

**Annexure 1**  
**Statement on Impact of Audit Qualifications for the Standalone audited financial statements**  
**for the Financial Year ended March 31, .2016**

[See Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016]

		Rs. Crores	
Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualification as per S.no.2)
1	Turnover / Total Income*	9,091.92	9,091.92
2	Total Expenditure**	8,314.05	8,295.65
3	Net Profit / (loss)	981.17	993.20
4	Earnings Per Share	67.51	68.34
5	Total Assets	9,378.67	9,390.70
6	Total Liabilities	6,571.45	6,571.45
7	Net Worth ***	1,630.52	1,642.55
8	Other Reserves not part of Net Worth****	1,176.70	1,176.70

\* Turnover/Total Income excludes Other income (Rs 85.26 Crores), Exchange gain (Rs 20.87 Crores) and Exceptional items (Rs 736.25 Crores)

\*\* Total Expenditure excludes Finance costs (Rs 446.92 Crores)

\*\*\* Net Worth includes Share capital (Rs 145.33 Crores), Security premium account (Rs 4,568.20 Crores), General reserve (Rs 1,103.33 Crores), net of Negative surplus as per Statement of profit and loss (Rs 4,186.34 Crores)

\*\*\*\* Other Reserves not part of Net Worth includes Capital reserve (Rs 68.30 Crores), Capital redemption reserve (Rs 69.86 Crores), Other reserve including Foreign currency translation reserve (Rs 1,038.54 Crores)

**II Audit Qualifications:**

**1. a) Details of Audit Qualification:**

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

**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



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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.

**b) Type of Audit Qualification:** Qualified Opinion

**c) Frequency of Qualification :**

The above observations stated in the audit report dated 26 May 2016 on the standalone financial statements of the Company have been reported 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.

**d) For the audit Qualification where the impact is not quantified by the auditor:**

**i) Management estimation on the impact of audit qualification:**

Management is unable to quantify the impact on the qualification mentioned in paragraph 4 above.

**ii) If Management is unable to estimate the impact, reason for the same:**

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, any further impact on the financial results including the impact on opening balances for the year cannot be determined at this stage. Further, pending resolution of the disputes as mentioned in the Note 7 to the financial results, any additional impact on the provision established for interest cannot be determined at this stage.

**iii) Auditors' Comments on (i) or (ii) above:**

As the review of the Additional Matters and transactions with Additional Parties, is in progress, Management is unable to determine the impact of the matter qualified. Further, pending resolution of the disputes as mentioned in the Note 7 to the financial results, Management is unable determine the impact of the matter qualified.

**2. a) Details of Audit Qualification:**

**The Statutory Auditors have qualified their opinion in the independent audit report in relation to the matter specified in Note 9 to the standalone financial results ("Results") as follows:**

**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.

**b) Type of Audit Qualification:** Qualified Opinion

**c) Frequency of Qualification:**

The above observations stated in the audit report dated 26 May 2016 on the standalone financial statements of the Company have been reported for the second time.

**d) For the audit Qualification where the impact is quantified by the auditor, Management's Views:**

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 its application for approval of such excess remuneration.

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



**Amit Somani**  
Partner  
Membership Number: 060154


Place: Bangalore  
Date: June 23, 2016

for **United Spirits Limited**



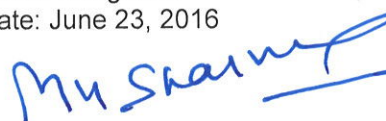
**Anand Kripalu**  
Managing Director & Chief Executive Officer

Place: Bangalore  
Date: June 23, 2016



**Sanjeev Churiwala**  
Chief Financial Officer

Place: Bangalore  
Date: June 23, 2016



**Mahendra Kumar Sharma**  
Audit Committee Chairman  
Place: Mumbai  
Date: June 23, 2016



**Annexure 1**  
**Statement on Impact of Audit Qualifications for the Consolidated audited financial statements**  
**for the Financial Year ended March 31, 2016**

[See Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016]

Sl. No.	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualification as per S.no.2)
1	Turnover / Total Income*	9,379.29	9,379.29
2	Total Expenditure**	8,564.39	8,545.99
3	Net Profit /-(loss)	967.75	979.78
4	Earnings Per Share	66.59	67.42
5	Total Assets	8,560.19	8,572.22
6	Total Liabilities	6,770.55	6,770.55
7	Net Worth ***	1,084.87	1,096.90
8	Other Reserves not part of Net Worth****	703.06	703.06

\* Turnover/Total Income excludes Other income (Rs 44.92 Crores) and Exceptional items (Rs 790.90 Crores)

\*\* Total Expenditure excludes Finance costs (Rs 455.81 Crores) and Exchange loss (Rs 15.75 Crores)

\*\*\* Net Worth includes Share capital (Rs 145.33 Crores), Security premium account (Rs 4,568.20 Crores), General reserve (Rs 1,040.80 Crores), net of Negative surplus as per Statement of profit and loss (Rs 4,669.46 Crores)

\*\*\*\* Other Reserves not part of Net Worth includes Capital reserve (Rs 579.45 Crores), Capital redemption reserve (Rs 57.89 Crores), Other reserve including Foreign currency translation reserve (Rs 65.72 Crores)

**II Audit Qualifications:**

**1. a) Details of Audit Qualification:**

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

**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.

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



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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.

**b) Type of Audit Qualification:** Qualified Opinion

**c) Frequency of Qualification :**

The above observations stated in the audit report dated 26 May 2016 on the Consolidated Financial Statements of the Company have been reported 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.

**d) For the audit Qualification where the impact is not quantified by the auditor:**

**i) Management estimation on the impact of audit qualification:**

Management is unable to quantify the impact on the qualification mentioned in paragraph 4 above.

**ii) If Management is unable to estimate the impact, reason for the same:**

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, any further impact on the financial statements including the impact on opening balances for the year cannot be determined at this stage. Further, pending resolution of the disputes as mentioned in the Note 35 to the Consolidated Financial Statements, any additional impact on the provision established for interest cannot be determined at this stage.

**iii) Auditors' Comments on (i) or (ii) above:**

As the review of the Additional Matters and transactions with Additional Parties, is in progress, Management is unable to determine the impact of the matter qualified. Further, pending resolution of the disputes as mentioned in the Note 35 to the Consolidated Financial Statements, Management is unable determine the impact of the matter qualified.

**2. a) Details of Audit Qualification:**

**The Statutory Auditors have qualified their opinion in the independent audit report in relation to the matter specified in Note 44 to the consolidated financial statements ("Consolidated Financial Statements") as follows:**

**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.

**b) Type of Audit Qualification:** Qualified Opinion

**c) Frequency of Qualification:**

The above observations stated in the audit report dated 26 May 2016 on the Consolidated Financial Statements of the Company have been reported for the second time.

**d) For the audit Qualification where the impact is quantified by the auditor, Management's Views:**

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 its application for approval of such excess remuneration.

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



**Amit Somani**  
Partner  
Membership Number: 060154

Place: Bangalore  
Date: June 23, 2016

for **United Spirits Limited**



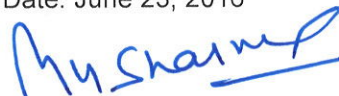
**Anand Kripalu**  
Managing Director & Chief Executive Officer

Place: Bangalore  
Date: June 23, 2016



**Sanjeev Churiwala**  
Chief Financial Officer

Place: Bangalore  
Date: June 23, 2016



**Mahendra Kumar Sharma**  
Audit Committee Chairman  
Place: Mumbai  
Date: June 23, 2016

