UNITED SPIRITS
A DIAGEO Group Company

United Spirits Limited
Registered Office:
UB Tower
#24 Vittal Mallya Road
Bengaluru 560 001

Tel +91 80 3985 6500
+91 80 2221 0705
Fax +91 80 3985 6862
www.unitedspirits.in

Ref: bm260516

May 26, 2016

1. National Stock Exchange of India Limited
   Exchange Plaza, C-1, Block G
   Bandra Kurla Complex, Bandra (East)
   Mumbai - 400 051.
   Scrip Code:MCDOWELL-N

2. BSE Limited
   (Regular Office & Corporate Relations Dept)
   Phiroze Jeejeebhoy Towers
   Dalal Street
   Mumbai - 400 001.
   Scrip Code: 532432

Dear Sirs,

Sub: Standalone and Consolidated Audited Financial Results for the quarter and year ended March 31, 2016.

The Board of Directors of the Company at their meeting held today, has considered and taken on record the Standalone and Consolidated Audited Financial Results of the Company for the quarter and year ended March 31, 2016 ("AFR"). The AFR along with the Auditors' Report and Form B in the format prescribed under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 are enclosed. The Board has not recommended any dividend.

A Press Release on the Results is also enclosed.

We have also uploaded the financial result on the website of the Company as well as on the website of BSE Ltd, and National Stock Exchange of India Ltd.

Thanking you,

Yours faithfully,
for UNITED SPIRITS LIMITED

V.RAMACHANDRAN
COMPANY SECRETARY

Attachments: as above

Encl:

1. Standalone and consolidated AFR for the quarter and year ended 31-March-2016
2. Standalone and Consolidated Auditors Report on the above
3. Standalone and Consolidated Form B
4. Press Release

UNITED SPIRITS LIMITED

A DIAGEO Group Company

'UB Tower', # 24, Vittal Mallya Road, Bangalore - 560 001

₹ Crores

Statement of Audited Results for the quarter and year ended March 31, 2016

	Standalone					Consolidated	
	3 months ended March 31,	Previous 3 months ended December 31,	3 months ended March 31,	Year ended March 31,		Year ended March 31,	
	2016	2015	2015	2016	2015	2016	2015
	Audited (Refer note 2)	Unaudited	Audited (Refer note 2)	Audited		Audited	
1 Income from operations	5,595.00	6,285.10	5,034.73	22,241.98	20,502.54	22,679.21	22,230.38
Less: Excise duty	3,311.36	3,647.01	3,014.36	13,209.68	12,550.89	13,439.14	13,070.99
(a) Net sales / Income from operations	2,283.64	2,638.09	2,020.37	9,032.30	7,951.65	9,240.07	9,159.39
(b) Other operating income, net	6.69	12.49	30.88	59.62	97.69	139.22	175.60
Total income from operations (net)	2,290.33	2,650.58	2,051.25	9,091.92	8,049.34	9,379.29	9,334.99
2 Expenses:							
a) Cost of materials consumed	958.44	1,072.06	777.58	3,808.61	3,578.23	3,993.67	4,333.86
b) Purchase of stock-in-trade	392.64	614.82	255.17	1,676.44	1,211.03	1,432.23	1,235.52
c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	9.09	(128.78)	50.46	(181.11)	(20.50)	(177.50)	(350.37)
d) Employee benefits expense	147.40	174.73	212.25	654.11	618.50	698.74	777.85
e) Depreciation and amortisation expense	27.26	25.59	36.99	102.10	109.74	157.73	222.87
f) Other expenses							
i) Advertisement and sales promotion	280.29	301.95	196.74	966.25	786.80	981.16	1,056.33
ii) Others	411.36	346.59	533.97	1,285.65	1,364.78	1,478.36	1,677.32
Total expenses	2,226.48	2,406.95	2,063.16	8,314.05	7,648.56	8,564.39	8,953.38
3 Profit / (loss) from operations before other income, finance costs and exceptional items (1-2)	63.85	243.63	(11.91)	777.87	400.76	814.90	381.61
4 a) Other income	73.32	3.34	65.65	85.26	159.98	44.92	81.08
b) Exchange difference - gain / (loss), net	16.50	(7.62)	8.78	20.87	(24.25)	(15.75)	(571.48)
5 Profit / (loss) from ordinary activities before finance costs and exceptional items (3+4)	153.67	239.35	62.52	884.00	536.49	844.07	(108.79)
6 Finance costs	100.88	107.66	134.15	446.92	592.96	455.81	687.34
7 Profit / (loss) from ordinary activities after finance costs but before exceptional items (5-6)	52.79	131.69	(71.63)	437.08	(56.47)	388.26	(796.13)
8 Exceptional items (net) (Refer Note 12)	(21.08)	(42.12)	(1,754.97)	736.25	(1,871.67)	790.90	(839.16)
9 Profit / (loss) from ordinary activities before tax (7 + 8)	31.71	89.57	(1,826.60)	1,173.33	(1,928.14)	1,179.16	(1,635.29)
10 Tax expense	40.70	48.62	(27.32)	192.16	28.34	210.22	52.04
11 Net profit / (loss) from ordinary activities after tax (9-10)	(8.99)	40.95	(1,799.28)	981.17	(1,956.48)	968.94	(1,687.33)
From continuing operations						968.94	(1,929.47)
From discontinuing operations						-	242.14
12 Extraordinary Items (Net of tax expense)	-	-	-	-	-	-	-
13 Net profit / (loss) for the period (11-12)	(8.99)	40.95	(1,799.28)	981.17	(1,956.48)	968.94	(1,687.33)
14 Share of Profit / (loss) of Associate						-	-
15 Minority Interest in Profit / (Loss)						1.19	0.38
16 Net Profit / (loss) after taxes, minority interest and share of profit /(loss) of associates (13+14+15)	(8.99)	40.95	(1,799.28)	981.17	(1,956.48)	967.75	(1,687.71)
17 Paid-up equity share capital (Face value ₹10)	145.33	145.33	145.33	145.33	145.33	145.33	145.33
18 Reserves excluding Revaluation Reserves as per balance sheet of previous accounting year				2,661.89	1,796.75	1,642.60	514.19
19 Earnings per share of ₹10 each (not annualised):							
a) Basic and diluted relating to continuing operations	(0.62)	2.82	(123.81)	67.51	(134.62)	66.59	(132.76)
b) Basic and diluted relating to discontinuing operations						-	16.66
c) Basic and diluted relating to total operations	(0.62)	2.82	(123.81)	67.51	(134.62)	66.59	(116.11)

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UNITED SPIRITS LIMITED

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'UB Tower', # 24, Vittal Mallya Road, Bangalore - 560 001

Statement of Assets & Liabilities

₹ Crores

	Standalone		Consolidated	
	As at March 31,		As at March 31,	
	2016	2015	2016	2015
A.EQUITY AND LIABILITIES				
1. Shareholders' funds				
a) Share capital	145.33	145.33	145.33	145.33
b) Reserves and surplus	2,661.89	1,796.75	1,642.60	514.19
	2,807.22	1,942.08	1,787.93	659.52
Minority Interest			1.71	0.81
2. Non-current liabilities				
a) Long-term borrowings	705.70	1,509.51	734.35	1,117.32
b) Other long-term liabilities	25.94	43.92	56.93	121.99
c) Long-term provisions	68.15	66.11	68.15	66.11
	799.79	1,619.54	859.43	1,305.42
3. Current liabilities				
a) Short-term borrowings	2,994.14	3,621.32	2,996.91	3,653.60
b) Trade payables	723.47	718.01	740.68	799.75
c) Other current liabilities	1,489.06	868.62	1,604.96	935.27
d) Short-term provisions	564.99	248.37	568.57	534.24
	5,771.66	5,456.32	5,911.12	5,922.86
	9,378.67	9,017.94	8,560.19	7,888.61
B. ASSETS				
1. Non-current assets				
a) Fixed assets	1,320.91	1,133.96	2,059.46	1,973.10
b) Goodwill on consolidation			112.45	62.03
c) Non-current investments	267.47	430.36	78.12	91.48
d) Deferred tax assets (net)	123.53	87.31	123.47	87.79
e) Long-term loans and advances	2,321.18	2,706.04	680.73	810.84
f) Other non-current assets	0.13	0.13	0.13	0.13
	4,033.22	4,357.80	3,054.36	3,025.37
2. Current assets				
a) Current investments	120.75	120.71	120.81	124.88
b) Inventories	1,734.05	1,554.24	1,795.40	1,758.11
c) Trade receivables	2,477.74	1,745.48	2,453.19	1,751.50
d) Cash and bank balance	38.04	239.69	162.33	362.88
e) Short-term loans and advances	974.80	912.82	974.03	778.66
f) Other current assets	0.07	87.20	0.07	87.21
	5,345.45	4,660.14	5,505.83	4,863.24
	9,378.67	9,017.94	8,560.19	7,888.61

United Spirits Ltd. ★ Bangalore ★

UNITED SPIRITS LIMITED
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₹ Crores

Statement of Audited Results for the quarter and year ended March 31, 2016

Particulars	Standalone			Consolidated	
	Quarter ending March 31,	Current Year ending March 31,	Corresponding 3 months ended March 31,	Current Year ending March 31,	Previous year ending March 31,
	2016	2016	2015	2016	2015
Total Income from operations (net)	2,290.33	9,091.92	2,051.25	9,379.29	9,334.99
Net Profit/(Loss) from ordinary activities after tax	(8.99)	981.17	(1,799.28)	968.94	(1,687.33)
Net Profit/(Loss) for the period after tax(after Extraordinary items)	(8.99)	981.17	(1,799.28)	968.94	(1,687.33)
Equity Share Capital	145.33	145.33	145.33	145.33	145.33
Reserves (excluding revaluation Reserve as shown in the Balance sheet of Previous year)	2,661.89	2,661.89	1,796.75	1,642.60	514.19
Earning Per Share (before extraordinary items) (of ₹ 10/- each)					
Basic :	(0.62)	67.51	(123.81)	66.59	(116.11)
Diluted:	(0.62)	67.51	(123.81)	66.59	(116.11)
Earning Per Share (after extraordinary items) (of ₹ 10/- each)					
Basic :	(0.62)	67.51	(123.81)	66.59	(116.11)
Diluted:	(0.62)	67.51	(123.81)	66.59	(116.11)

Note: The above is an extract of the detailed format of Quarterly/Annual Financial Results filed with the Stock Exchanges under Regulation 33 of the SEBI (Listing and Other Disclosure Requirements) Regulations,2015. The full format of the Quarterly/Annual Financial Results are available on the websites of Stock Exchanges at www.bseindia.com and www.nseindia.com and also on company's website at www.unitedspirits.in.

For and on behalf of the Board of

Anand Kripalu
Managing Director

Place : Bangalore
Date : 26 May 2016

United Spirits Ltd. Bangalore

United Spirits Limited

Audited Financial Results for the year ended March 31, 2016

Notes:

1. United Spirits Limited (hereinafter referred to as "the Company" or "USL") is engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines), including through tie-up manufacturing/ brand franchise, which constitute a single business segment. The Company is primarily organized into two main geographic segments namely India and outside India. However, the Company's operations outside India do not exceed the quantitative threshold for disclosure envisaged in AS-17 on "Segment Reporting" specified in Section 133 of the Companies Act, 2013 ("the Act") read with relevant rules framed thereunder. In view of the above, both primary and secondary reporting disclosures for business/ geographical segment as envisaged in AS-17 are not applicable to the Company.

2. The figures for the quarters ended March 31, 2016 and March 31, 2015 are the balancing figures between the audited figures in respect of the full financial year and the unaudited published figures in respect of the year to date period ended December 31, 2015 and December 31, 2014 respectively. For the purpose of disclosures in the financial results, the figures for the year ended March 31, 2015 and the unaudited published figures in respect of the year to date period ended December 31, 2014, had been adjusted in the previous year to give effect to the demerger of the Chennai Unit from the appointed date of April 1, 2013.

3. During the quarter ended March 31, 2016, the Company invested

   a) Rs. 98.68 Crores in Tern Distilleries Private Limited, a wholly owned subsidiary of the Company ("Tern") by way of conversion of the loans (Rs. 76.73 Crores) and accrued interest (Rs. 20.77 Crores) into equity shares. Subsequent to the aforesaid conversion, TERN has made an application to the Board for Industrial and Financial Reconstruction ("BIFR") to de-register its name from the list of sick industrial undertakings. Accordingly, the Draft Rehabilitation Scheme for the amalgamation of TERN with the Company, as submitted to the BIFR, stands abandoned.

   b) In equity Share capital of Rs. 426.69 Crores in Sovereign Distilleries Limited, a wholly owned subsidiary of the Company ("SDL"). SDL has repaid the loans (Rs. 339.93 Crores) and accrued interest (Rs. 85.72 Crores) to USL.

4. The Scheme of Amalgamation between the Company and SW Finance Co. Limited, a wholly owned subsidiary of the Company ("SWFCL"), under Section 391 and 394 read with Sections 100 to 103 of the Companies Act, 1956 (the "Scheme") with the appointed date of January 1, 2014 has been sanctioned by the Hon'ble High Court of Karnataka and Hon'ble High Court of Judicature at Bombay under the orders dated June 12, 2015 and August 28, 2015 respectively. Upon necessary filings with the respective Registrars of Companies, the Scheme became effective from September 28, 2015 (the 'Effective Date') and effect thereof was given in the financial results during the quarter ended September 30, 2015. Consequently, in terms of the Scheme, the authorised share capital of SWFCL stands added to the authorised share capital of the Company and hence the revised authorised capital of the Company has been increased to, 548,000,000 equity shares of Rs. 10 each amounting to Rs. 548 Crores, 159,200,000 Preference Shares of Rs. 10 each amounting to Rs. 159.20 Crores and 1,200,000 7% Non-Cumulative Redeemable Preference Shares of Rs. 100 each amounting to Rs. 12 Crores.

5. Further to the sale of the Whyte & Mackay Group Limited, and the letter dated October 16, 2014 received from the authorised dealer, the Company is in the process of liquidating or restructuring the intermediary

United Spirits Ltd. Bangalore

wholly owned subsidiaries. The Company will comply with the requisite conditions specified by the authorised dealer and obtain the necessary approvals in accordance with the applicable law.

6. On February 25, 2016, USL entered into a settlement agreement with Dr Mallya pursuant to which he resigned from his positions as a director and chairman of the Company and of the boards of its subsidiaries. Pursuant to this settlement, the Company and Dr Mallya agreed a mutual release in relation to matters arising out of the initial inquiry by the Company into certain matters referred to in its financial statements for the financial year ended 31 March 2014 (as mentioned in note 7 (a) below). Additionally USL undertook to Dr Mallya that it shall not bring a civil claim for money, damages or specific performance against the counterparties mentioned in the aforesaid note 7 (a) in relation to matters arising out of the initial inquiry mentioned therein. In connection with the settlement, Dr Mallya procured or undertook to procure the termination by the relevant counterparties of certain historical agreements to which the Company was party and which were voted down by the shareholders in November 2014. As a result, the Company entered into mutual release and termination agreements with all the respective counterparties under the agreements identified in (c) to (e) and (g) to (i) of note 8 below, terminating the relevant agreements with effect from November 28, 2014 and mutually releasing the Company and each relevant counterparty of any claims arising thereunder subsequent to November 28, 2014. The termination of these agreements are on terms that release the Company from all liabilities / obligations under the agreements, including in respect of accrued, unpaid amounts, other than in the following specific and limited instances: (i) in respect of the agreement identified in (d) of note 8 below, the parties have agreed that the Company shall have no obligation to pay the counterparty to that agreement amounts (including amounts which were due to be paid by the Company at the time of signing such agreement) until and unless the counterparty or its affiliate pay the Company certain amounts owed in connection with a prior sponsorship arrangement entered into by the Company with such affiliate; and (ii) in respect of agreement identified in (h) of note 8 below, the Company agreed to refund (and has refunded) to the counterparty thereto, the entire call option fee of INR 28.14 Crores which was paid to the Company during the financial year ended March 31, 2014 together with simple interest at 12%. The agreement with the party named in (f) of note 8 has not yet been terminated, notwithstanding Dr Mallya's undertaking to procure such termination. In addition to the above terms in the settlement, Dr Mallya agreed to a global non-compete (excluding United Kingdom), non-interference and standstill obligations as regards the Company for a period of five years following the date of the settlement. The Company agreed that Dr Mallya will have the honorary title of "Founder Emeritus - USL". USL has confirmed that it has no intention to remove Mr Sidhartha Mallya (Dr Mallya's son) as a director of Royal Challengers Sports Private Limited ('RCSPL') which holds the franchise for the IPL team Royal Challengers Bangalore ('RCB'), for a period of two years or while RCB remains part of the USL Group, whichever is earlier, subject to Dr Mallya's continuing compliance with the terms of the settlement. Dr Mallya will have the status of Chief Mentor while Mr Sidhartha Mallya remains on the board of RCSPL. The members of the board of RCSPL will be able, if they wish, to consult with Dr Mallya. Dr Mallya's above mentioned titles carry no authority, responsibility, rights or benefits within the Company or its group. As part of its arrangements with Dr Mallya, the Company also entered into certain principles, pursuant to which Dr Mallya or a party nominated by him would have a limited period option to purchase up to 13 non-core properties from the Company. If Dr Mallya or his nominee elects to acquire any or all of these properties, the election would need to be made in a time-bound manner and the price at which the properties may be acquired will be the fair market value as assessed by a reputed independent valuer appointed by USL, with a 10% discount applying to the valuation of three of the residential properties (in Mumbai, Goa and New Delhi), provided that each of the fair market value and the discounted value applicable to certain select properties as specified above, shall not be less than the value of that property adopted or assessed by any authority or state government for the purposes of payment of stamp duty in respect of the transfer of the relevant property. The sale prices for these properties (including the post-discount price for the relevant three properties) are expected to be higher than the prices, which applied under the now-terminated properties call agreement referred to in (h) of note 8 below.

United Spirits Ltd. Bangalore

Pursuant to the settlement agreement, United Breweries (Holding) Limited ("UBHL") and Kingfisher Finvest India Limited's ("KFinvest's") nominated director on the USL board Dr Mallya, resigned. UBHL indicated it may be prevented from agreeing to terminate the Shareholders Agreement immediately by reason of certain legal and court restrictions which may apply as a result of winding-up proceedings to which UBHL is subject in India. USL was informed that UBHL proposes to seek court leave for an agreed termination of the Shareholders' Agreement, and USL has received certain undertakings in this regard from Dr Mallya. USL has received further notice from Dr Mallya regarding some steps taken though UBHL is yet to seek court leave to terminate the Shareholders' Agreement.

Given the nature and complexities of the settlement, and the possibility of varied interpretations of potentially applicable provisions of the Act and Securities Exchange Board of India ("SEBI") regulations, the Company obtained legal opinions from a senior legal counsel and from its external counsel, opining that the settlement agreement and related documents are in compliance with the applicable provisions of the Act and SEBI regulations.

7. During the financial year ended March 31, 2014, the Board directed a detailed and expeditious inquiry in relation to certain matters, including those referred to in paragraphs (a) and (b) below, the role of individuals involved and potential non-compliance (if any) with the provisions of the Companies Act, 1956, and other regulations applicable to the Company in relation to such transactions, and the possible existence of any other transaction of a similar nature (hereinafter referred to as "the Inquiry"). Pursuant to the directions of the Board, the Inquiry was headed by the Managing Director and Chief Executive Officer ("MD & CEO") of the Company. The Board also directed the MD & CEO to engage independent advisers and specialists as required. At its meeting held on April 25, 2015, the Board discussed and considered in detail the report submitted by the MD & CEO in relation to the Inquiry ("Inquiry Report"), the inputs and expert advice of the independent advisers and specialists and other relevant inputs.

a) During the financial year ended March 31, 2014, certain parties who had previously given undisputed balance confirmations for the financial year ended March 31, 2013, claimed in their balance confirmations to the Company for the financial year ended March 31, 2014 that they had advanced certain amounts to certain alleged UB Group entities and that the dues owed by such parties to the Company would, to the extent of the amounts owing by such alleged UB Group entities to such parties in respect of such advances, be paid/ refunded by such parties to the Company only upon receipt of their dues from such alleged UB Group entities. These dues of such parties to the Company were on account of advances by the Company in the earlier years under agreements for enhancing capacity, obtaining exclusivity and lease deposits in relation to tie-up manufacturing units ("TMUs"); agreements for specific projects; or dues owing to the Company from customers. In response to these claims, under the instruction of the Board, a preliminary internal inquiry was initiated by the Management. Based on the findings of the preliminary internal inquiry by the Management, the Management's assessment of recoverability and other considerations, as a matter of prudence, an aggregate amount of Rs. 649.55 Crores (including interest claimed) was provided in the financial statements for the financial year ended March 31, 2014 and was disclosed as a prior period item. Management sought confirmations of balances from these counterparties for the year ended March 31, 2015 and March 31, 2016, but did not receive responses from some of them.

The Inquiry Report stated that between 2010 and 2013, funds involved in many of these transactions were diverted from the Company and/or its subsidiaries to certain UB Group companies, including in particular, Kingfisher Airlines Limited ("KFA"). The diverted amounts were included in the provision made by the Company in the financial statements for the year ended March 31, 2014. The Inquiry also indicated that the manner in which certain transactions were

United Spirits Ltd. * Bangalore *

conducted, *prima facie*, indicates various improprieties and potential violations of provisions, *inter alia*, of the Companies Act, 1956, and the then listing agreements signed by the Company with various stock exchanges in India on which its securities are listed. The financial impact of these non-compliances were estimated by Management to be not material.

During the year ended March 31, 2015, an additional provision of Rs. 21.60 Crores was made for interest claimed.

In connection with the recovery of the funds that were diverted from the Company and/or its subsidiaries, pursuant to the decision of the Board at its meeting held on April 25, 2015, the Company initiated steps for recovery against the relevant parties, so as to seek to expeditiously recover the Company's dues from such parties, to the extent possible. During the quarter ended September 30, 2015, the Company reached a settlement with one of the parties pursuant to which the party had withdrawn claims aggregating Rs. 27.86 Crores. Accordingly, provision amounting to Rs. 27.86 crores has been written back. Subsequent to the year end, the Company has signed a settlement agreement with 3 other parties and based on the said settlements has reversed a provision with respect to interest claimed amounting to Rs. 26.46 Crores as at the balance sheet date. Settlements with the other parties have not been reached as yet and management is continuing discussions in this regard. During the year ended 31 March 2016, based on its assessment of recoverability, the Management has written off Rs. 566 Crores out of the amounts provided for with respect to the aforesaid counterparties. The Management has determined that in light of these provisions, no additional material adjustments to the financial results are required on this account.

b) Certain pre-existing loans/ deposits/ advances were due to the Company and its wholly-owned subsidiaries from United Breweries (Holdings) Limited ("UBHL") and were in existence as on March 31, 2013. In addition, the amounts owed by UBHL to the Company's wholly-owned subsidiaries had been assigned by such subsidiaries to the Company and recorded as loans from such subsidiaries in the books of the Company. Such dues (together with interest) aggregating Rs. 1,337.40 Crores, were consolidated into, and recorded as, an unsecured loan by way of an agreement entered into between the Company and UBHL on July 3, 2013. The interest rate under the above mentioned loan agreement with UBHL is 9.5% p.a., with the interest to be paid at six-monthly intervals starting at the end of 18 months from the effective date of the loan agreement. The loan has been granted for a period of eight years and is payable in three annual instalments commencing from the end of 6th anniversary of the effective date of the loan agreement.

Pursuant to the directions of the Board, the Inquiry also included a review of documentation to further understand and assess elements of and background to the above loan arrangement and to establish the rationale / basis for the interest rate applicable in respect of the consolidated loan amount.

With regard to the prior transactions that were consolidated into the single loan on July 3, 2013, the Inquiry Report stated that, *prima facie*, between 2010 and July 2013, certain transactions appear to have been undertaken and certain accounting entries appear to have been made to show a lower exposure of the Company (and its subsidiaries) to UBHL than the exposure that actually existed at that time. *Prima facie*, this indicates various improprieties and potential violations of provisions, *inter alia*, of the Companies Act, 1956, and the then listing agreements signed by the Company with various stock exchanges in India on which its securities are listed. The financial impact of these non-compliances were estimated by Management to be not material.

United Spirits Ltd. Bangalore

During the year ended March 31, 2014, as a matter of prudence, the Company had provided for receivables in relation to interest income of Rs. 96.31 Crores and had provided Rs. 330.32 Crores towards the principal outstanding as at March 31, 2014. The notes to accounts for the year ended March 31, 2014 had recorded the Management's belief that it should be able to recover, and that no further provision is required for the balance amount of Rs. 995.46 Crores. The notes also mentioned that the Management would continue to assess the recoverability of the said loan on an on-going basis.

As per the terms of the said loan agreement, interest payable by UBHL to the Company in January 2015 amounted to Rs. 191.10 Crores (gross of tax) and a further interest amounting to Rs. 127.05 Crores (gross of tax) was due in January 2016. However, the Company is yet to receive such interest payments from UBHL. The Company received letters from UBHL stating that it is involved in litigations with various creditors of Kingfisher Airlines Limited in different courts all over the country, and that some of the winding up petitions filed against UBHL have been admitted by the High Court of Karnataka and due to Court orders passed in winding up proceedings it is unable to pay such sums without leave of the Court which it proposes to seek. Despite prior undertakings to obtain such leave from the Court to pay USL the amounts due, and despite repeated follow up by the Company with UBHL in this regard, the Company has not received any update or information from UBHL indicating whether UBHL has applied to the Court for the requisite leave to pay USL.

As a result of the above and other relevant factors, and as a matter of prudence, the Company had provided a further amount of Rs. 995.46 Crores towards the entire balance principal amount (i.e., the entire principal amount due under the loan agreement less the amount already provided in the accounts for the financial year ended March 31, 2014) and did not recognise interest income of Rs. 120.70 Crores for the year ended March 31, 2015. Accordingly, the Company has also not recognised interest income of Rs. 31.59 Crores and Rs. 127.05 Crores for the quarter and twelve months ended March 31, 2016 respectively. The Company will pursue all rights and claims to recover the entire amount of the loan together with accrued interest from UBHL and has written to UBHL demanding payment of all sums. As a result of the foregoing and other relevant considerations, subsequent to the end of the quarter ended December 31, 2015, the Company has filed affidavits in the winding up proceedings against UBHL updating the Court with information regarding UBHL's conduct and default in payment of amounts due under the loan agreement. Additionally, during the current year, the Company has set-off an amount of Rs. 24.93 Crores payable to UBHL under the trademark agreement against the provision for interest receivables from UBHL.

Also refer Note 8 below in connection with the non-approval by the Company's shareholders of the loan agreement with UBHL (and of other potential related party transactions).

c) With regard to the possible existence of any other transaction of a similar nature, the Inquiry identified references to certain additional parties ("Additional Parties") in various documents, which also dealt with transactions involving the counterparties referred to in note 7 (a) above. The Inquiry also identified certain additional matters ("Additional Matters") where the documents identified raised concerns as to the propriety of the underlying transactions. The Management made the following provisions with respect to such transactions: (a) Rs. 20.00 Crores made in the Company's financial results for the year ended March 31, 2016, (b) Rs. 67.81 Crores made in the Company's financial results for the financial year ended March 31, 2015, (c) Rs. 44.54 Crores made in the Company's subsidiaries' financial statements for the financial year ended March 31, 2015, (d) Rs. 15.70 Crores made in the year ended March 31, 2014 in the Company's financial statements, and (e) Rs. 108.71 Crores made in the year ended March 31, 2014 in the Company's consolidated

United Spirits Ltd. Bangalore

financial statements. The Management believes these provisions are adequate and no additional material adjustments are likely to be required in relation thereto.

As the Board determined it was necessary to assess whether the additional matters or the transactions with the additional parties were improper, the Board directed the MD & CEO to expeditiously review these aspects during the period covered by the Inquiry and report to the Board his conclusions on the transactions and any further impact on the Company's financial results. This review is in progress.

d) The Company received a letter dated May 5, 2014 from the lawyers of an entity ("Alleged Claimant") alleging that the Alleged Claimant had given loans amounting to Rs. 200 Crores to KFA at an interest rate of 15% p.a. purportedly on the basis of agreements executed in December 2011 and January 2012. The letter alleged that amongst several obligations under these purported agreements, certain investments held by the Company were subject to a lien, and required the Company, pending the repayment of the said loan, to pledge such investments in favour of the Alleged Claimant to secure the aforesaid loans. The Company responded to this letter received from the lawyers of the Alleged Claimant by its letter dated June 3, 2014, wherein the Company disputed the claim and denied having created the alleged security or having executed any document in favour of the Alleged Claimant. The Company reiterated its stand in a follow-up letter dated July 28, 2014 and asked for copies of purported documents referred to in the letter dated May 5, 2014. Subsequent to the above, the Company received a letter dated July 31, 2014 from the Alleged Claimant stating that in light of certain addenda to the aforesaid purported agreements (which had inadvertently not been informed to their lawyers) the Alleged Claimant has no claim or demand of any nature whatsoever against *inter alia* the Company, including any claim or demand arising out of or connected with the documents / agreements referred to in their lawyer's letter dated May 5, 2014. The Company replied to the Alleged Claimant by its letter dated August 6, 2014, noting the above mentioned confirmation of there being no claim or demand against the Company, and asked the Alleged Claimant to immediately provide to the Company all the alleged documents referred to in the letter dated May 5, 2014 and the addendum referred to in the letter dated July 31, 2014, and to also confirm the identity and capacity of the signatory to the letter dated July 31, 2014. Subsequently, in September 2014, the Company obtained scanned copies of the purported agreements (including the purported power of attorney) and various communications between KFA and the Alleged Claimant.

These documents indicated that while the purported agreements may have sought to create a lien on certain investments of the Company, subsequently, the Alleged Claimant and KFA sought to negotiate the release of the purported obligation to create such lien, which was formalised by way of a second addendum in September 2012. The notes to accounts for the year ended 31 March 2014 recorded that the Management had verified from a perusal of the minutes of meetings of the Board of Directors of the Company that the Board of Directors of the Company at the relevant time had not approved or ratified any such purported agreement. The Management had also represented to the Board that till the receipt of scanned copies of the purported agreements in September 2014, the Company had no knowledge of these purported agreements.

Pursuant to the directions of the Board, the Inquiry included a review of documentation to further understand and assess the Company's position in relation to the above matter. The Inquiry indicated that no Board authorisation or approval had been obtained to authorize anyone to execute any such agreement seeking to create a lien on the investments of the Company to secure the obligations of the Alleged Claimant.

United Spirits Ltd. Bangalore

No further claims have been received from the Alleged Claimant or any other person.

Based on the Inquiry and its current knowledge, Management does not expect any liability or obligation to arise on the Company out of this matter.

8. As per the requirements of the then listing agreements, entered into by the Company with various stock exchanges, and applicable circulars issued by SEBI (including circular No. CIR/CFD/POLICY CELL/2/2014 dated April 17, 2014 ("April 17 Circular") and circular No. CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014), the Company had sought approval of its shareholders for certain historical agreements at the extraordinary general meeting ("EGM") held on November 28, 2014, including the following: (a) loan agreement dated July 3, 2013, between the Company and UBHL; (b) agreements dated September 30, 2011 and December 22, 2011 respectively, between the Company and UBHL requiring UBHL to sell to the Company certain immovable properties; (c) services agreement dated July 3, 2013, between the Company and Kingfisher Finvest India Limited; (d) advertising agreement dated October 1, 2013 (which amended and restated the original agreement dated July 3, 2013) between the Company and Watson Limited; (e) sponsorship agreement dated June 11, 2013 between the Company and United Racing & Bloodstock Breeders Limited; (f) sponsorship agreement dated June 11, 2013 between the Company and United Mohun Bagan Football Team Private Limited; (g) aircraft services agreement dated June 11, 2013 between the Company and UB Air Private Limited; (h) properties call agreement dated June 11, 2013 between the Company and PE Data Centre Resources Private Limited; and (i) contribution agreement dated June 11, 2013 between the Company and Vittal Mallya Scientific Research Foundation.

As stated in the EGM notice dated October 31, 2014, each of the above-mentioned transactions were duly approved by the then existing board of directors of the Company, prior to entering into the agreement corresponding to such transaction. The EGM notice further stated that while the April 17 Circular mandates that all existing material related party transactions be placed before the shareholders for their approval by way of a special resolution, thus far, the consequences of any non-approval of such existing transactions by the shareholders by the requisite majority is unclear. It is therefore possible that non-approval of one or more of the above-mentioned agreements by the requisite majority may result in the Company being obliged to cease to act upon and potentially put the Company in breach of such agreements, which are the subject of non-approval by the shareholders. This could potentially result in a dispute with the relevant counterparties who may contend that the Company has breached the relevant agreement by failing to act on or fulfil its obligations under the same. Such potential disputes could be protracted and costly, and could result in financial or other liabilities on the Company. Also, any inability on the part of the Company to act on or fulfil its obligations under the unapproved agreements could result in the Company being potentially unable to receive the benefit of the various rights that it is entitled to under such agreements (such as in the case of the agreement noted in (b) above). It was also stated in the EGM Notice that in the absence of sufficient clarity in respect of the provisions dealing with existing material related party contracts and arrangements, the Company was tabling the above-mentioned agreements for the approval of the shareholders by way of abundant caution.

It was further stated in the EGM notice that the Company was still in the process of seeking confirmations from, and verifying the position in relation to, the counterparties to, *inter alia*, the above mentioned agreements as to whether or not they are related parties of the Company, and it was not clear whether the counterparties to such agreements are indeed related parties of the Company for the purpose of Clause 49(VII) of the then Listing Agreement. However, to the extent it ultimately transpired that all or any of above mentioned agreements do not qualify as existing material related party contracts or arrangements, or the counterparties to all or any of these agreements do not qualify as related parties of the Company, such that approval of the shareholders of the Company is not required under the April 17

United Spirits Ltd. Bangalore

Circular in respect of any of the above mentioned contracts or arrangements then, in that case, it shall follow that there will be no consequences on such contracts or arrangements or on their validity or on any act or omission that may have been committed or omitted pursuant thereto, by reason of the shareholders having approved or not approved any of such contracts or arrangements.

At the EGM, the above-mentioned agreements were not approved by the shareholders of the Company by requisite majority. Consequently, the Company sought clarifications/ directions from SEBI with respect to the implications of the non-approval of the aforesaid agreements by the shareholders of the Company.

Pending clarification / direction from SEBI on the above, the Company has recognised the charges up to November 28, 2014, in respect of the agreements listed in (c) to (g) and (i) above, amounting to Rs. 135.73 Crores during the financial year ended March 31, 2015 (Rs. 138.22 Crores for the financial year ended March 31, 2014). In light of the fact that the Company's shareholders have not approved the said agreements on November 28, 2014, the Company did not recognise the charges from November 29, 2014 payable under the agreements listed in (c) to (g) and (i) above. The Company had informed the respective counterparties that the contracts mentioned above were not approved by the shareholders on November 28, 2014. Further, subsequent to November 28, 2014, in response to the letters received by the Company from the concerned counterparties, the Company has made payments amounting to Rs. 7.43 Crores (excludes a cheque of Rs. 0.61 Crores which has not been encashed) to some of these counterparties with respect to the dues for services received prior to November 28, 2014 specifically stating that the said amounts would be refundable to the Company if it is determined that such amounts were not payable by the Company in view of the shareholders not having approved the respective agreements. Pending the clarifications / directions from SEBI, the Company had not made any payments to the respective counterparties under the agreements in (c) to (g) and (i) above for the period subsequent to November 28, 2014 and considered these amounts as contingent liabilities. During the previous year, the Company received communications from some of the counterparties identified above stating that they do not qualify as related parties of the Company, to which the Company has responded. In addition, during the previous year, the Company received multiple notices from one of the counter-parties, demanding payments of sums due under the relevant agreement for periods after November 28, 2014. The Company has suitably responded to these notices. As previously mentioned in note 6 above, the Company has entered into mutual release and termination agreements with the respective counterparties under the agreements in (c) to (e), and (g) to (i) above and the agreement with the party named in (f) above has not yet been terminated. Further, with respect to the terminated agreements, the Company has retained the right to recover the amounts paid to the respective parties for the period before November 28, 2014 in case any regulatory authority and/or any court of competent jurisdiction decides that these amounts were not payable by the Company at a future date. In view of shareholders non-approval of these agreements in the EGM held on 28 November 2014 and thereafter the termination of some of these agreements, pending clarification from SEBI, which has not been forthcoming, the Company has obtained an opinion from a senior legal counsel opining that these contracts would have been rendered void by, and from the date of rejection by, the shareholders. Accordingly, the Company has not recognised the charges amounting to Rs. 12.10 Crores from November 29, 2014 to March 31, 2016 (including Rs. 2.29 Crores and Rs. 9.10 Crores for the quarter and year ended March 31, 2016 respectively) payable under the agreements listed in (f) above.

9. The managerial remuneration for the financial year ended March 31, 2015 aggregating Rs. 6.49 Crores and Rs. 15.31 Crores towards remuneration of the MD & CEO and the Executive Director and Chief Financial Officer ("ED & CFO"), respectively, was approved by the shareholders of the Company at the annual general meeting of the Company held on September 30, 2014. The aforesaid remuneration includes amounts paid in excess of the limits prescribed under the provisions of Schedule V to the Companies Act, 2013 ("Act"). Accordingly, the Company applied for the requisite approval from the

United Spirits Ltd. * Bangalore *

Central Government for such excess remuneration. Subsequent to the year end, the Company has received communications from the Central Government not approving such excess remuneration. The Company has responded to the Central Government requesting reconsideration of it application for approval of such excess remuneration.

10. The following letters/ notices were received by the Company with respect to the matters under Inquiry.

a) The Company has received a notice from the Ministry of Corporate Affairs ("MCA") for an inspection, under Section 206(5) of the Act, of the books of accounts and other books and papers of the Company. Following the said inquiry, the Company and its directors and officers (including former directors and officers) have received a notice dated January 11, 2016 from the Joint Director, MCA requesting explanations and comments as to why action should not be initiated in relation to various contraventions alleged by the Joint Director under provisions of the Act. The Company has responded to this notice. A notice under Section 131 of the Income Tax Act, 1961 has also been received. The Company is cooperating fully with the authorities in relation to the same.

b) The Company has also received letters from erstwhile auditors who served as the Company's statutory auditors during the period covered by the Inquiry, seeking to understand the impact of the findings of the Inquiry on their respective audit reports. Any remedial actions proposed by the previous auditors will be considered by the Company in the light of applicable legal provisions.

c) As directed by the Board, the Company provided a copy of the Inquiry Report to its statutory auditors for their review and further actions as may be required. Following this, the Audit Committee of the Board has received from the statutory auditors a report under Section 143(12) of the Act and the relevant rules thereunder, seeking the Audit Committee's reply/ observations. The Audit Committee had provided its reply/ observations to the statutory auditors. Thereafter, the statutory auditors issued a report to the Central Government under Section 143(12) of the Act and the relevant rules thereunder.

d) In February 2016, certain directors of the Company, including independent directors, were requested to provide statements and information to the Serious Frauds Investigation Office ("SFIO") in relation to the SFIO's investigation into Kingfisher Airlines.

e) The Company has also received letters from the National Stock Exchange Limited ("NSE") pursuant to SEBI circular no. CIR/CFD/DIL/7/2012 dated August 3, 2012 in relation to Form B, along with audited financial statements for the financial year ended March 31, 2014. SEBI has directed the NSE to advise the Company to suitably rectify/ provide relevant information/ explanations on the qualifications raised by the statutory auditors. The Company has suitably addressed the same to the extent possible and responded to the NSE's letters.

f) By a letter dated October 21, 2015, the Institute of Chartered Accountants of India has also sought a copy of the Inquiry Report, pursuant to the provisions of Section 21C of the Chartered Accountants Act, 1949. The Company has responded to the request.

g) By a letter dated October 29, 2015, the Company received a request from the Enforcement Directorate of the Government of India, seeking information and documents regarding USL's present and former joint ventures and wholly-owned subsidiaries abroad, including USL Holdings Limited (BVI) and its subsidiaries. The Company has responded to the Enforcement Directorate

United Spirits Ltd. Bangalore

and provided the information sought, and assured the authorities of such further cooperation as may be sought by them.

h) By a warrant dated November 24, 2015, issued by the Office of the Tax Recovery Officer ("TDS"), the Company was informed that a certificate had been drawn up by the tax recovery officer against Kingfisher Airlines Limited, and its chairman cum managing director (who was also a director of the company), and stating that a sum of Rs. 350.6 crores had not been paid in satisfaction of the said certificate. The Company was accordingly directed to serve a copy of the warrant on the said director, and unless after such service the said director "pays forthwith the said sum of Rs. 350.60 crores together with interest at the rate of one and one-half per cent, for every month or part of a month" thereon, to proceed to attach the "salary, remuneration and allowances" of the director named in the warrant and to hold the same until further orders from the tax recovery officer. The Company has accordingly served such warrant.

i) By a letter dated March 9, 2016, the Securities and Exchange Board of India ("SEBI") sought further information regarding various aspects of the settlement agreement referred to in note 6 above. The Company has responded to SEBI and provided the information and clarifications sought. The Company recently received a follow up request, dated May 11, 2016 seeking additional clarifications including on the matters covered by the Company's inquiry referred to in note 7 above. The Company is in the process of preparing and submitting its responses to this additional request and will be cooperating fully with SEBI in this matter.

j) By a letter dated May 5, 2016, the Enforcement Directorate ("ED") summoned one of the Company's senior officers to appear in person or by authorized agent and provide a statement and tender evidence in connection with the ED's investigation into matters under the Prevention of Money Laundering Act, 2002. The Company's officer duly responded to the summons and the Company will also be providing additional information, as requested by the ED, and cooperating fully with the authorities.

11. During the year ended March 31, 2014, the Company decided to prepay credit facilities availed in the earlier years from a bank, amounting to Rs. 621.66 Crores, secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust. The Company deposited a sum of Rs. 628.00 Crores, including prepayment penalty of Rs. 4.0 Crores, with the bank and instructed the bank to debit the amount from the cash credit account towards settlement of the loan and release the assets / shares pledged by the Company. The bank, however, disputed the prepayment. The Company has disputed the same and a petition is pending before the Honourable High Court of Karnataka. On March 31, 2015, the bank demanded an amount of Rs. 47.4 Crores towards principal and interest on the said loan, which the Company contested in the Honourable High Court of Karnataka. As per the order of the Honourable High Court of Karnataka, the Company plans to engage with the bank to commence discussions. The tenure of the said credit facility has been completed as on March 31, 2015. Furthermore, during the year, the bank obtained an *ex parte* injunction in proceedings between the bank and Kingfisher Airlines Ltd before the Debt Recovery Tribunal Bangalore ("DRT"), restraining the USL Benefit Trust from disposing of the pledged shares until further orders. The Company and USL Benefit Trust have, upon receiving notice of the said order, filed its objections against such *ex parte* order passed in proceedings in which neither the Company nor the USL Benefit Trust are or have been enjoined as parties, and is vigorously contesting the same. During the quarter ended December 31, 2015, the Hon'ble High Court of Karnataka issued a stay order restraining the bank from dealing with the above-mentioned pledged shares until further orders by the Hon'ble High Court. Thereafter, the Company received another notice from the relevant bank seeking to recall the loan which had been prepaid, and demanding a sum of Rs. 45.94 crores, as well as a subsequent notice issued under section 13(2) of SARFAESI Act in relation to the same loan. Pursuant

United Spirits Ltd. * Bangalore *

to an application filed by the Company before the Hon'ble High Court, in the writ proceedings, the Hon'ble High Court directed that if the Company deposited the sum of Rs. 45.94 crores with the bank, the bank should hold the same in a suspense account and should not deal with any of the secured assets pledged by the Company under the loan till the disposal of the first petition filed by the Company in the Hon'ble High Court of Karnataka. Subsequent to the year end, the Company has accordingly deposited the said sum and has replied to the bank's various notices in light of the above. Pending closure of this matter, the demand by the bank has been disclosed as a contingent liability.

12. Exceptional items for the year ended March 31, 2016 include: (a) profit on sale of UBL Shares amounting to Rs. 853.60 Crores, (b) provision for loans and advances to, and investments in subsidiaries amounting to Rs. 140.10 Crores, (c) Write back of Provision for doubtful advances (net) amounting to Rs. 22.75 Crores.

13. During the year ended March 31, 2016 USL's wholly owned subsidiary Asian Opportunities & Investments Limited (AOIL), has sold its entire interest in Bouvet Ladubay S.A. (and its wholly owned subsidiary Chapin Landais S.A.S). Consequent to the above sale Bouvet Ladubay S.A. (and its wholly owned subsidiary Chapin Landais S.A.S) ceased to be subsidiaries of the Company.

14. The Statutory Auditors of the Company have audited the accompanying Statement of Audited Financial Results of the Company for the year ended March 31, 2016, being submitted by the Company. The Statutory Auditors' Report is being filed with the NSE and BSE. The statutory auditors have qualified their opinion in relation to matters specified in Notes 7 (a), 7(c) and Note 9.

15. At an extraordinary general meeting of the shareholders of the Company on January 22, 2016, the shareholders approved the reporting of erosion of more than fifty per cent of the Company's peak net worth in the immediately preceding four financial years as required under Section 23(1)(a)(ii) read with Section 23(1)(b) of the Sick Industrial Companies (Special Provisions) Act, 1985 ("SICA"). The Company has reported the fact of such erosion to the BIFR as required under Section 23(1)(a)(i) of SICA.

16. The Bihar State Government by its notification dated April 5, 2016 has imposed a ban on trade and consumption of foreign liquor in the state of Bihar with immediate effect. Writ petitions have been filed with the Honourable High Court at Patna challenging the said notification.

As at March 31, 2016, the Company has receivables of Rs. 84.66 Crores from the Bihar State Beverages Corporation Limited ("BSBCL") (including receivables for supplies made by the Company and its tie-up manufacturing units). The Honourable High Court at Patna has passed an interim order, directing BSBCL to make payments with respect to the supplies made by the manufacturers.

Considering the favourable interim order passed by the Honourable High Court at Patna, the management is confident of recovery of aforesaid balances. Pending outcome of the writ petition, no provision has been considered necessary by the management in this regard.

17. The Board has not recommended any dividend on the equity shares of the Company for the year ended March 31, 2016.

18. On January 15, 2016, the Company entered into an agreement for the sale of its entire holding in United Spirits Nepal Private Limited of 67,716 equity shares (constituting 82.46% of the paid up equity share capital of United Spirits Nepal Private Limited). The consideration is subject to finalisation of accounts and deduction of taxes in Nepal, Further the sale is also subject to various regulatory approvals (both in

United Spirits Ltd. * Bangalore *

India and Nepal) and other conditions precedent which are normal for such transactions, and which the Company is in the process of seeking.

19. Previous period's figures have been regrouped/ reclassified as per the current period's presentation for the purpose of comparability.

20. The above audited results have been reviewed by the audit committee of the Board on May 25, 2016 and approved by the Board of Directors at its meeting held on May 26, 2016.

By authority of the Board

Anand Kripalu
Managing Director and CEO

Bengaluru
May 26, 2016

United Spirits Ltd. Bangalore

B S R & Co. LLP

Chartered Accountants

Maruthi Info-Tech Centre
11-12/1 Inner Ring Road
Koramangala
Bangalore 560 071 India

Telephone: + 91 80 3980 6000
Fax: + 91 80 3980 6999

Independent Auditor's Report on Standalone quarterly financial results and Annual financial results of United Spirits Limited pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

The Board of Directors of United Spirits Limited

1. We have audited the accompanying annual financial results of United Spirits Limited ("the Company") for the year ended 31 March 2016 attached herewith (hereafter referred to as the "financial results' or "Statement"), being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Regulations, 2015"). Attention is drawn to the fact that the figures for the quarter ended 31 March 2016 and 31 March 2015 as reported in the statement are the balancing figures between audited figures in respect of the full financial year and the published year to date figures up to the end of the third quarter of the relevant financial year. Also, the figures upto the end of the third quarter had only been reviewed and not subjected to audit.

2. These financial results have been prepared on the basis of the annual financial statement and reviewed quarterly financial results upto the end of the third quarter, which are the responsibility of the Company's Management and have been approved by the Board of Directors. Our responsibility is to express an opinion on these financial results based on our audit of the annual financial statements, which have been prepared in accordance with the recognition and measurement principles laid down in the Accounting Standards specified under Section 133 of the Companies Act, 2013 (hereafter referred to as "the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014 issued thereunder and other accounting principles generally accepted in India and in compliance with Regulation 33 of the SEBI Regulations, 2015.

3. We conducted our audit in accordance with the Standards on Auditing generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial results are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts disclosed as financial results. An audit also includes assessing the accounting principles used and significant estimates made by Management. We believe that our audit provides a reasonable basis for our opinion.

4. As stated in Notes 7 (a) and (c) to the financial results, during the year ended 31 March 2014, certain parties who had previously given the required undisputed balance confirmations for the year ended 31 March 2013, claimed in their balance confirmations to the Company for the year ended 31 March 2014 that they had advanced certain amounts to certain alleged UB Group entities and that the dues owed by such parties to the Company would, to the extent of the amounts owing by such alleged UB Group entities to such parties in respect of such advances, be paid / refunded by such parties to the Company only upon receipt of their dues from such alleged UB Group entities. These dues of such parties to the Company were on account of advances by the Company in the earlier years under agreements for enhancing capacity, obtaining exclusivity and lease deposits in relation to Tie-up Manufacturing Units ("TMUs"); agreements for specific projects; or dues owing to the Company from customers. In response to these claims, under the instruction of the Board of Directors of the Company ("Board"), a preliminary internal inquiry was initiated by the Management. Based on the findings of the preliminary internal inquiry by the Management, under the instructions of the Board; and Management's assessment of recoverability, an aggregate amount of Rs 6,495.48 million (including interest claimed) was provided in the financial results for the year ended 31 March 2014 and was disclosed as prior period items. During the year ended 31 March 2015, an additional provision of Rs 216 million was made for interest claimed. The Company has not made provision for any unclaimed interest. During the quarter ended 30 September 2015, the Company reached a settlement with a party pursuant to which the party withdrew claims aggregating Rs 278.60 million. Accordingly, provision aggregating Rs 278.60 million has been written back. Additionally, subsequent to the year-end, the Company has signed settlement agreements with certain such parties and based on these settlements has reversed provisions with respect to interest claimed aggregating Rs 264.60 million as at the balance sheet date. During the year ended 31 March 2016, based on its assessment of recoverability, the Management has written off Rs 5,666.00 million out of the amounts provided for with respect to the aforesaid parties.

During the year ended 31 March 2014, the Board had also directed a further detailed and expeditious inquiry in relation to the above matter, the role of individuals involved and potential non-compliance (if any) with the provisions of the Companies Act, 1956 and other regulations applicable to the Company in relation to such transactions, and the possible existence of any other transaction of a similar nature ("Inquiry"). While the Inquiry has since been completed, with regard to the possible existence of any other transaction of a similar nature, the Inquiry identified references to certain additional parties ("Additional Parties") in various documents, which documents dealt with transactions involving the counterparties referred to above. The Inquiry also identified certain additional matters ("Additional Matters") where the documents identified concerns as to the propriety of the underlying transactions.

Further, as stated in Note 6 to the financial results, the Company, under the settlement agreement, with a director, inter alia, agreed a mutual release in relation to matters arising out of the initial inquiry by the Company into certain matters referred to in its financial results for the year ended 31 March 2014 (Refer note 7(a) to the financial results). Additionally, the Company undertook under the settlement agreement that it shall not bring a civil claim for money, damages or specific performance against the counterparties mentioned in the aforesaid note in relation to matters also set out therein.

Based on its current knowledge, the Management believes that the balance provisions carried with respect to the above matters are adequate and no additional material adjustments are likely to be required in relation thereto. In the previous year, the Board had directed the Management to expeditiously review the Additional Matters and transactions with the Additional Parties and report to the Board on Management's conclusions on the transactions and any further impact on the Company's financial results. As the review of the Additional Matters and transactions with Additional Parties is in progress, we are unable to comment on the nature of these transactions; the provisions established; or any further impact on the financial results including the impact on opening balances for the year. Further, pending resolution of the above disputes, we are unable to comment on whether the provision established for interest is appropriate.

5. As stated in Note 9 to the financial results, the Managerial remuneration for the year ended 31 March 2015 aggregated Rs 64.91 million and Rs 153.09 million towards remuneration of the Managing Director and Chief Executive Officer (MD & CEO) and the Executive Director and Chief Financial Officer (ED & CFO) respectively. The aforesaid amounts includes remuneration in excess of the limits prescribed under the provisions of Schedule V to the Act. Subsequent to the balance sheet date, the Company has received communications from the Central Government not approving such excess remuneration. The Company has responded to the Central Government requesting reconsideration of its application for approval of such excess remuneration.

6. Without qualifying our opinion, we draw attention to:

   (a) Note 7 (b) to the financial results, which states that, during the year ended 31 March 2014, various pre-existing loans / advances / deposits (together with interest) due from United Breweries (Holdings) Limited ("UBHL") by the Company and its subsidiaries aggregating Rs 13,374.17 million on 3 July 2013, were consolidated into a single loan agreement dated 3 July 2013 entered into between the Company and UBHL. With regard to the prior transactions that were consolidated into the single loan due from UBHL on 3 July 2013, the Inquiry stated that, prima facie, between 2010 and July 2013, certain transactions appear to have been undertaken and certain accounting entries appear to have been made to show a lower exposure of the Company to UBHL than that which actually existed at that time. The inquiry also indicates that the manner in which these transactions were conducted and these entries made, prima facie, indicates various improprieties and legal violations. As per the terms of the said loan agreement, interest payable by UBHL to the Company in January 2015 amounted to Rs 1,911.00 million (gross of tax) and a further interest amounting to Rs 1,270.50 million (gross of tax) was due in January 2016. However, the Company is yet to receive such interest payment from UBHL. The Company has received a letter from UBHL stating that it is involved in litigations with various creditors of Kingfisher Airlines Limited in different Courts all over the country, and that some of the winding up petitions filed against UBHL have been admitted by the High Court of Karnataka. As a result of the above and other relevant factors, during the year ended 31 March 2015, the Company provided the remaining principal balance of the loan aggregating Rs 9,954.60 million (in addition to the Rs 3,303.19 million that was provided for during the year ended 31 March 2014) and did not recognise interest income of Rs 1,207.00 million for the year ended 31 March 2015 (in addition to the provision for interest received (net) of Rs 713.77 million for the year ended 31 March 2014). Accordingly, the Company has also not recognised interest income of Rs 315.90 million and Rs 1,270.50 million for the quarter and twelve months ended 31 March 2016 respectively;

(b) As stated in Note 6 to the financial results, on 25 February 2016, the Company entered into a settlement agreement with a director pursuant to which he resigned from his positions as a director and chairman of the Company and of the boards of its subsidiaries. Amongst other terms as per the agreement, the director agreed to a five year global non-compete (except United Kingdom) and procured/agreed to procure termination of certain agreements that were voted down by the Company's shareholders in the Extra-ordinary General Meeting ("EGM") held on 28 November 2014. The Company, under the settlement agreement, inter alia agreed a mutual release in relation to matters arising out of the initial inquiry by the Company into certain matters referred to in its financial results for the year ended 31 March 2014 (as mentioned in the Note 7 (a)). Additionally, the Company undertook to the aforesaid director that it shall not bring a civil claim for money, damages or specific performance against the counterparties mentioned in the aforesaid note 7 (a) in relation to the matters referred to therein. The Company also entered into certain arrangements giving the director or his nominee an option to buy certain non-core properties of the Company as per the terms stated therein. The Securities and Exchange Board of India ("SEBI") sought information regarding certain aspects of the settlement agreement, to which the Company has responded (Refer Note 10 (i) to the financial results). Given the nature and complexities of the settlement, and the possibility of varied interpretations of potentially applicable provisions of the Act and SEBI regulations, the Company obtained legal opinions from a senior legal counsel and its external counsel, opining that the settlement agreement and the related documents are in compliance with the applicable provisions of the Act and SEBI regulations;

(c) As stated in Note 8 to the financial results, as per the requirements of the equity listing agreements entered into by the Company with various stock exchanges in India and various circulars and regulations issued by the SEBI and applicable provisions of the Act, the Company sought approval of its equity shareholders for certain agreements in the extraordinary general meeting ("EGM") held on 28 November 2014. Some of the agreements, as detailed in the aforesaid note, were not approved by the equity shareholders in the aforesaid EGM. The Company has sought clarification/direction from SEBI with respect to the implications arising from the non-approval of the said agreements. Pending the clarification/direction from the SEBI, during the year ended 31 March 2015, the Company had recognised the underlying expenses pursuant to these agreements up to 28 November 2014 aggregating Rs 1,357.30 million. The Company has not recognised charges arising out of non-approved agreements for the period since 29 November 2014. Further, subsequent to 28 November 2014, in response to the letters received by the Company from some of the concerned counterparties, the Company has made payments amounting to Rs 74.30 million (excludes a cheque of Rs 6.10 million which has not been encashed) to such counterparties with respect to the dues for services received prior to 28 November 2014 specifically stating that the said amounts would be refundable to the Company if it is determined that such amounts were not payable by the Company in view of the shareholders not having approved the respective agreements. During the current year, the Company has entered into mutual release and termination agreements with some of the counterparties, wherein the Company has retained the right to recover the amounts paid to the respective counterparties for the period before November 28, 2014 in case any regulatory authority and/or any court of competent jurisdiction decides that these amounts were not payable by the Company at a future date. Pending clarifications from SEBI, based on an opinion received from a senior legal counsel, the Management believes that these contracts have been rendered void by, and from the date of voting down by, the shareholders;

(d) Note 11 to the financial results, wherein it is stated that during the year ended 31 March 2014, the Company decided to prepay credit facilities availed from a bank amounting to Rs 6,216.60 million secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust. The Company deposited a sum of Rs 6,280.00 million including prepayment penalty of Rs 40.00 million with the bank and instructed the bank to debit the amount from the cash credit account towards settlement of the loan and release the assets / shares pledged by the Company. The bank, however, disputed the prepayment. The Company has disputed the same and its writ petition is pending before the Honourable High Court of Karnataka. On 31 March 2015, the bank demanded an amount of Rs 474.00 million towards principal and interest on the said loan, which the Company contested in the Honourable High Court of Karnataka. As per the order of the Honourable High Court of Karnataka, the Company engaged with the bank to commence discussions. During the quarter ended 30 September 2015, the bank obtained an ex parte injunction before the Debt Recovery Tribunal, Bangalore ("DRT"), restraining the USL Benefit Trust from disposing of the pledged shares until further orders. The Company and USL Benefit Trust, upon receiving notice of the said order, filed objections against such ex parte order. During the quarter ended 31 December 2015, the Company obtained a stay from the Honourable High Court of Karnataka restraining the bank from dealing with the above-mentioned pledged shares until further orders. Thereafter, the Company received another notice from the relevant bank seeking to recall the loan which had been prepaid, and demanding a sum of Rs 459.40 million, as well as a subsequent notice issued under section 13(2) of SARFAESI Act in relation to the same loan. Pursuant to an application filed by the Company before the Honourable High Court of Karnataka, in the writ proceedings, the Honourable High Court of Karnataka directed that if the Company deposited the sum of Rs 459.40 million with the bank, the bank should hold the same in a suspense account and should not deal with any of the secured assets pledged by the Company under the loan till the disposal of the first petition filed by the Company in the Honourable High Court of Karnataka. Subsequent to the year end, the Company has accordingly deposited the said sum and has replied to the bank's various notices in light of the above. The aforesaid amount has been disclosed as a contingent liability by the Company;

(e) Note 16 to the financial results, which more fully describes the uncertainty related to the outcome of writ petitions with the Honourable High Court at Patna, in relation to the ban imposed by the Bihar State Government on trade and consumption of foreign liquor in the state of Bihar with effect from 5 April 2016. Pending final disposal of the petitions, no adjustments are considered necessary in the financial results;

(f) Note 10 to the financial results, wherein it is stated that (i) the Company has received a notice from the Ministry of Corporate Affairs, under section 206(5) of the Act, requesting explanations and comments as to why action should not be initiated in relation to various contraventions alleged by the Joint Director under provisions of the Act ; (ii) the Company has received notice under Section 131 of the Income Tax Act, 1961; (iii) the Company has received letters from erstwhile auditors who served as the Company's statutory auditors during the period covered by the Inquiry, seeking to understand the impact of the findings of the Inquiry on their respective audit reports; (iv) the Company has received a letter from the Institute of Chartered Accountants of India seeking a copy of the Inquiry Report, pursuant to Section 21C of the Chartered Accountants Act, 1949; (v) the Company has received a letter from the Enforcement Directorate of the Government of India in connection with investigation being conducted under the provisions of Foreign Exchange Management Act, 1999 seeking necessary details; (vi) the Company has received a notice under Rule 20 of the Second Schedule to the Income tax Act, 1961, issued with respect to a director of the Company and another Company where such director is the principal officer; and (vii) the Company has received letters from the Securities and Exchange Board of India under Section 11 of the SEBI Act, 1992; and

(g) Note 7 to the financial results, wherein it is stated that the Inquiry noted certain regulatory non-compliances with respect to the Companies Act, 1956, the listing agreement with the stock exchanges in India and other regulations as mentioned in the said note, and that the financial impact of these non-compliances on the Company were estimated by Management to be not material.

7. In our opinion and to the best of our information and according to the explanations given to us, except for matters stated in paragraphs 4 and 5 above, the Statement:

   (i) is presented in accordance with the requirements of Regulation 33 of the SEBI Regulations, 2015 in this regard; and

   (ii) gives a true and fair view of the net profit and other financial information of the Company for the year ended 31 March 2016.

for **B S R & Co. LLP**
Chartered Accountants
Firm Registration number: 101248W/W-100022

Sunil Gaggar
Partner
Membership number: 104315

Bangalore
26 May 2015

FORM B

Format of covering letter of the Annual Audit Report to be filed with the Stock Exchanges

1.	Name of the Company	United Spirits Limited
2.	Annual financial statements for the year ended	31 March 2016
3.	Type of audit qualification	Qualified opinion per audit report dated 26 May 2016.
4.	Frequency of qualification	The following observations stated in the audit report dated 26 May 2016 on the standalone financial statements of the Company have been reported as set out below. Paragraph 1: for the third time in relation to the provision of interest, and for the second time in relation to the review into Additional Parties and Additional Matters; and Paragraph 2: for the second time.
	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:	Please see: **Annexure I** – Basis of Qualified Opinion on standalone financial results along with Board responses.
	Additional comments from the Board/Audit Committee chair:	**Annexure II** – EOM to the auditor's report on standalone financial statements.

for **B S R & Co. LLP.**
Chartered Accountants
Firm Registration Number: 101248W/W-100022

Sunil Gaggar
Partner
Membership No.: 104315

Place : Bengaluru
Date : May 26, 2016

for **United Spirits Limited**

Anand Kripalu
Managing Director &
Chief Executive Officer
Place: Bengaluru
Date: May 26, 2016

Sanjeev Churiwala
Chief Financial Officer
Place: Bengaluru
Date: May 26, 2016

Mahendra Kumar Sharma
Audit Committee Chairman
Place: Bengaluru
Date: May 26, 2016

United Spirits Ltd. Bangalore

Annexure I

The Statutory Auditors have qualified their opinion in the independent audit report in relation to the matters specified in Notes 7(a) & 7(c) and 9 to the standalone financial results ("Results") as follows:

1. **Auditor's observations under paragraph 4 'Basis of Qualified Opinion' of the Auditor's report to the Results**:

As stated in Notes 7 (a) and (c) to the financial results, during the year ended 31 March 2014, certain parties who had previously given the required undisputed balance confirmations for the year ended 31 March 2013, claimed in their balance confirmations to the Company for the year ended 31 March 2014 that they had advanced certain amounts to certain alleged UB Group entities and that the dues owed by such parties to the Company would, to the extent of the amounts owing by such alleged UB Group entities to such parties in respect of such advances, be paid / refunded by such parties to the Company only upon receipt of their dues from such alleged UB Group entities. These dues of such parties to the Company were on account of advances by the Company in the earlier years under agreements for enhancing capacity, obtaining exclusivity and lease deposits in relation to Tie-up Manufacturing Units ("TMUs"); agreements for specific projects; or dues owing to the Company from customers. In response to these claims, under the instruction of the Board of Directors of the Company ("Board"), a preliminary internal inquiry was initiated by the Management. Based on the findings of the preliminary internal inquiry by the Management, under the instructions of the Board; and Management's assessment of recoverability, an aggregate amount of Rs 6,495.48 million (including interest claimed) was provided in the financial results for the year ended 31 March 2014 and was disclosed as prior period items. During the year ended 31 March 2015, an additional provision of Rs 216 million was made for interest claimed. The Company has not made provision for any unclaimed interest. During the quarter ended 30 September 2015, the Company reached a settlement with a party pursuant to which the party withdrew claims aggregating Rs 278.60 million. Accordingly, provision aggregating Rs 278.60 million has been written back. Additionally, subsequent to the year-end, the Company has signed settlement agreements with certain such parties and based on these settlements has reversed provisions with respect to interest claimed aggregating Rs 264.60 million as at the balance sheet date. During the year ended 31 March 2016, based on its assessment of recoverability, the Management has written off Rs 5,666.00 million out of the amounts provided for with respect to the aforesaid parties.

During the year ended 31 March 2014, the Board had also directed a further detailed and expeditious inquiry in relation to the above matter, the role of individuals involved and potential non-compliance (if any) with the provisions of the Companies Act, 1956 and other regulations applicable to the Company in relation to such transactions, and the possible existence of any other transaction of a similar nature ("Inquiry"). While the Inquiry has since been completed, with regard to the possible existence of any other transaction of a similar nature, the Inquiry identified references to certain additional parties ("Additional Parties") in various documents, which documents dealt with transactions involving the counterparties referred to above. The Inquiry also identified certain additional matters ("Additional Matters") where the documents identified concerns as to the propriety of the underlying transactions.

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United Spirits Ltd. Bangalore

Further, as stated in Note 6 to the financial results, the Company, under the settlement agreement, with a director, inter alia, agreed a mutual release in relation to matters arising out of the initial inquiry by the Company into certain matters referred to in its financial results for the year ended 31 March 2014 (Refer note 7(a) to the financial results). Additionally, the Company undertook under the settlement agreement that it shall not bring a civil claim for money, damages or specific performance against the counterparties mentioned in the aforesaid note in relation to matters also set out therein.

Based on its current knowledge, the Management believes that the balance provisions carried with respect to the above matters are adequate and no additional material adjustments are likely to be required in relation thereto. In the previous year, the Board had directed the Management to expeditiously review the Additional Matters and transactions with the Additional Parties and report to the Board on Management's conclusions on the transactions and any further impact on the Company's financial results. As the review of the Additional Matters and transactions with Additional Parties is in progress, we are unable to comment on the nature of these transactions; the provisions established; or any further impact on the financial results including the impact on opening balances for the year. Further, pending resolution of the above disputes, we are unable to comment on whether the provision established for interest is appropriate.

Board Response: Detailed information and explanations on the qualification in paragraph 4 of the Audit Report is provided in Notes 7 and 6 to the Results. In particular, as stated in note 26, the Inquiry Report stated that between 2010 and 2013, funds involved in many of these transactions were diverted from the Company and/or its subsidiaries to certain UB Group companies, including in particular, Kingfisher Airlines Limited ("KFA"). The diverted amounts were included in the provision made by the Company in the financial statements for the year ended March 31, 2014 and certain additional interest amounts were included in the provision made by the Company in the financial statements for the year ended March 31, 2015. The Inquiry indicated that the manner in which certain transactions were conducted, prima facie, indicates various improprieties and potential violations of provisions, inter alia, of the Companies Act, 1956, and the then listing agreements signed by the Company with various stock exchanges in India on which its securities are listed. The financial impact of these non-compliances were estimated by Management to be not material.

In connection with the recovery of the funds that were diverted from the Company and/or its subsidiaries, pursuant to the decision of the Board at its meeting held on April 25, 2015, the Company initiated steps for recovery against the relevant parties, so as to seek to expeditiously recover the Company's dues from such parties, to the extent possible. During the quarter ended September 30, 2015, the Company reached a settlement with one of the parties pursuant to which the party had withdrawn claims aggregating Rs. 27.86 Crores. Accordingly, provision amounting to Rs. 27.86 crores has been written back. Subsequent to the year end, the Company has settled these claims with 3 other parties and based on the said settlement has reversed a provision with respect to interest claimed amounting to Rs. 26.46 Crores as at the balance sheet date. Settlements with the other parties have not been reached as yet and management is continuing discussions in this regard. During the year ended 31 March 2016, based on its assessment of recoverability, the Management has written off Rs. 566 Crores out of the amounts provided for with respect to the aforesaid counterparties.

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With regard to the possible existence of any other transaction of a similar nature, the Inquiry identified references to certain additional parties ("Additional Parties") in various documents, which also dealt with transactions involving the counterparties referred to in Note 7 (a) of the Results. The Inquiry also identified certain additional matters ("Additional Matters") where the documents identified raised concerns as to the propriety of the underlying transactions.

As the Board determined it was necessary to assess whether the additional matters or the transactions with the additional parties were improper, the Board directed the MD & CEO to expeditiously review these aspects during the period covered by the Inquiry and report to the Board his conclusions on the transactions and any further impact on the Company's financial results. This review is in progress. Pending completion of the of the review into Additional Parties and Additional Matters, no further provision in relation thereto have been made in the financial statements for the year ended 31 March 2016.

With regard to the settlement agreement between the Company and a director of the Company, the details of the settlement agreement have been disclosed in Note 6 to the Results. Furthermore, as disclosed by the Company to the stock exchanges on February 25, 2016, the Board believes the settlement agreement is valuable to USL and all its shareholders. It brings to an end the uncertainty relating to the Company's governance and will allow the Company to prosper and build on the platform that has already been created.

2. **Auditor's observations under paragraph 5 'Basis of Qualified Opinion' of the Auditor's report to the Results**:

As stated in Note 9 to the financial results, the Managerial remuneration for the year ended 31 March 2015 aggregated Rs 64.91 million and Rs 153.09 million towards remuneration of the Managing Director and Chief Executive Officer (MD & CEO) and the Executive Director and Chief Financial Officer (ED & CFO) respectively. The aforesaid amounts includes remuneration in excess of the limits prescribed under the provisions of Schedule V to the Act. Subsequent to the balance sheet date, the Company has received communications from the Central Government not approving such excess remuneration. The Company has responded to the Central Government requesting reconsideration of its application for approval of such excess remuneration.

Board response: Information and explanation on the qualification in paragraph 5 of the audit report is provided in Note 9 to the Results. In particular, as stated in Note 9, the Company applied for the requisite approval from the Central Government for such excess remuneration. Subsequent to the year-end, the Company has received communications from the Central Government not approving such excess remuneration. The Company has responded to the Central Government requesting reconsideration of it application for approval of such excess remuneration.

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Annexure II

Emphasis of Matter in the Auditor's Report on the Results:

1. Note 7 (b) to the financial results, which states that, during the year ended 31 March 2014, various pre-existing loans / advances / deposits (together with interest) due from United Breweries (Holdings) Limited ("UBHL") by the Company and its subsidiaries aggregating Rs 13,374.17 million on 3 July 2013, were consolidated into a single loan agreement dated 3 July 2013 entered into between the Company and UBHL. With regard to the prior transactions that were consolidated into the single loan due from UBHL on 3 July 2013, the Inquiry stated that, prima facie, between 2010 and July 2013, certain transactions appear to have been undertaken and certain accounting entries appear to have been made to show a lower exposure of the Company to UBHL than that which actually existed at that time. The inquiry also indicates that the manner in which these transactions were conducted and these entries made, prima facie, indicates various improprieties and legal violations. As per the terms of the said loan agreement, interest payable by UBHL to the Company in January 2015 amounted to Rs 1,911.00 million (gross of tax) and a further interest amounting to Rs 1,270.50 million (gross of tax) was due in January 2016. However, the Company is yet to receive such interest payment from UBHL. The Company has received a letter from UBHL stating that it is involved in litigations with various creditors of Kingfisher Airlines Limited in different Courts all over the country, and that some of the winding up petitions filed against UBHL have been admitted by the High Court of Karnataka. As a result of the above and other relevant factors, during the year ended 31 March 2015, the Company provided the remaining principal balance of the loan aggregating Rs 9,954.60 million (in addition to the Rs 3,303.19 million that was provided for during the year ended 31 March 2014) and did not recognise interest income of Rs 1,207.00 million for the year ended 31 March 2015 (in addition to the provision for interest received (net) of Rs 713.77 million for the year ended 31 March 2014). Accordingly, the Company has also not recognised interest income of Rs 315.90 million and Rs 1,270.50 million for the quarter and twelve months ended 31 March 2016 respectively;

2. As stated in Note 6 to the financial results, on 25 February 2016, the Company entered into a settlement agreement with a director pursuant to which he resigned from his positions as a director and chairman of the Company and of the boards of its subsidiaries. Amongst other terms as per the agreement, the director agreed to a five year global non-compete (except United Kingdom) and procured/agreed to procure termination of certain agreements that were voted down by the Company's shareholders in the Extra-ordinary General Meeting ("EGM") held on 28 November 2014. The Company, under the settlement agreement, inter alia agreed a mutual release in relation to matters arising out of the initial inquiry by the Company into certain matters referred to in its financial results for the year ended 31 March 2014 (as mentioned in the Note 7 (a)). Additionally, the Company undertook to the aforesaid director that it shall not bring a civil claim for money, damages or specific performance against the counterparties mentioned in the aforesaid note 7 (a) in relation to the matters referred to therein. The Company also entered into certain arrangements giving the director or his nominee an option to buy certain non-core properties of the Company as per the terms stated therein. The Securities and Exchange Board of India ("SEBI") sought information regarding certain aspects of the settlement agreement, to which the Company has responded (Refer Note 10 (i) to the financial results). Given the nature and complexities of the settlement, and the possibility of varied interpretations of potentially applicable provisions of the Act and SEBI regulations, the Company obtained legal opinions from a senior legal counsel and its

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external counsel, opining that the settlement agreement and the related documents are in compliance with the applicable provisions of the Act and SEBI regulations;

3. As stated in Note 8 to the financial results, as per the requirements of the equity listing agreements entered into by the Company with various stock exchanges in India and various circulars and regulations issued by the SEBI and applicable provisions of the Act, the Company sought approval of its equity shareholders for certain agreements in the extraordinary general meeting ("EGM") held on 28 November 2014. Some of the agreements, as detailed in the aforesaid note, were not approved by the equity shareholders in the aforesaid EGM. The Company has sought clarification/direction from SEBI with respect to the implications arising from the non-approval of the said agreements. Pending the clarification/direction from the SEBI, during the year ended 31 March 2015, the Company had recognised the underlying expenses pursuant to these agreements up to 28 November 2014 aggregating Rs 1,357.30 million. The Company has not recognised charges arising out of non-approved agreements for the period since 29 November 2014. Further, subsequent to 28 November 2014, in response to the letters received by the Company from some of the concerned counterparties, the Company has made payments amounting to Rs 74.30 million (excludes a cheque of Rs 6.10 million which has not been encashed) to such counterparties with respect to the dues for services received prior to 28 November 2014 specifically stating that the said amounts would be refundable to the Company if it is determined that such amounts were not payable by the Company in view of the shareholders not having approved the respective agreements. During the current year, the Company has entered into mutual release and termination agreements with some of the counterparties, wherein the Company has retained the right to recover the amounts paid to the respective counterparties for the period before November 28, 2014 in case any regulatory authority and/or any court of competent jurisdiction decides that these amounts were not payable by the Company at a future date. Pending clarifications from SEBI, based on an opinion received from a senior legal counsel, the Management believes that these contracts have been rendered void by, and from the date of voting down by, the shareholders;

4. Note 11 to the financial results, wherein it is stated that during the year ended 31 March 2014, the Company decided to prepay credit facilities availed from a bank amounting to Rs 6,216.60 million secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust. The Company deposited a sum of Rs 6,280.00 million including prepayment penalty of Rs 40.00 million with the bank and instructed the bank to debit the amount from the cash credit account towards settlement of the loan and release the assets / shares pledged by the Company. The bank, however, disputed the prepayment. The Company has disputed the same and its writ petition is pending before the Honourable High Court of Karnataka. On 31 March 2015, the bank demanded an amount of Rs 474.00 million towards principal and interest on the said loan, which the Company contested in the Honourable High Court of Karnataka. As per the order of the Honourable High Court of Karnataka, the Company engaged with the bank to commence discussions. During the quarter ended 30 September 2015, the bank obtained an ex parte injunction before the Debt Recovery Tribunal, Bangalore ("DRT"), restraining the USL Benefit Trust from disposing of the pledged shares until further orders. The Company and USL Benefit Trust, upon receiving notice of the said order, filed objections against such ex parte order. During the quarter ended 31 December 2015, the Company obtained a stay from the Honourable High Court of Karnataka restraining the bank from dealing with the above-mentioned pledged shares until further orders. Thereafter, the Company received another notice from the relevant bank seeking to recall the loan which had been prepaid, and demanding a sum of Rs 459.40 million, as well as a subsequent notice issued under

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United Spirits Ltd. Bangalore

section 13(2) of SARFAESI Act in relation to the same loan. Pursuant to an application filed by the Company before the Honourable High Court of Karnataka, in the writ proceedings, the Honourable High Court of Karnataka directed that if the Company deposited the sum of Rs 459.40 million with the bank, the bank should hold the same in a suspense account and should not deal with any of the secured assets pledged by the Company under the loan till the disposal of the first petition filed by the Company in the Honourable High Court of Karnataka. Subsequent to the year end, the Company has accordingly deposited the said sum and has replied to the bank's various notices in light of the above. The aforesaid amount has been disclosed as a contingent liability by the Company;

5. Note 16 to the financial results, which more fully describes the uncertainty related to the outcome of writ petitions with the Honourable High Court at Patna, in relation to the ban imposed by the Bihar State Government on trade and consumption of foreign liquor in the state of Bihar with effect from 5 April 2016. Pending final disposal of the petitions, no adjustments are considered necessary in the financial results;

6. Note 10 to the financial results, wherein it is stated that (i) the Company has received a notice from the Ministry of Corporate Affairs, under section 206(5) of the Act, requesting explanations and comments as to why action should not be initiated in relation to various contraventions alleged by the Joint Director under provisions of the Act ; (ii) the Company has received notice under Section 131 of the Income Tax Act, 1961; (iii) the Company has received letters from erstwhile auditors who served as the Company's statutory auditors during the period covered by the Inquiry, seeking to understand the impact of the findings of the Inquiry on their respective audit reports; (iv) the Company has received a letter from the Institute of Chartered Accountants of India seeking a copy of the Inquiry Report, pursuant to Section 21C of the Chartered Accountants Act, 1949; (v) the Company has received a letter from the Enforcement Directorate of the Government of India in connection with investigation being conducted under the provisions of Foreign Exchange Management Act, 1999 seeking necessary details; (vi) the Company has received a notice under Rule 20 of the Second Schedule to the Income tax Act, 1961, issued with respect to a director of the Company and another Company where such director is the principal officer; and (vii) the Company has received letters from the Securities and Exchange Board of India under Section 11 of the SEBI Act, 1992; and

7. Note 7 to the financial results, wherein it is stated that the Inquiry noted certain regulatory non-compliances with respect to the Companies Act, 1956, the listing agreement with the stock exchanges in India and other regulations as mentioned in the said note, and that the financial impact of these non-compliances on the Company were estimated by Management to be not material.

The auditors' opinion is not qualified in respect of these matters.

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United Spirits Ltd.
Bangalore

FORM B

Format of covering letter of the Annual Audit Report to be filed with the Stock Exchanges

1.	Name of the Company	United Spirits Limited
2.	Annual financial statements for the year ended	31 March 2016 (Consolidated)
3.	Type of audit qualification	Qualified opinion per audit report dated 26 May 2016.
4.	Frequency of qualification	The following observations stated in the audit report dated 26 May 2016 on the consolidated financial statements of the Company have been reported as set out below. Paragraph 1: for the third time in relation to the provision of interest, and for the second time in relation to the review into Additional Parties and Additional Matters; and Paragraph 2: for the second time.
	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:	Please see: **Annexure I** – Basis of Qualified Opinion on Consolidated financial results along with Board responses.
	Additional comments from the Board/Audit Committee chair:	**Annexure II** – EOM to the auditor's report on Consolidated financial statements.

for **B S R & Co. LLP.**
Chartered Accountants
Firm Registration Number: 101248W/W-100022

Sunil Gaggar
Partner
Membership No.: 104315

Place : Bengaluru
Date : May 26, 2016

for **United Spirits Limited**

Anand Kripalu
Managing Director &
Chief Executive Officer
Place: Bengaluru
Date: May 26, 2016

Sanjeev Churiwala
Chief Financial Officer
Place: Bengaluru
Date: May 26, 2016

Mahendra Kumar Sharma
Audit Committee Chairman
Place: Bengaluru
Date: May 26, 2016

MK Sharma

Annexure I

The Statutory Auditors have qualified their opinion in the independent audit report in relation to the matters specified in Notes 35(a) & 35(c) and 45 to the consolidated financial statements ("Consolidated Financial Statements") as follows:

1. **Auditor's observations under paragraph 1 'Basis of Qualified Opinion' of the Auditor's report to the Consolidated Financial Statements**:

As stated in Notes 35 (a) and (c) to the consolidated financial statements, during the year ended 31 March 2014, certain parties who had previously given the required undisputed balance confirmations for the year ended 31 March 2013, claimed in their balance confirmations to the Company for the year ended 31 March 2014 that they had advanced certain amounts to certain alleged UB Group entities and that the dues owed by such parties to the Company would, to the extent of the amounts owing by such alleged UB Group entities to such parties in respect of such advances, be paid / refunded by such parties to the Company only upon receipt of their dues from such alleged UB Group entities. These dues of such parties to the Company were on account of advances by the Company in the earlier years under agreements for enhancing capacity, obtaining exclusivity and lease deposits in relation to Tie-up Manufacturing Units ("TMUs"); agreements for specific projects; or dues owing to the Company from customers. In response to these claims, under the instruction of the Board of Directors of the Company ("Board"), a preliminary internal inquiry was initiated by the Management. Based on the findings of the preliminary internal inquiry by the Management, under the instructions of the Board; and Management's assessment of recoverability, an aggregate amount of Rs 6,495.48 million (including interest claimed) was provided in the financial statements for the year ended 31 March 2014 and was disclosed as prior period items. During the year ended 31 March 2015, an additional provision of Rs 216 million was made for interest claimed. The Company has not made provision for any unclaimed interest. During the quarter ended 30 September 2015, the Company reached a settlement with a party pursuant to which the party withdrew claims aggregating Rs 278.60 million. Accordingly, provision aggregating Rs 278.60 million has been written back. Additionally, subsequent to the year-end, the Company has signed settlement agreements with certain such parties and based on these settlements has reversed provisions with respect to interest claimed aggregating Rs 264.60 million as at the balance sheet date. During the year ended 31 March 2016, based on its assessment of recoverability, the Management has written off Rs 5,666.00 million out of the amounts provided for with respect to the aforesaid parties.

During the year ended 31 March 2014, the Board had also directed a further detailed and expeditious inquiry in relation to the above matter, the role of individuals involved and potential non-compliance (if any) with the provisions of the Companies Act, 1956 and other regulations applicable to the Company in relation to such transactions, and the possible existence of any other transaction of a similar nature ("Inquiry"). While the Inquiry has since been completed, with regard to the possible existence of any other transaction of a similar nature, the Inquiry identified references to certain additional parties ("Additional Parties") in various documents, which documents dealt with transactions involving the counterparties referred to above. The Inquiry also identified certain additional matters ("Additional Matters") where the documents identified concerns as to the propriety of the underlying transactions.

United Spirits Ltd. Bangalore

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Further, as stated in Note 26 (e) to the consolidated financial statements, the Company, under the settlement agreement with a director, inter alia, agreed a mutual release in relation to matters arising out of the initial inquiry by the Company into certain matters referred to in its consolidated financial statements for the year ended 31 March 2014 (refer note 35 (a)). Additionally, the Company undertook under the settlement agreement that it shall not bring a civil claim for money, damages or specific performance against the counterparties mentioned in the aforesaid note relation to matters also set out therein.

Based on its current knowledge, the Management believes that the balance provisions carried with respect to the above matters are adequate and no additional material adjustments are likely to be required in relation thereto. In the previous year, the Board had directed the Management to expeditiously review the Additional Matters and transactions with the Additional Parties and report to the Board on Management's conclusions on the transactions and any further impact on the Company's financial statements. As the review of the Additional Matters and transactions with Additional Parties is in progress, we are unable to comment on the nature of these transactions; the provisions established; or any further impact on the consolidated financial statements including the impact on opening balances for the year. Further, pending resolution of the above disputes, we are unable to comment on whether the provision established for interest is appropriate.

Board Response: Detailed information and explanations on the qualification in paragraph 1 of the audit report to the Consolidated Financial Statements is provided in Notes 35 and 26(e) to the Consolidated Financial Statements. In particular, as stated in Note 35, the Inquiry Report stated that between 2010 and 2013, funds involved in many of these transactions were diverted from the Company and/or its subsidiaries to certain UB Group companies, including in particular, Kingfisher Airlines Limited ("KFA"). The diverted amounts were included in the provision made by the Company in the financial statements for the year ended March 31, 2014 and certain additional interest amounts were included in the provision made by the Company in the financial statements for the year ended March 31, 2015. The Inquiry indicated that the manner in which certain transactions were conducted, prima facie, indicates various improprieties and potential violations of provisions, inter alia, of the Companies Act, 1956, and the then listing agreements signed by the Company with various stock exchanges in India on which its securities are listed. The financial impact of these non-compliances were estimated by Management to be not material.

In connection with the recovery of the funds that were diverted from the Company and/or its subsidiaries, pursuant to the decision of the Board at its meeting held on April 25, 2015, the Company initiated steps for recovery against the relevant parties, so as to seek to expeditiously recover the Company's dues from such parties, to the extent possible. During the quarter ended September 30, 2015, the Company reached a settlement with one of the parties pursuant to which the party had withdrawn claims aggregating Rs. 27.86 Crores. Accordingly, provision amounting to Rs. 27.86 crores has been written back. Subsequent to the year end, the Company has settled these claims with 3 other parties and based on the said settlement has reversed a provision with respect to interest claimed amounting to Rs. 26.46 Crores as at the balance sheet date. Settlements with the other parties have not been reached as yet and management is continuing discussions in this regard. During the year ended 31 March 2016, based on its assessment of recoverability, the Management has written off Rs. 566 Crores out of the amounts provided for with respect to the aforesaid counterparties.

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With regard to the possible existence of any other transaction of a similar nature, the Inquiry identified references to certain additional parties ("Additional Parties") in various documents, which also dealt with transactions involving the counterparties referred to in note 35 (a) of the Results. The Inquiry also identified certain additional matters ("Additional Matters") where the documents identified raised concerns as to the propriety of the underlying transactions.

As the Board determined it was necessary to assess whether the additional matters or the transactions with the additional parties were improper, the Board directed the MD & CEO to expeditiously review these aspects during the period covered by the Inquiry and report to the Board his conclusions on the transactions and any further impact on the Company's financial results. This review is in progress. Pending completion of the of the review into Additional Parties and Additional Matters, no further provision in relation thereto have been made in the financial statements for the year ended 31 March 2016.

With regard to the settlement agreement between the Company and a director of the Company, the details of the settlement agreement have been disclosed in Note 26(e) to the Consolidated Financial Statements. Furthermore, as disclosed by the Company to the stock exchanges on February 25, 2016, the Board believes the settlement agreement is valuable to USL and all its shareholders. It brings to an end the uncertainty relating to the Company's governance and will allow the Company to prosper and build on the platform that has already been created.

2. **Auditor's observations under paragraph 2 'Basis of Qualified Opinion' of the Auditor's report to the Consolidated Financial Statements**:

As stated in Note 44 to the consolidated financial statements, the Managerial remuneration for the year ended 31 March 2015 aggregated Rs 64.91 million and Rs 153.09 million towards remuneration of the Managing Director and Chief Executive Officer (MD & CEO) and the Executive Director and Chief Financial Officer (ED & CFO) respectively. The aforesaid amounts includes remuneration in excess of the limits prescribed under the provisions of Schedule V to the Act. Subsequent to the balance sheet date, the Company has received communications from the Central Government not approving such excess remuneration. The Company has responded to the Central Government requesting reconsideration of its application for approval of such excess remuneration.

Board response: Information and explanation on the qualification in paragraph 2 of the audit report is provided in Note 44 to the Consolidated Financial Statements. In particular, as stated in Note 44, the Company applied for the requisite approval from the Central Government for such excess remuneration. Subsequent to the year-end, the Company has received communications from the Central Government not approving such excess remuneration. The Company has responded to the Central Government requesting reconsideration of it application for approval of such excess remuneration.

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Annexure – II

Emphasis of Matter in the Auditor's Report to the consolidated financial statements:

1. Note 35 (b) to the consolidated financial statements, which states that, during the year ended 31 March 2014, various pre-existing loans / advances / deposits (together with interest) due from United Breweries (Holdings) Limited ("UBHL") by the Company and its subsidiaries aggregating Rs 13,374.17 million on 3 July 2013, were consolidated into a single loan agreement dated 3 July 2013 entered into between the Company and UBHL. With regard to the prior transactions that were consolidated into the single loan due from UBHL on 3 July 2013, the Inquiry stated that, *prima facie*, between 2010 and July 2013, certain transactions appear to have been undertaken and certain accounting entries appear to have been made to show a lower exposure of the Company to UBHL than that which actually existed at that time. The inquiry also indicates that the manner in which these transactions were conducted and these entries made, *prima facie*, indicates various improprieties and legal violations. As per the terms of the said loan agreement, interest payable by UBHL to the Company in January 2015 amounted to Rs 1,911.00 million (gross of tax) and a further interest amounting to Rs 1,270.50 million (gross of tax) was due in January 2016. However, the Company is yet to receive such interest payment from UBHL. The Company has received a letter from UBHL stating that it is involved in litigations with various creditors of Kingfisher Airlines Limited in different Courts all over the country, and that some of the winding up petitions filed against UBHL have been admitted by the High Court of Karnataka. As a result of the above and other relevant factors, during the year ended 31 March 2015, the Company provided the remaining principal balance of the loan aggregating Rs 9,954.60 million (in addition to the Rs 3,303.19 million that was provided for during the year ended 31 March 2014) and did not recognise interest income of Rs 1,207.00 million for the year ended 31 March 2015 (in addition to the provision for interest received (net) of Rs 713.77 million for the year ended 31 March 2014). Accordingly, the Company has also not recognised interest income of Rs 315.90 million and Rs 1,270.50 million for the quarter and twelve months ended 31 March 2016 respectively;

2. As stated in Note 26 (e) to the consolidated financial statements, on 25 February 2016, the Company entered into a settlement agreement with a director pursuant to which he resigned from his positions as a director and chairman of the Company and of the boards of its subsidiaries. Amongst other terms as per the agreement, the director agreed to a five year global non-compete (except United Kingdom) and procured/agreed to procure termination of certain agreements that were voted down by the Company's shareholders in the Extra-ordinary General Meeting ("EGM") held on 28 November 2014. The Company, under the settlement agreement, inter alia agreed a mutual release in relation to matters arising out of the initial inquiry by the Company into certain matters referred to in its consolidated financial statements for the year ended 31 March 2014 (as mentioned in the Note 35 (a)). Additionally, the Company undertook to the aforesaid director that it shall not bring a civil claim for money, damages or specific performance against the counterparties mentioned in the aforesaid note 35 (a) in relation to the matters referred to therein. The Company also entered into certain arrangements giving the director or his nominee an option to buy certain non-core properties of the Company as per the terms stated therein. The Securities and Exchange Board of India ("SEBI") sought information regarding certain aspects of the settlement agreement, to which the Company has responded (Refer Note 36 (i) to the consolidated financial statements). Given the nature and complexities of the settlement, and the possibility of varied interpretations of potentially applicable provisions of the Act and SEBI regulations, the Company obtained legal opinions from a senior legal counsel and its external counsel, opining that the settlement agreement

United Spirits Ltd. Bangalore

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and the related documents are in compliance with the applicable provisions of the Act and SEBI regulations;

3. As stated in Note 26 (d) to the consolidated financial statements, as per the requirements of the equity listing agreements entered into by the Company with various stock exchanges in India and various circulars and regulations issued by the SEBI and applicable provisions of the Act, the Company sought approval of its equity shareholders for certain agreements in the extraordinary general meeting ("EGM") held on 28 November 2014. Some of the agreements, as detailed in the aforesaid note, were not approved by the equity shareholders in the aforesaid EGM. The Company has sought clarification/direction from SEBI with respect to the implications arising from the non-approval of the said agreements. Pending the clarification/direction from the SEBI, during the year ended 31 March 2015, the Company had recognised the underlying expenses pursuant to these agreements up to 28 November 2014 aggregating Rs 1,357.30 million. The Company has not recognised charges arising out of non-approved agreements for the period since 29 November 2014. Further, subsequent to 28 November 2014, in response to the letters received by the Company from some of the concerned counterparties, the Company has made payments amounting to Rs 74.30 million (excludes a cheque of Rs 6.10 million which has not been encashed) to such counterparties with respect to the dues for services received prior to 28 November 2014 specifically stating that the said amounts would be refundable to the Company if it is determined that such amounts were not payable by the Company in view of the shareholders not having approved the respective agreements. During the current year, the Company has entered into mutual release and termination agreements with some of the counterparties, wherein the Company has retained the right to recover the amounts paid to the respective counterparties for the period before November 28, 2014 in case any regulatory authority and/or any court of competent jurisdiction decides that these amounts were not payable by the Company at a future date. Pending clarifications from SEBI, based on an opinion received from a senior legal counsel, the Management believes that these contracts have been rendered void by, and from the date of voting down by, the shareholders;

4. Note 34 to the consolidated financial statements, wherein it is stated that during the year ended 31 March 2014, the Company decided to prepay credit facilities availed from a bank amounting to Rs 6,216.60 million secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust. The Company deposited a sum of Rs 6,280.00 million including prepayment penalty of Rs 40.00 million with the bank and instructed the bank to debit the amount from the cash credit account towards settlement of the loan and release the assets / shares pledged by the Company. The bank, however, disputed the prepayment. The Company has disputed the same and its writ petition is pending before the Honourable High Court of Karnataka. On 31 March 2015, the bank demanded an amount of Rs 474.00 million towards principal and interest on the said loan, which the Company contested in the Honourable High Court of Karnataka. As per the order of the Honourable High Court of Karnataka, the Company engaged with the bank to commence discussions. During the quarter ended 30 September 2015, the bank obtained an ex parte injunction before the Debt Recovery Tribunal, Bangalore ("DRT"), restraining the USL Benefit Trust from disposing of the pledged shares until further orders. The Company and USL Benefit Trust, upon receiving notice of the said order, filed objections against such ex parte order. During the quarter ended 31 December 2015, the Company obtained a stay from the Honourable High Court of Karnataka restraining the bank from dealing with the above-mentioned pledged shares until further orders. Thereafter, the Company received another notice from the relevant bank seeking to

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5. Note 43 (a) to the consolidated financial statements, which more fully describes the uncertainty related to the outcome of writ petitions with the Honourable High Court at Patna, in relation to the ban imposed by the Bihar State Government on trade and consumption of foreign liquor in the state of Bihar with effect from 5 April 2016. Pending final disposal of the petitions, no adjustments are considered necessary in the financial statements;

6. Note 36 to the consolidated financial statements, wherein it is stated that (i) the Company has received a notice from the Ministry of Corporate Affairs, under section 206(5) of the Act, requesting explanations and comments as to why action should not be initiated in relation to various contraventions alleged by the Joint Director under provisions of the Act ; (ii) the Company has received notice under Section 131 of the Income Tax Act, 1961; (iii) the Company has received letters from erstwhile auditors who served as the Company's statutory auditors during the period covered by the Inquiry, seeking to understand the impact of the findings of the Inquiry on their respective audit reports; (iv) the Company has received a letter from the Institute of Chartered Accountants of India seeking a copy of the Inquiry Report, pursuant to Section 21C of the Chartered Accountants Act, 1949; (v) the Company has received a letter from the Enforcement Directorate of the Government of India in connection with investigation being conducted under the provisions of Foreign Exchange Management Act, 1999 seeking necessary details; (vi) the Company has received a notice under Rule 20 of the Second Schedule to the Income tax Act, 1961, issued with respect to a director of the Company and another Company where such director is the principal officer; and (vii) the Company has received letters from the Securities and Exchange Board of India under Section 11 of the SEBI Act, 1992; and

7. Note 35 to the consolidated financial statements, wherein it is stated that the Inquiry noted certain regulatory non-compliances with respect to the Companies Act, 1956, the listing agreement with the stock exchanges in India and other regulations as mentioned in the said note, and that the financial impact of these non-compliances on the Company were estimated by Management to be not material.

The auditors' opinion is not qualified in respect of these matters.

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UNITED SPIRITS
A DIAGEO Group Company

PRESS RELEASE

Audited financial results for the year ended 31 March 2016 (Standalone only)

Full year results in line with our strategy

- **Net sales growth 13%. Q4: 12% growth**
- **Diageo brand portfolio drove 8ppts of net sales growth. Q4: 9ppts**
- **Net sales of Prestige and Above segment up 26% with 16ppts positive price/mix, Q4: 29% with 20ppts positive price/mix**
- **Diageo brand portfolio contributed 19ppts net sales growth to the Prestige and Above segment. Q4: 22ppts**
- **EBITDA Rs. 880 Crore; 81% growth. Q4: Rs. 91 Crore**
- **EBITDA margin 9.7%, up 364bps given provisions made in previous year and benefit from the elimination of Related Party Transactions**
- **Profit after tax Rs. 981 Crore. 2015: Rs. (1,956) Crore**
- **USL Group consolidated net debt Rs. 4,250 Crore; reduced by Rs. 737 Crore as a result of divestments**
- **eps 67.5 rupees. 2015: (134.6) rupees**

Anand Kripalu, CEO, commenting on the year ended 31 March 2016 said:

"This year was a continuation of the journey we started two years ago; positioning this business to be the market leader in the most attractive profit pools of the future. We have leveraged our core strengths and focused behind the most attractive categories and geographies, with a clear set of our power brands. We continue to transform our organization and build new capabilities in line with our strategic priorities. Focus on our productivity approach continues to deliver efficiencies through projects that challenge every element of cost that does not represent value for the consumer. These gains have been re-invested behind new capabilities, our brands and our route to consumer strategy to support future growth.

Looking at F16, the robust top line and bottom line performance gives me confidence in our strategy behind our power brands, our clear focus on the Prestige and Above segment and our selected participation play in the Popular segment. We have successfully completed the integration of the Diageo brand portfolio this year and we now have an outstanding portfolio of brands across each key category and price point.

Net sales growth of 26% of the Prestige and Above segment was fuelled by our premiumisation strategy and the full integration of the Diageo brand portfolio. As part of our renovation strategy we completed the re-launch of Royal Challenge and the new look McDowell's No.1 whiskey is also now in market. The re-launch of Signature started towards the end of Q4 and we expect to see positive momentum in the brand in the next fiscal. As highlighted earlier this year, we have faced specific industry challenges in states such as Uttarakhand and Chhattisgarh and the Haywards temporary pricing challenge in Karnataka also negatively impacted performance this fiscal.

Our EBITDA delivery was robust and grew 81% in line with our expectations. We have successfully reduced net debt by Rs 737 Crore through our non-core asset divestment strategy. This has strengthened the balance sheet, lowered interest cost and improved shareholder value.

These results and the actions that are driving this growth give me confidence that USL can deliver strong and sustained performance in the coming years."

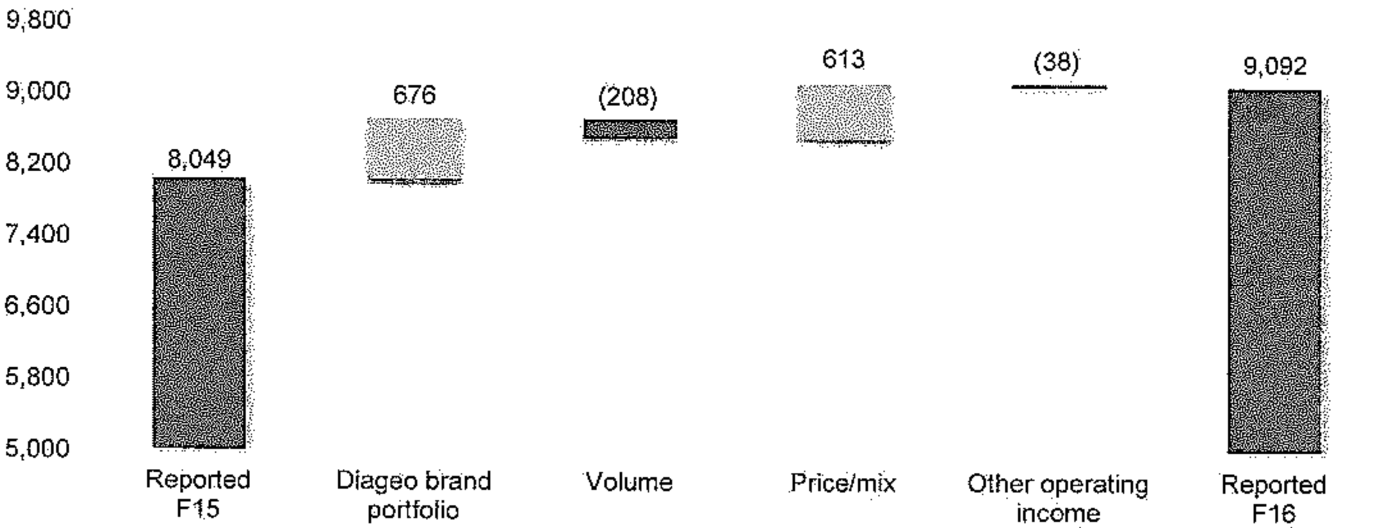
Key financial information

For year ended 31 March 2016

Financial information summary

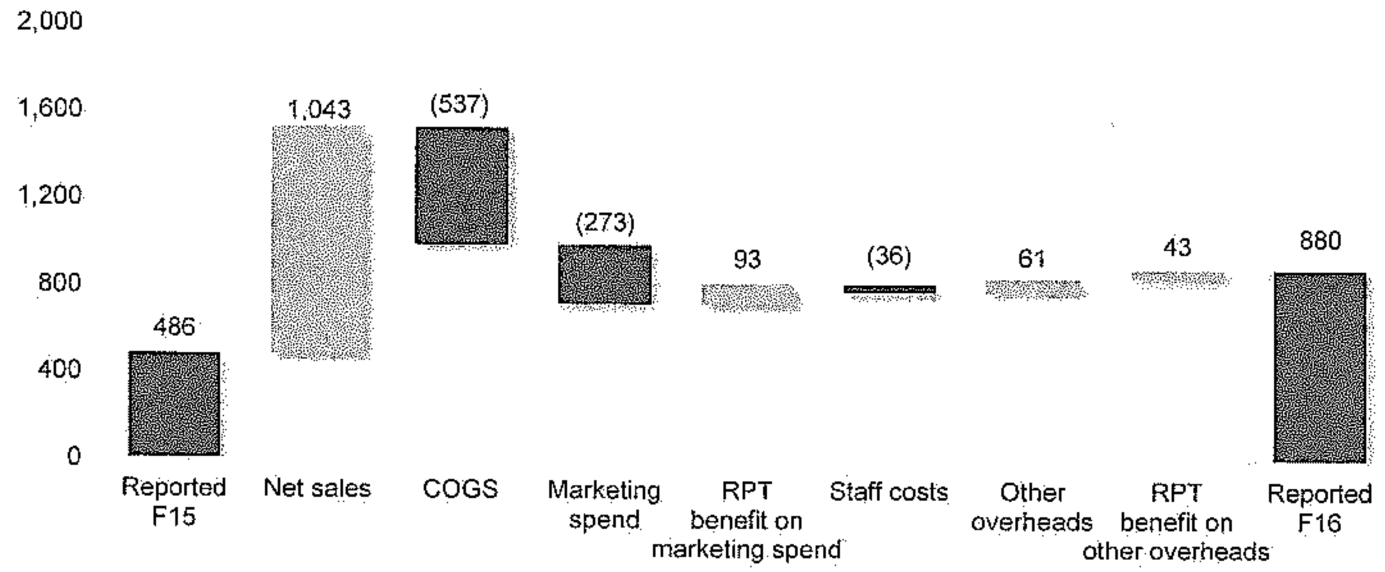
Rs. Crores	**2016 FY**	2015 FY	Growth %
Net sales	**9,092**	8,049	13
COGS	**(5,306)**	(4,769)	11
Gross profit	**3,786**	3,281	15
Staff cost	**(654)**	(619)	6
Marketing spend	**(966)**	(787)	23
Other Overheads	**(1,286)**	(1,389)	(7)
EBITDA	**880**	486	81
Exchange Difference Gain/Loss/Other Income	**106**	160	(34)
Depreciation	**(102)**	(110)	(7)
EBIT	**884**	536	65
Interest	**(447)**	(593)	(25)
PBT before exceptional items	**437**	(56)	874
Exceptional items	**736**	(1,872)	139
PBT	**1,173**	(1,928)	161
Tax	**(192)**	(28)	578
PAT	**981**	(1,956)	150

Net sales growth (Rs. Crores)



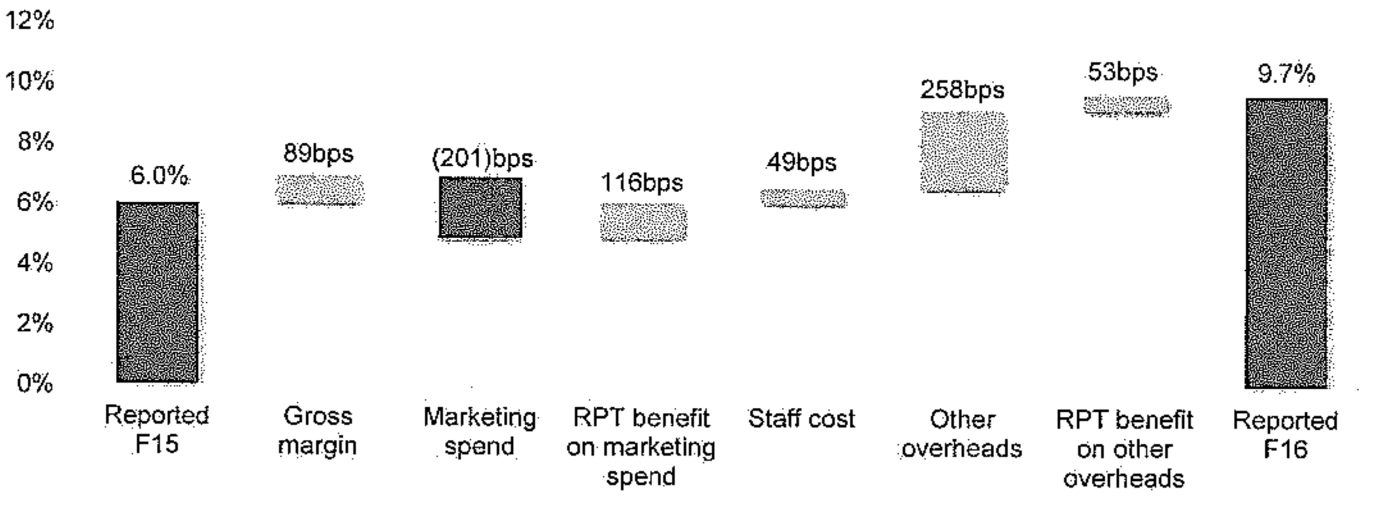
Reported net sales were up 13%. Direct distribution and sales of the Diageo brand portfolio in India added Rs. 676 Crore of net sales in the full year positively impacting net sales by 8ppts. The adverse volume impact is mainly driven by the Haywards brand due to the temporary pricing challenge in Karnataka in the second quarter. Pricing during the year remained muted in the highly regulated environment in India. Favourable price/mix was driven by positive brand/state and segment mix.

EBITDA growth (Rs. Crores)



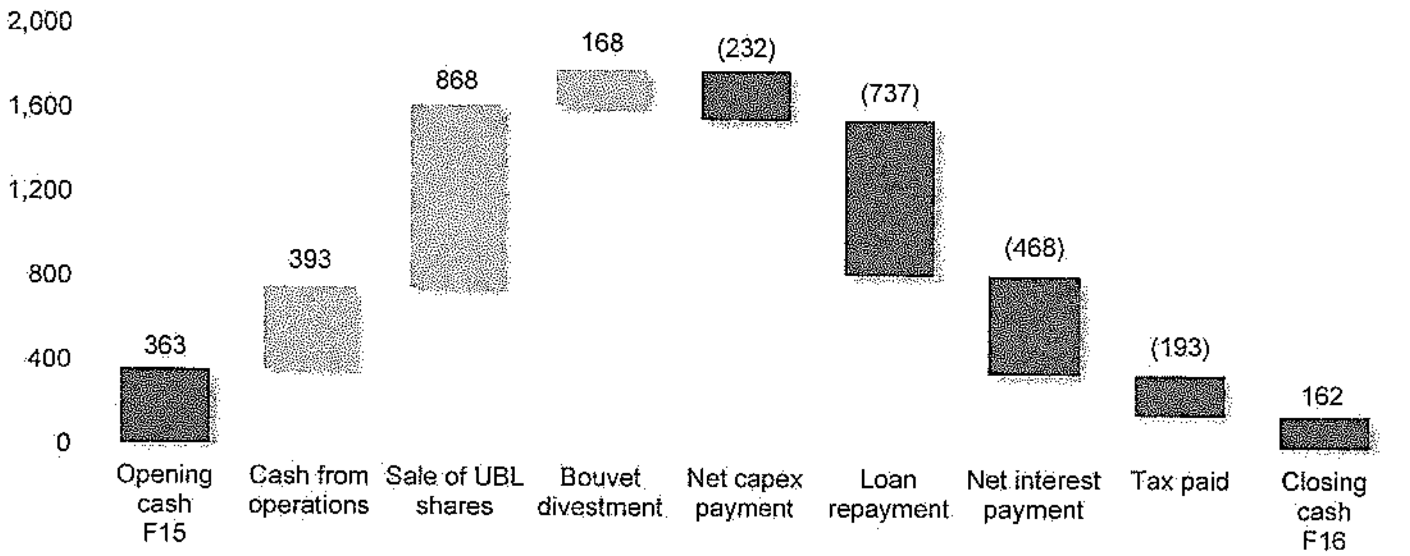
EBITDA was up 81%, mainly driven by incremental net sales from the Diageo brand portfolio coupled with continuous focus on the Prestige and Above segment and selected play in the Popular segment. We continue to invest behind our brands with an underlying increase in our marketing investment of 39% versus last year, excluding the impact of the Related Party Transaction savings but including the investments behind the Diageo brand portfolio. Investment behind the USL brands increased by 10% ahead of top line growth.

Change in EBITDA margin (%)



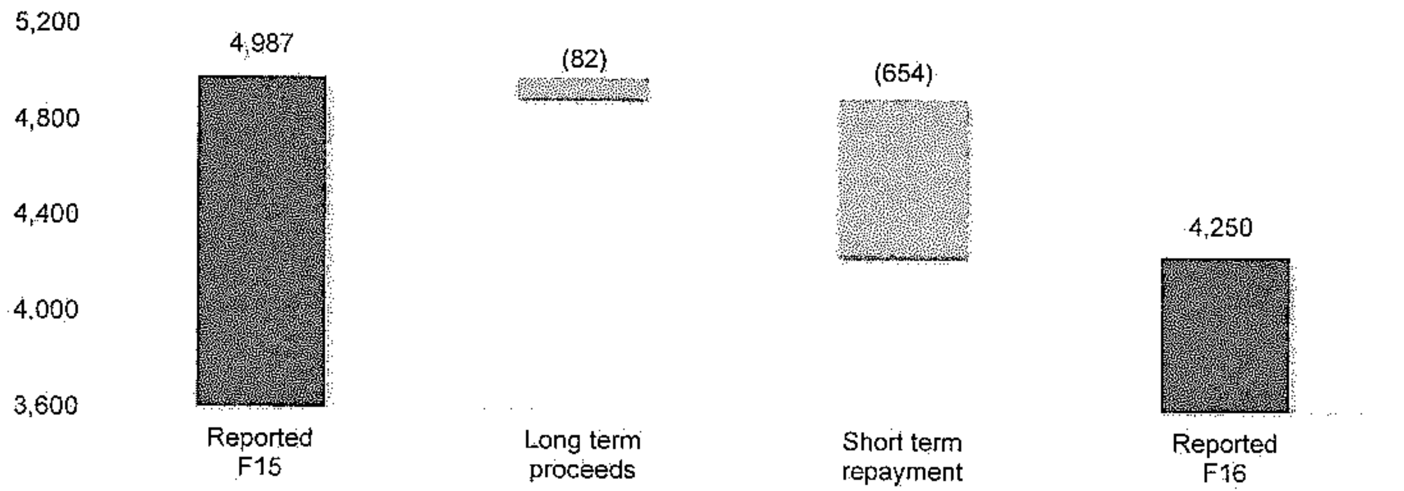
EBITDA margin of 9.7% improved by 364bps versus prior year. Gross margin improvement was mainly driven by the integration of the Diageo brand portfolio and our continued focus on portfolio premiumisation and clear participation choices in our Popular segment. These savings have been re-invested behind our brands and capabilities. Other overheads positively impacted margins driven by lower employee related costs and other operational overhead costs. Comparison against the level of provisions made in previous year and the benefit of the elimination of Related Party Transactions also positively impacted margin.

Movement in cash (Rs. Crores, USL Group consolidated)



Cash closed the year at Rs. 162 Crore following debt repayment. Underlying operations generated cash of Rs. 393 Crore, net of Rs. 277 Crore increase in working capital, including the incremental working capital associated with the Diageo brand portfolio. Net capex was higher than last year as we invested in upgrading strategically important manufacturing units. Cash generated from the divestment of the UBL Shares and the Bouvet Ladubay subsidiary was used for short term debt repayment resulting a reduction in interest costs.

Movement in debt (Rs. Crores, USL Group Consolidated)



Net debt reduced by Rs. 737 Crore driven by the divestment of non-core assets, mainly the UBL Shares and the Bouvet Ladubay subsidiary. These divestments together with renegotiation of borrowings terms reduced the total interest cost. Significant improvement in overall financial flexibility, corporate governance and our compliance framework has been reflected in our improved credit rating. During the year, ICRA Limited upgraded the Long Term Rating from BBB to A+, while the Short Term Rating improved from A3 to A1+. These improved ratings will enable us to access more economical sources of debt leading to lower interest cost and increased shareholder value.

The USL Standalone results will show an overall debt reduction of Rs. 1,119 Crore positively impacted by the elimination of the intercompany debt post the Scheme of Amalgamation between the Company and SW Finance Co. Limited, a wholly owned subsidiary of the Company.

Business review

We have improved both top line growth and increased operating profit in a highly regulated / competitive environment and have further strengthen our core brands to be best placed to win in every segment. Our performance in the Popular segment reflects our prioritized participation strategy and the net sales growth of the Prestige and Above segment clearly shows positive signs of our premiumisation strategy. During the year we have continued our renovation agenda completing the re-launch of Royal Challenge, the current roll out of McDowell's No.1 whiskey and the Signature renovation. The impact of these successful renovations will continue to be a positive driver of future growth. The new renovated range can be seen below.

F16 has seen a continuation of our productivity journey through every aspect of the P&L. Further efficiencies achieved have been achieved and reinvested into our brands and capabilities. We have continued our Perfect Store program this year, driving enhanced shopper experience and building brands in store with the number of perfect stores increasing by ~5,000 to ~20,000 in the year.

Segment review

Overall volume was down 1% with net sales up 13% on stronger performance of the Prestige and Above segment. The integration of the Diageo brand portfolio also had a positive mix impact accounting for half of the overall positive mix. The main contributors were Johnnie Walker, Black & White, VAT69 and Smirnoff. Good performance of Black Dog in the premium segment and the re-launch of Royal Challenge and McDowell's No 1. whiskey in the prestige segment also had favourable net sales mix impact.

- We have integrated the **Diageo brand portfolio** into USL this fiscal. The portfolio consists of over 20 brands, with the key brands being Smirnoff, VAT69, Johnnie Walker and Black & White, all of which are positioned in the premium and luxury segment. The Diageo brand portfolio added 1.3m cases volume.

- The **Popular segment** represents 63% of total volumes and 49% of total net sales, 4ppts and 5ppts respectively below last year. Popular segment volume declined 7% and net sales grew 2%. The reduction in volume was largely driven by the specific temporary pricing challenge on Haywards in Karnataka which impacted volume growth by circa (4) ppts. Despite this, overall Popular segment net sales grew 2% fuelled by good growth of our power brands which represent almost 80% of our net sales in the popular segment: McDowell's Rum and Brandy; Bagpiper; Old Tavern and Director's Special whiskey.

- The **Prestige and Above segment** represents 37% of total volumes and 51% of total net sales, up 4ppts and 5ppts respectively when compared to prior year. Volume increased 10% with net sales up 26%. Excluding the Diageo brand portfolio, volume was up 6% and net sales up 8%. Robust growth of the segment was fuelled by our renovation strategy with the re-launch of Royal Challenge and benefited from the recent new look McDowell's No.1 whiskey.

  - The **Royal Challenge** re-launch was completed at the beginning of this fiscal and we have seen exceptional growth in each quarter with volume growth of 61% and 50% net sales growth in the full year.

  - The new look **McDowell's No 1. whiskey** was launched in the third quarter and posted 18% volume and 23% net sales growth in Q4 resulting in overall volume growth of 8% and net sales growth of 13% in the full year.

  - The performance of **Signature** was muted with volume decline of 2% and negative price/mix of 7ppts. The re-launch of Signature started towards end of Q4 and we expect to see positive momentum in the brand in the next fiscal.

  - **Antiquity** volume was up 18% with net sales up 10%.

- **Black Dog** performance was robust during the year and volume grew 23% with net sales up 24%.

Neilsen tertiary share data[1] is reflective of the above showing strong share momentum on Royal Challenge while, the McDowell's No.1 whiskey franchise maintained share for the year, with positive share gains on the main core variant of McDowell's No.1. The full positive impact of the new look McDowell's No.1 whiskey franchise (as depicted above) plus the fully renovated offering on Signature is expected to be seen in the coming year.

We have also continued to see strong share momentum on the Premium Scotch portfolio, Black Dog, Black & White and Vat69, and on our Premium Vodka portfolio, led by Smirnoff. The core variants of Johnnie Walker Red, Black and Double Black have also shown positive share gains for the full year.

Note (1): AC Neilson Value share metrics for the 12 month period ending 31 March 2016.

The Board of Directors of United Spirits Limited at their meeting in Bengaluru today considered and approved the audited financial results for the year ended 31 March 2016.

Appendix

Volume by segments (EU million)

	F16 FY	F15 FY	% chg.	F16 Q4	F15 Q4	% chg.	F16 Q3	F15 Q3	% chg.	F16 Q2	F15 Q2	% chg.	F16 Q1	F15 Q1	% chg.
Prestige and Above	34.2	31.0	*10*	8.1	7.4	*9*	9.6	8.4	*15*	8.0	7.9	*2*	8.4	7.3	*15*
Popular	58.9	63.2	*(7)*	15.2	16.9	*(10)*	16.1	16.8	*(5)*	13.8	15.5	*(11)*	13.8	14.0	*(1)*
Total*	**93.0**	**94.2**	*(1)*	**23.3**	**24.3**	*(4)*	**25.7**	**25.2**	*2*	**21.8**	**23.4**	*(7)*	**22.2**	**21.3**	*4*

**The volume analysis above excludes royalty and franchise volumes. (prior year restated for like for like comparison)*

Cautionary statement concerning forward-looking statements

This document contains 'forward-looking' statements. These statements can be identified by the fact that they do not relate only to historical or current facts. In particular, forward-looking statements include all statements that express forecasts, expectations, plans, outlook and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of changes in interest or exchange rates, the availability or cost of financing to United Spirits Limited, anticipated cost savings or synergies, expected investments, the completion of United Spirits Limited's strategic transactions and restructuring programmes, anticipated tax rates, expected cash payments, outcomes of litigation, anticipated deficit reductions in relation to pension schemes and general economic conditions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including factors that are outside United Spirits Limited's control. United Spirits Limited neither intends, nor assumes any obligation, to update or revise these forward-looking statements in the light of any developments which may differ from those anticipated.

Media enquiries to:	Michelle D'Souza	Michelle.dsouza@unitedspirits.in +91 98 208 59690
Investor enquiries to:	Richard Kugler	+91 80 396 42172 +91 99 0116 1930 richard_kugler@unitedspirits.in
	Investor Relations mailbox	Investor_relations@unitedspirits.in

Conference call and live Q&A session

Anand Kripalu, Managing Director and Chief Executive Officer and Sanjeev Churiwala, Chief Financial Officer will be hosting a Q&A session on Friday **27th May 2016** at **12:00 pm** (Noon, IST time).

To participate the Q&A session please use the below dial in details.

Dial in details:

Conference Dial In Information

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All other participants dial the numbers below

Please dial the below number at least 5-10 minutes prior to the conference schedule to ensure that you are connected to your call in time.

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