nominal value as they are due on demand.

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and judgements

The company makes estimates and judgements concerning the future. The resulting accounting judgements will, by definition, seldom equal the related 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.

USL Holdings Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

2. OPERATING (LOSS) / PROFIT

	Year ended 31 March 2021	Year ended 31 March 2020
	\$	\$
Foreign exchange losses / (gains)	2,056,681	(2,242,371)
Other external charges	6,498	18,411
	<u>(2,063,179)</u>	<u>2,223,960</u>

The foreign exchange losses / (gains) arose on the inter company balances with other group undertakings.

Operating expenses include the auditors' remuneration of \$6,398 (2020 - \$5,408). There were no fees payable to the auditors in respect of non-audit services (2020 - \$nil).

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

3. INVESTMENTS

Cost and carrying amount	Subsidiary \$
At 31 March 2020 and 31 March 2021	<u>1,603</u>

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 (or residence)	Registered office address	Proportion of ownership interest %
<i>Subsidiary undertaking</i>			
USL Holdings (UK) Limited	England and Wales	Lakeside Drive, Park Royal, London, NW10 7HQ, England	100
Indirect holdings			
<i>Subsidiary undertakings</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 subsidiary undertakings, are held at cost less, where appropriate, provision for impairment in value.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

3. INVESTMENTS (continued)

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.

4. RECEIVABLES FROM SUBSIDIARY UNDERTAKINGS

	31 March 2021	31 March 2020
	\$	\$
Current		
Amounts owed by fellow group undertakings	853,768,283	853,768,283
Impairment of receivables owed by fellow group undertakings	(853,768,283)	(853,768,283)
	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>

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 receivables from fellow group undertaking of \$850,238,528 (2020 - \$850,238,528) in respect of the company's immediate subsidiary undertaking, USL Holdings (UK) Limited, and \$3,529,755 (2020 - \$3,529,755) in respect of Asian Opportunities and Investment Limited. In respect of USL Holdings (UK) Limited \$Nil (2020 - \$1,580,965) impairment was reversed as partial repayment was received from the fellow group undertaking.

5. TRADE AND OTHER PAYABLES

	31 March 2021	31 March 2020
	\$	\$
Amounts owed to fellow group undertakings	84,315,836	848,425,333
Accruals	40,923	52,413
	<u>84,356,759</u>	<u>848,477,746</u>
	<u><u>84,356,759</u></u>	<u><u>848,477,746</u></u>

Accruals include a \$1,750 net accrual recorded in respect of fees accrued for AMS, which consists of \$7,975 accrued fees net of \$6,225 advances paid. The advance paid is deductible against future invoices in line with the agreement in place with AMS, and has therefore been presented on a net basis.

Pursuant to the decision taken by the Board of USL at their meeting held on 27 July 2020, the conversion of the outstanding loans with USL amounting to \$766,140,114 into equity shares was completed on 21 September 2020 by allotting 766,140,114 additional equity shares of \$1 each to USL.

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

6. CALLED UP SHARE CAPITAL

Allotted, called up and fully paid:

	31 March 2021
	\$
766,640,114 (2020 - 500,000) ordinary shares of \$1 each	766,640,114

Pursuant to the decision taken by the board of USL at their meeting held on 27 July 2020, conversion of the Outstanding loans with USL amounting to \$766,140,114 into equity shares was completed on 21 September 2020 by allotting 766,140,114 additional equity shares of \$1 each to USL.

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 the group. The ultimate parent undertaking is the largest, United Spirits Limited is the smallest group to consolidate these financial statements. Diageo plc is incorporated and registered in England, United Kingdom. The consolidated financial statements of Diageo plc can be obtained from the registered office at Diageo, Lakeside Drive, Park Royal, London, NW10 7HQ, United Kingdom or from www.diageo.com. The consolidated financial statements of United Spirits Limited can be obtained from the registered office at UB Tower, #24, Vittal Mallya Road, Bengaluru 560 001 or from www.diageoindia.com.

8. CONTINGENT LIABILITY

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 Auditors' 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.

9. CONTINGENT LIABILITY (continued)

Notwithstanding the limitations posed by lack of access to complete documentation despite best efforts, the Additional Inquiry was concluded in July 2017. The Additional Inquiry prima facie revealed further instances of actual or potential fund diversions arising from improper transactions amounting to approximately \$125.31 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 \$42.77 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:

- \$15.55 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.

During the financial year ended 31 March 2017, USL Holdings Limited had made such disclosures and filings with such regulatory authorities as were appropriate, disclosing the findings of the Additional Inquiry in so far as they relate to USL Holdings Limited. There has been no correspondence with the said regulatory authorities to whom disclosure of findings of Additional Inquiry had been made.

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.

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. At this stage, it is not possible for the director of USL Holdings Limited to estimate the financial impact on the entity, if any, arising out of potential non-compliance with applicable laws in relation to such fund diversions. The matter remains on-going as of 31 March 2021.