

**McDOWELL & CO. ( SCOTLAND )  
LIMITED**

**FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED

**March 31, 2016**

McDowell & Co. (Scotland) Limited

Balance Sheet as at March 31, 2016

	Note No	As at 31-Mar-16 GBP	As at 31-Mar-15 GBP
<b>I. Equity and Liabilities</b>			
<b>1. Shareholders' Funds</b>			
a. Share Capital	2.1	1,575,000	1,575,000
b. Reserves and Surplus	2.2	(4,660,207)	(4,173,253)
<b>2. Non-current Liabilities</b>			
a. Long term borrowings	2.3	11,231,802	10,602,696
<b>3. Current Liabilities</b>			
a. Trade Payables	2.4	31,844	84,037
		<b>8,178,439</b>	<b>8,088,480</b>
<b>II. Assets</b>			
<b>1. Non-current Assets</b>			
a. Fixed Assets			
i. Tangible Assets	2.5	-	1,853
b. Non Current Investments	2.6	8,083,997	8,083,997
c. Long term Loans and advances	2.7	-	1,770
<b>2. Current Assets</b>			
a. Cash and Cash Equivalents	2.8	92,198	95
b. Short term Loans and Advances	2.9	2,243	764
		<b>8,178,439</b>	<b>8,088,480</b>

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

1 & 2

This is the Balance Sheet referred to in our report of even date

For and on behalf of the board of directors of  
McDowell & Co. (Scotland) Limited.

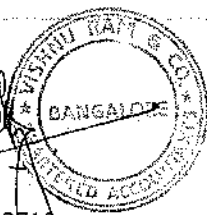
For Vishnu Ram & Co  
Chartered Accountants

S. Vishnumurthy  
Partner

Membership Number: 22715  
Firm Registration Number: 004742S

Place: Bangalore

Date: 21/05/2016



*[Handwritten Signature]*

Authorised Signatory

*[Handwritten Initials]*

McDowell & Co. (Scotland) Limited

Statement of Profit and Loss for the year ended March 31, 2016

	Note No	For the year ended 31-Mar-16 GBP	For the year ended 31-Mar-15 GBP
<b>I. Revenue</b>			
Other Income	2.10	-	72,000
<b>II. Expenses</b>			
a. Employee Benefits expense	2.11	53,314	53,151
b. Finance Costs	2.12	304,218	460,755
c. Depreciation		1,853	1,920
d. Other expenses	2.13	127,569	171,876
e. Diminution in value of investments		-	1,525,000
		<u>486,954</u>	<u>2,212,702</u>
<b>III. Profit/(Loss) before taxation</b>		(486,954)	(2,140,702)
a. Tax Expense:			
i. Current Tax			
ii. Deferred Tax Charge / (Credit)			
<b>IV. Profit/(Loss) for the year</b>		<u>(486,954)</u>	<u>(2,140,702)</u>
<b>V. Earning per share</b>			
a. Basic (Face value of £1/- each)		(0.31)	(1.36)
b. Diluted (Face value of £1/- each)		(0.31)	(1.36)

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

1 & 2

This is the Statement of Profit and Loss referred to in our report of even date

For and on behalf of the board of directors of  
McDowell & Co. (Scotland) Limited

For Vishnu Ram & Co  
Chartered Accountants

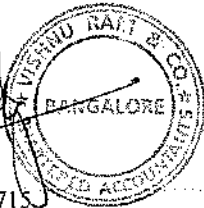
S. Vishnumurthy  
Partner

Membership Number: 22715

Firm Registration Number: 004742S

Place: Bangalore

Date: 21/05/2016



*Gopal Kothari*  
Authorised Signatory

McDowell & Co. (Scotland) Limited

Cash Flow statement for the year ended March 31, 2016

	For the year ending 31-Mar-16 GBP	For the year ending 31-Mar-14 GBP
<b>A. Cash Flow from operating activities.</b>		
Profit/(Loss) before taxation	(486,954)	(2,140,702)
Adjustments for:		
Depreciation	1,853	1,920
Provision for diminution in value of Investments (Net)	39,429	1,525,000
Interest Expense and Finance Charges	-	-
	<u>(41,282)</u>	<u>1,526,920</u>
Operating profit before working capital changes	(445,672)	(613,782)
(Increase)/decrease in Trade and other receivables	(1,479)	13,263
Increase/(decrease) in Trade payables	<u>(52,193)</u>	<u>27,034</u>
	<u>(53,672)</u>	<u>39,297</u>
Cash generated from operations	(499,344)	(574,485)
<b>B. Cash Flow from investing activities</b>		
Repayment of Loans from fellow subsidiaries	1,770	-19,500
Proceeds from loans from fellow subsidiaries	<u>629,106</u>	<u>476,744</u>
Net cash used in investing activities	630,876	526,244
<b>C. Cash Flow from financing activities</b>		
Proceeds/(Repayment) of long term loans		(1)
Repayments		-
Interest and Finance Charges paid	<u>(39,429)</u>	<u>-</u>
Net cash used in financing activities	(39,429)	(1)
Net (Decrease)/ Increase in cash and cash equivalents	<u>92,103</u>	<u>(48,242)</u>
Cash and cash equivalents as at March 31, 2015	95	-48,337
Cash and cash equivalents as at March 31, 2016	<u>92,198</u>	<u>95</u>
	<u>92,103</u>	<u>(48,242)</u>

(0)

This is the Cash Flow Statement referred to in our report of even date.

For and on behalf of the board of directors of  
McDowell & Co. (Scotland) Limited

For Vishnu Ram & Co.  
Chartered Accountants

S. Vishnumurthy  
Partner  
Membership Number: 22715  
Firm Registration Number: 0047425  
Place: Bangalore  
Date: 21/05/2016



*[Signature]*  
Authorised Signatory

## Notes to the financial statements

	As at 31-Mar-16 GBP	As at 31-Mar-15 GBP
<b>2.1 Share Capital</b>		
<b>Authorised</b>		
3,000,000 (2015: 3,000,000) Ordinary Shares of £1/- each	3,000,000	3,000,000
	<u>3,000,000</u>	<u>3,000,000</u>
<b>Issued, Subscribed and Paid-up</b>		
1,575,000 (2015: 1,575,000) Ordinary Shares of £1/- each fully paid up.	1,575,000	1,575,000
	<u>1,575,000</u>	<u>1,575,000</u>

**a. Reconciliation of the number of shares outstanding**

	No. of Shares	Amount	No. of Shares	Amount
Number of ordinary shares at the beginning	1,575,000	1,575,000	1,575,000	1,575,000
Add: ordinary shares issued during the year				
Number of ordinary shares at the end	<u>1,575,000</u>	<u>1,575,000</u>	<u>1,575,000</u>	<u>1,575,000</u>

**b. Rights, preferences and restrictions attached to shares**

The Company has only one class of ordinary shares having a face value of 1/- per share. Each holder of the ordinary shares is entitled to one vote per share.

In the event of liquidation, the shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their holdings.

**c. Shares held by holding/ultimate holding company and/or their subsidiaries/associates**

Particulars	As at March 31, 2016	As at March 31, 2015
	Number of shares	Number of shares
Holding Company - United Spirits Limited	1,575,000	1,575,000

**d. Details of shareholders holding more than 5% shares in the company**

	As at March 31, 2016		As at March 31, 2015	
	Number of shares	% holding	Number of shares	% holding
United Spirits Limited	1,575,000	100.00%	1,575,000	100.00%

**2.2 Reserves and Surplus**

Debit balance in Statement of Profit and Loss		
As per last Balance Sheet	(4,173,253)	(2,032,551)
Loss for the year	(486,954)	(2,140,702)
	<u>(4,660,207)</u>	<u>(4,173,253)</u>
Less: Appropriations:		
	(4,660,207)	(4,173,253)
	<u>(4,660,207)</u>	<u>(4,173,253)</u>

McDowell & Co. (Scotland) Limited

Notes to the financial statements

	As at 31-Mar-16 GBP	As at 31-Mar-15 GBP
<b>2.3 Long-term Borrowings</b>		
<b>Unsecured</b>		
Long term loan from Related parties	11,231,802	10,602,696
	<b>11,231,802</b>	<b>10,602,696</b>

a. Terms of repayment for unsecured borrowings

<b>Borrowings</b>	<b>Terms of Repayment</b>
Loan from related parties	Interest free and repayable after 12 months

**McDowell & Co. (Scotland) Limited**

**Notes to the financial statements**

	<b>As at 31-Mar-16 GBP</b>	<b>As at 31-Mar-15 GBP</b>
<b>2.4 Trade Payables</b>		
Sundry Creditors	31,844	84,037
	<u>31,844</u>	<u>84,037</u>

McDowell & Co. (Scotland) Limited

Notes to the financial statements

2.5 Tangible assets

Tangible	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at March 31, 2015	Additions	Deletion/ Adjustments	As at March 31, 2016	As at March 31, 2015	For the year	Deletion/ Adjustments	As at March 31, 2016	As at March 31, 2016	As at March 31, 2015
Plant and Equipment	59,843	-	-	59,843	57,990	1,853	-	59,843	-	1,853
	59,843	-	-	59,843	57,990	1,853	-	59,843	-	1,853



**McDowell & Co. (Scotland) Limited**  
**Notes to the financial statements**

	<b>As at 31-Mar-16 GBP</b>	<b>As at 31-Mar-15 GBP</b>
<b>2.6. Non-current Investments</b>		
Investment Property	8,083,997	8,083,997
	<u>8,083,997</u>	<u>8,083,997</u>

Note  
1. Investment property includes investment in Castle GBP .975 Mn for which the company has beneficial ownership of interest

**McDowell & Co. (Scotland) Limited**

**Notes to the financial statements**

	<b>As at 31-Mar-16 GBP</b>	<b>As at 31-Mar-15 GBP</b>
<b>2.7 Long term Loans and Advances</b> (Unsecured, considered good unless stated otherwise)		
Loans and Advances to Related Parties	-	1,770
	<u>-</u>	<u>1,770</u>

**McDowell & Co. (Scotland) Limited**

**Notes to the financial statements**

	As at 31-Mar-16 GBP	As at 31-Mar-15 GBP
<b>2.8 Cash and Cash Equivalents</b>		
Balances with Banks:		
In Current accounts	92,198	95
	<u>92,198</u>	<u>95</u>
<b>2.9 Short Term Loans and Advances</b>		
(Unsecured, considered good unless stated otherwise)		
Other receivables	2,243	764
	<u>2,243</u>	<u>764</u>

McDowell & Co. (Scotland) Limited

Notes to the financial statements

	As at 31-Mar-16 GBP	As at 31-Mar-15 GBP
<b>2.10 Other Income</b>		
Lease Rent Income	-	72,000
	<u>-</u>	<u>72,000</u>
<b>2.11 Employee Benefit Expenses</b>		
Salaries and Wages	53,314	53,151
	<u>53,314</u>	<u>53,151</u>
<b>2.12 Finance Cost</b>		
Interest	39,429	-
Exchange Loss (Net)	264,789	460,755
	<u>304,218</u>	<u>460,755</u>
<b>2.13 Other Expenses</b>		
Buildings	-	2,849
Rates and Taxes	-	5,400
Bank charges	-	522
Legal and Professional	-	16,697
Personnel and Administration	127,569	146,408
	<u>127,569</u>	<u>171,876</u>

## 1. Significant Accounting Policies

### i. Basis of Preparation and Presentation:

The company is incorporated and domiciled in United Kingdom. The company prepares its Financial Statements in the reporting currency i.e. GBP.

The financial statements have been prepared in conformity with the accounting principles generally accepted in India, in particular, these financial statements have been prepared in compliance with the mandatory accounting standards as prescribed under Section 133 of the Companies Act, 2013 ('Act') read with Rule 7 of the Companies (Accounts) Rules, 2014.

The financial statements have been prepared to facilitate the consolidation of the financial statements of the Indian holding company in accordance with the accounting standard AS – 21, Consolidated Financial Statements.

The financial statements are prepared under the historical cost convention, on going concern basis and on the accrual basis of accounting, unless otherwise stated. The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

### ii. Fixed Assets and Depreciation:

Fixed assets are stated at cost less accumulated depreciation. The company capitalises all direct costs relating to the acquisition and installation of fixed assets. Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready to use before such date are disclosed under "Capital work-in-progress and advances".

### iii. Impairment of Assets:

The carrying amounts of assets are reviewed at each balance sheet date. If there is any indication of impairment based on internal/external factors, an impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use.

### iv. Depreciation:

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows.

Plant and Machinery	over 5 years
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v. Revenue recognition:

All revenues are generally recognized on accrual basis except where there is an uncertainty of ultimate realization.

vi. Foreign Currency Transactions:

Foreign currency transactions during the year are recorded at the exchange rate prevailing on the date of the transaction. Foreign currency denominated monetary items are translated into the reporting currency at the closing rates of exchange prevailing at the date of the balance sheet. Non-monetary items, which are carried in terms of historical cost denominated in foreign currency, are reported using exchange rate at the date of the transaction. Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded, are recognised as income or as expenses in the year in which they arise.

vii. Tax expense:

Current tax is measured at the amount expected to be paid to the tax authorities in accordance with law prevailing in UK. Deferred income taxes are recognised for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Unrecognised deferred tax assets of earlier year are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which deferred tax assets can be realized.

viii. Investments:

Investments are stated at cost including brokerage, fees, duties, and borrowing costs till the date of acquisition and other expenses directly attributable to the acquisition of the investment. Current investments are shown at lower of cost and fair value. Permanent declines in the value of long-term investments are recognized. Temporary declines in the value of long-term investments are ignored.

ix. Provisions and contingencies:

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

x. Earnings per share

The earnings considered in ascertaining the Company's earnings per share comprise the net profit after tax. The number of share used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of shares, if any which would have been issued on the conversion of all dilutive potential equity shares. The number of shares and potentially dilutive shares are adjusted for the bonus and sub-division of shares.

xi. Segment reporting

Business segments are defined as a distinguishable component of an enterprise that is engaged in providing a group of related products and services and that is subject to differing risks and returns and about which separate financial information is available. This information is reviewed and evaluated regularly by the management in deciding how to allocate resources and in assessing the performance.

For the period under reference the company considers all its activities as relating to a single business segment and relating to a single geographical area.

Notes to the financial statements for the year ending March 31, 2016

2.14 Related Party Disclosures :

i. List of related parties:

Sl. No.	Name of the related party	Nature of relationship
1.	United Spirits Limited	Holding Company
2.	Palmer Investment Group Limited	Fellow Subsidiary
3.	Montrose International S.A.	Fellow Subsidiary
4.	UB Sports Management Overseas Ltd (Formerly known as JHL Nominees Limited)	Fellow Subsidiary
5.	USL Holdings (UK) Limited	Fellow Subsidiary
6.	USL Holdings Limited	Fellow Subsidiary
7.	United Spirits (Great Britain) Limited	Fellow Subsidiary
8.	United Spirits (UK) Limited	Fellow Subsidiary
9.	United Spirits Nepal Private Limited	Fellow Subsidiary
10.	Asian Opportunities and Investments Limited	Fellow Subsidiary
11.	Shaw Wallace Overseas Limited	Fellow Subsidiary
12.	SW Finance Co Limited *	Fellow Subsidiary
13.	Four Seasons Wines Limited	Fellow Subsidiary
14.	Chapin Landias S.A.S **	Fellow Subsidiary
15.	Liquidity Inc	Fellow Subsidiary
16.	Bouvet Ladubay S.A.S **	Fellow Subsidiary
17.	Royal Challengers Sports Pvt Ltd	Fellow Subsidiary
18.	United Spirits Shanghai Trading Co Ltd	Fellow Subsidiary
19.	Wine Soc. of India Private Limited	Associate
20.	UB Distilleries	Associate
21.	Tern Distilleries Private Limited	Fellow Subsidiary
22.	Sovereign Distilleries Limited	Fellow Subsidiary
23.	Pioneer Distilleries Limited	Fellow Subsidiary
24.	United Spirits Singapore Pte Limited	Fellow Subsidiary
25.	Relay B. V	Promoter of holding company
26.	United Breweries (Holdings) Limited	Promoter of holding company
27.	Diageo India Private Limited	Promoter of holding company
28.	Diageo Scotland Limited	Promoter of holding company
29.	Diageo Plc	Promoter of holding company
30.	Diageo Singapre Supply Pte Ltd	Promoter of holding company
31.	Kingfisher Finvest India Limited	Promotor of holding company
32.	Diageo Brands BV	Promotor of holding company
33.	Diageo Vietnam	Promotor of holding company



34	Diageo Great Britain Limited	Promotor of holding company
35	Diageo Australia Limited	Promotor of holding company
36	Diageo North America, Inc	Promotor of holding company
37	Diageo Singapore Pte. Limited	Promotor of holding company
38	Guinness Nigeria Limited	Promotor of holding company
39	Diageo Ireland	Promotor of holding company

ii. Related Party Transactions :

Sl. No.	Nature of Transactions :	2016	2015
1	With Holding Company		
	Share Capital	GBP 15,75,000	GBP 15,75,000
	Loan from holding company :	GBP 46,04,049	GBP 42,71,052
2	Loan		
	Shaw Wallace Overseas Ltd	GBP 1,50,757	GBP 1,50,757
	USL Holdings Limited -- BVI	GBP 50,98,719	GBP 49,27,498
	USL Holdings UK	GBP 5,56,900	GBP 5,56,900
	United Spirits (UK) Ltd	GBP 6,96,489	GBP 6,96,489
	United Spirits ( GB ) Limited	GBP 1,24,887	GBP 1,770
3	Rental Income		
	USL India		GBP 72,000

2.15 Cash Flow :

Cash flow statement is prepared using the indirect method of cash flow statement and in accordance with AS 3 – Cash Flow Statements.

2.16 Contingent Liabilities:

All known liabilities, wherever material, are provided for and liabilities, which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent.

2.17 The financial statements have been prepared on the going concern basis on the continued support of the company's parent, United Spirits Limited.

2.18 Figures are rounded off to the nearest reporting currency.

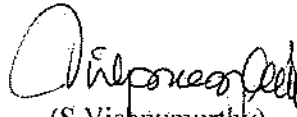
2.19 Previous year figures has been regrouped wherever necessary.

For and on behalf of the board of directors  
of McDowell & Co (Scotland) Limited

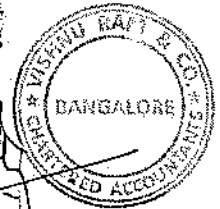
  
Authorized Signatory

Place : Bangalore  
Date : 21/05/2016

Per our report of even date  
For Vishnu Ram & Co  
Chartered Accountants

  
(S. Vishnumurthy)

Proprietor  
Membership no. 22715  
Firm Registration No. 004742S



**VISHNU RAM & CO.,**  
CHARTERED ACCOUNTANTS

To

The Board of Directors,  
McDowell & Co (Scotland) Limited

1. This has reference to your letter dated 17.04.2016 requesting us to carry out an audit of and report on the financial statements of **McDowell & Co (Scotland) Limited** ("the company"), which is a subsidiary of United Spirits Limited, Bangalore.
2. Accordingly, we have audited the attached Balance Sheet of the company as at 31<sup>st</sup> March 2016, and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended 31<sup>st</sup> March 2016 annexed thereto. These financial statements are your responsibility. Our responsibility is to express an opinion on these financial statements based on our audit.
3. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

4. *Basis for qualified opinion*

*The company holds an investment property, Keillour Castle, on its balance sheet at carrying value of £ 975,000. The investment property was transferred to a trust by the previous legal owner, a former director of United Spirits Limited, some years ago. However, legal ownership of the investment property has not, to date, been transferred to the trust. The company controls the trust and is the beneficial owner of this investment property. We have been unable to obtain sufficient appropriate audit evidence as to what the company's risks and rewards of the beneficial ownership actually are including, for example, whether the company is entitled to dispose of the property at a future date or entitled to any sale proceeds. We have therefore unable to determine whether it is appropriate for the company to include the investment property on its balance sheet. We therefore qualify our opinion only in respect of this investment.*

5. **Emphasis of matter**

The company has prepared its financial statements on going concern basis relying upon the letter of financial support given by its holding company/ultimate holding company.

**VISHNU RAM & CO.,**  
CHARTERED ACCOUNTANTS

6. We report that;

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- ii. The Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
- iii. In our opinion and to the best of our information and according to the explanations given to us, *except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph above*, the said accounts read together with the notes thereon, give a true and fair view in conformity with accounting principles generally accepted in India;

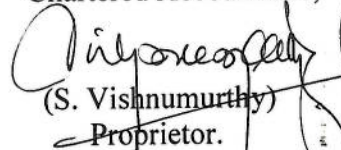
(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31-03-2016, and

(b) in the case of the Statement of Profit and Loss of the loss for the year ended 31-3-2016 and

(c) in the case of cash flow statement, of the cash flows for the year ended 31-3-2016

Place: Bangalore  
Date : 21-05-2016

For Vishnu Ram & Co.,  
Chartered Accountants,

  
(S. Vishnumurthy)  
Proprietor.

Membership No.22715

Firm Registration No.004742S

