

# Report of the Directors



The Directors of **United Breweries Limited** have pleasure in presenting their Report with Audited Accounts of your Company for the year ended March 31, 2005.

## FINANCIAL RESULTS

Your Company's performance for the Financial Year ended March 31, 2005 is summarised below :

*(Figures in Million)*

	<b>2004-2005 Rupees</b>	<b>2003-2004 Rupees</b>
Net Turnover .....	<b>5153.8</b>	4536.8
Profit before Interest & Depreciation .....	<b>566.0</b>	433.3
Interest .....	<b>208.2</b>	324.5
Depreciation .....	<b>105.7</b>	66.9
Profit Before Tax .....	<b>252.1</b>	41.9
Provision for Taxation :		
Current .....	<b>(19.8)</b>	(3.2)
Deferred Tax (Liability)/Asset .....	<b>(91.9)</b>	(10.9)
Profit After Tax available for appropriations .....	<b>140.4</b>	27.8
<b>Appropriations</b>		
Dividend on Preference Shares paid (including Taxes thereon) .....	<b>44.0</b>	—
Balance your Directors propose to carry to Balance Sheet .....	<b>96.4</b>	27.8

## DIVIDEND

Your Directors propose not to declare any Dividend on Equity Shares for the year and utilize the available Profits to capitalize on emerging business opportunities.

Your Company paid a Dividend on Redeemable Optionally Convertible Preference Shares (ROCPS) at the rate of 5% (pro-rata) in terms of the Letter of Offer.

## CAPITAL

During the year under review, the Authorized Capital of the Company was increased from Rs.2500 Million to Rs.2800 Million comprising of Equity Share Capital of Rs.300 Million and Preference Share Capital of Rs.2500 Million. The Issued, Subscribed and Paid-up Share Capital as on March 31, 2005 stood at Rs.2315.1 Million comprising of Rs.178.2 Million Equity Share Capital and 2136.9 Million Redeemable Optionally Convertible Preference Shares (ROCPS). These ROCPS aggregating to 2136.9 Million allotted in November 2004 have been redeemed on April 30, 2005 upon subscription of 3,779,522 fresh Equity Shares and 24,690,000 Cumulative Redeemable Preference Shares (CRPS) by Scottish & Newcastle India Limited (SNIL). Post preferential allotment to SNIL, the paid up Equity Share Capital of your Company stands at Rs.216 Million and CRPS stands at Rs.2469 Million.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

India has historically recorded a very low consumption of Beer, averaging just over half a Litre per capita per annum, despite a secular population with varied religious affiliations. In comparison, Beer consumption is almost 20 Litres per capita per annum in China and exceeds 100 Litres in several European countries. Over-regulation and excessive taxation causing unpalatably high-end consumer prices of Beer in relation to the alcoholic content it delivers is seen as the primary reason for the low consumption. This has resulted in a small but rapidly growing market currently totaling about 7 Million Hecto Litres.

Regulatory environment does not distinguish between Beer and spirits either with reference to taxation or distribution. This is the key differentiator from other parts of the world where Beers and wines are freely distributed and are subject to perceptibly lower regulatory intervention in comparison to spirits.

## Report of the Directors (Contd.)

The Constitution of India gives the States the sole right of regulating the potable alcohol industry, consequent to which each State has instituted distinct and differential regulatory regimes. Restrictions on interstate commerce in alcoholic beverages, including Beer, have necessitated fragmenting of capacity by creation of manufacturing facilities in each market. There are currently about 57 Breweries in the country with a total capacity of approximately 13 Million Hecto Litres. Several independent Breweries suffer from extremely poor capacity utilization in the face of intense competition and consolidation of the industry in recent times.

Your Company has been vigorously pursuing with the State Governments urging the need for a more rational approach towards the regulations on Beer, in view of the fact that high unit costs and restricted availability cause several of the younger consumers to cheap spirits in preference to Beer, with a resultant social outcome. The high levels of taxation and resultant high-end consumer prices have resulted in demand for the product being skewed increasingly in favour of high alcohol Beers having alcoholic content in excess of 6%. This is seen as a consumer's response to deriving higher value for the money is measured by the alcoholic content, which is delivered per rupee. The sales of lager Beer has been flat or mildly de-growing, whereas over the last 5 years the share of strong Beer in the overall industry is 65%. While Kingfisher has always represented a lifestyle which is appropriately linked to mild Beer, your Company launched a Strong variant about 5 years back and this segment has seen strong growth. The current year witnessed sales of over 13 Million Cases representing a growth of nearly 27% in the strong Beer segment.

By the turn of the current decade it is estimated that nearly 100 Million consumers will reach the legal drinking age in the country. The growth of job and income generating activities for the young educated population particularly in the service industry gives cause to expect acceleration in demand for Beer in the coming years. Your Company is also innovating by the introduction of new products and variants to meet emerging tastes – an example being the recently successful launch of Jaguar – a Beer with a wine like character. Jaguar has captured a 10% market share in the areas that it has been introduced.

### OPERATIONS

#### Sales :

During the year under report, your Company sold 36.4 Million Cases in volume terms as against 33.1 Million Cases in previous year representing a growth of 10%. During the same period the industry is estimated to have grown by 8%. Net sales for the year under review stood at Rs.5153.8 Million as against Rs.4536.8 Million in the previous year representing a growth of 13.6% over the comparable figure in the previous year.

“Kingfisher” family continued to lead the industry with a sales volume of over 31.3 Million Cases with Kingfisher Premium Lager representing 18.2 Million Cases and Kingfisher Strong representing 13.1 Million Cases. Kingfisher Strong achieved a growth of around 31%. During the same period, the Strong Beer segment of the Industry is expected to have growth by 11% only. Almost one of every 3 Beers consumed in the country continues to be a Kingfisher. Innovative launches of Kingfisher Pint in Pondicherry and Kingfisher Strong 330 ml in M.P. has given a boost in volumes and consumer base. Further UB Export Lager supported by its brand Ambassador Upendra has delivered for superior value equation to the consumer.

UB Export in Karnataka, Kingfisher Premium Lager in Goa and Kalyani Black Label in Kolkata have not only increased volumes but have also succeeded in expanding the market share.

The spirit of innovation “JAGUAR”, which after years of experimentation has resulted in creation of a totally new product with “Winey” character. In a short span of time since its launch “JAGUAR” has captured the minds and palates of every one who has tasted it. Initially, launched in Karnataka and Kolkata, the product has created a storm amongst consumers and has captured a market share of almost 10% in the strong Beer segment in the markets where launched.

Your Company has maintained its market share when compared to the previous year. Significantly in a very short span of time, Kingfisher Strong has established a sizeable 21% market share of the fast growing strong Beer market. Your Company continued to invest in its brands ensuring top of mind recall with customers.

Kingfisher Packaged Drinking Water now has a national presence with 21 contract units having Bureau of Indian Standards certification manufacturing the same. Your Company's water brand has touched a volume of 4.5 Million Cases during the year under review within 5 years of its launch.

Your management's undiluted focus on the consumer with an emphasis on delivering value for the products has enhanced the perception of brands in the consumers mind.

## Report of the Directors (Contd.)

### **Manufacturing Expenses :**

The manufacturing expenses stood at Rs.2635.4 Million constituting 51.14% of the net sales (54% in the previous year). Your Company had undertaken market focused initiatives and internal measures to contain costs and improve margins. Concerted efforts resulting in stabilization of bottle prices also helped in containing costs during the year.

### **Personnel and Other Operating Expenses :**

Personnel expenses stood at 6.56% of Net Sales as against 6.59% in the year 2003-2004 and other operating expenses were at 12.96% of net sales.

### **Advertisement and Brand Promotion :**

Your Company spent 21.38% of net sales on Advertisement and Brand promotion during the year compared to 19.44% of the previous year. This increase is primarily on account of introduction of new brands and increased volumes during the year. Innovative methods have, however, ensured that the recall of your Company's brands with target customers is retained at its high levels.

The flagship brand Kingfisher Premium Lager Beer has, over the years, been associated with several lifestyle platforms. The efforts were further strengthened through our association with India Fashion Week and Kingfisher Fashion Awards during the year under review. Kingfisher Fashion Awards remain the premier fashion award in the country, and Kingfisher's association with fashion has helped the nascent industry blossom. Kingfisher has also initiated its foray into sports merchandise with the launch of Reebok Kingfisher East Bengal Jersey.

Launched in all markets, the new look Kingfisher with the "flying bird" symbolizes the soaring presence of your Company's product meeting the changing aspirations and needs of an emerging young consumer class.

Kingfisher was truly the King of Good times at the Mumbai Marathon which is becoming a major sporting event in India. Kingfisher was the official water partner at the 42 Kilo Metre Marathon which drew 26000 participants from various parts of the world.

Kingfisher Swim Suit Calendar, a showcase for the Indian fashion industry today, is a rare combination of photography, fashion, sun, surf and sand – symbolizing life, fun and beauty. The third edition of Calendar bagged the prestigious FAB Award at the 7th International Food & Beverages Creative Excellence Awards 2005 held in London.

Your Company won a number of awards at the recently held Big Bang Awards at Bangalore and AAA of I Awards at Mumbai. The innovative initiatives have not only been successful but have also been acknowledged and recognized by the Industry.

In a survey conducted by IMRS, it was found that the UB Export Campaign had the highest spontaneous recall rate in Bangalore amongst all new Advertising campaigns.

London Pilsner 230 ml has been re-launched in Mumbai with a new positioning platform with an attractive price and tagline. The re-launch campaign consists of a high impact visibility drive.

The latest addition to the Kingfisher Strong family has been the launch of 330 ml Cans in Mumbai and other places in Maharashtra. This roll out is turning out to be a big hit amongst consumers.

Your Company continues its association with Baichung Bhutia and Karun Chandok for Kingfisher, Vinod Kambli for London Pilsner, Prosenjit for Kalyani Black Label, Upendra for UB Export Lager.

### **Profit Before Interest, Lease Rentals, Depreciation and Taxation (PBIDT) :**

The PBIDT for the year under review was Rs.566 Million as against the Previous Year figure of Rs.433 Million. Such an increase in PBIDT was achieved mainly on account of increased volumes and stabilization of input cost of Bottles. Licensing arrangements in Australia and New Zealand has started showing positive results in terms of Royalty income and has improved brand positioning in these countries.

### **Interest, Lease Rentals and Depreciation :**

Interest paid during the year amounted to Rs.208.2 Million as against 324.5 Million during the previous year and Depreciation accounted for Rs.105.7 Million as against Rs.66.9 Million in the previous year. Infusion of Rs.2136.9 Million in the form of Redeemable Optionally Convertible Preference Shares (issued on rights basis) has brought about a significant reduction in interest cost during the year under review thereby improving the Profitability of your Company. Introduction of Rs.2469 Million in the form of CRPS at 3% coupon rate will further reduce interest cost during the current year thereby increasing Profitability.

### Profit Before and After Taxation :

The Profit before taxation stands at Rs.252.1 Million, (against a Profit of Rs.41.9 Million reported last year). The Profit after taxation during the year is Rs.140.4 Million as against a Profit of Rs.27.8 Million in the previous year. This was achieved essentially on account of reduced finance charges coupled with the increase in PBIDT achieved through increase in volume and control over input cost.

### ALLIANCE WITH SCOTTISH AND NEWCASTLE

Pursuant to the strategic understanding with Scottish & Newcastle (S&N) your Company allotted Equity Shares aggregating to Rs.37.79 Million constituting 17.5% of the post-issue Paid-up Equity Share Capital of the Company and CRPS aggregating to Rs.2469 Million. This triggered an Open Offer for acquisition of 20% Equity Shares from the general public. The Offer closed in February 2005. Post completion of statutory formalities and securing all requisite statutory approvals by the Acquirers, the Company allotted Equity Shares and Preference Shares to S&N.

Your Company continues to hold 40% stake in McDowell Alcobev Ltd., (now called Millennium Alcobev Pvt. Ltd.) the Joint Venture Company with S&N. Millennium Alcobev Pvt. Ltd. already owns a network of Breweries and strong regional brands which enjoys a market share of 10% further enhancing your Company's leadership position.

The Alliance with S&N has created substantial Shareholder value with public Shareholders getting a price of Rs.575/- per Equity Share tendered in the open offer. The price of the shares, post offer, has remained significantly over previous levels affording sustained value to Shareholders.

S&N inducted Rs.1837.75 Million by way of Redeemable Optionally Convertible Preference Shares (ROCPS) through Rights Issue in the Company. The ROCPS were redeemed on April 30, 2005 upon infusion of fresh Cumulative Redeemable Preference Shares (CRPS) aggregating to Rs.2469 Million by S&N.

Considering the above events, your Directors are pleased to present the unaudited financial position of the Company as at April 30, 2005 (attached to this report) which will give a better understanding of the Company's financial position post the alliance.

### PROSPECTS

Almost 70% of the population in India, (i.e., over 700 Million people) being below the age of 34, constitutes a powerful argument for increase in the demand for Beer. Low per capita consumption of Beer in the country and changes to cultural attitudes towards the consumption of alcoholic products in recent times provide further compelling case for the industry. Given the demographics of the country which is skewed in favour of the youth whose preference is for consumption of low alcohol beverage, such as Beer, in preference to spirits, it is anticipated that the Beer industry will witness substantial growths in the years to come. However, these growths can be realized only in a favourable regulatory environment. Your Company has been at the forefront in educating Governments on the need to differentiate the taxation and regulation of Beer from taxation and regulation of spirits. Progress has been slow but steady and there are imminent signs of a further, though gradual, deregulation in the industry.

Harmonization of tax structure across states and change in the present system of taxation wherein tax incidence based on alcohol content rather than advalorem basis will go a long way in improving the market for Beer in India.

The strategic alliance initiative of your Company with S&N will further strengthen the strong leadership position that your Company holds in a fast growing market with enormous long term potential. "Kingfisher" will also receive a significant boost in overseas markets through S&N's worldwide distribution network.

Innovative promotions and communication continue in your Company's brand building effort. Being brand leader, the Company has led from the front in achieving its targets. Your Company also continued with sponsorship of appropriate events like Kingfisher Derby, Corporate Football, Hockey, Cricket and Fashion Shows.

Your Management have synergized the operations of your Company and Millennium Alcobev Private Limited, the Joint Venture under one umbrella which in turn would rationalize market coverage, use broader portfolio to devise strategies and attack competition in all markets. It will also help your Company to optimally utilize all the manufacturing facilities under the fold and give maximum potential in the procurement cycle.

Your Company has entered into definitive agreement for acquisition of the demerged brewing entity of Karnataka Breweries & Distilleries Limited which has augmented further control over capacities in Karnataka, one of the most Profitable markets in India.

All the foregoing will help your Company to embark on a path of sustained growth in terms of both sales and Profits.

## Report of the Directors (Contd.)

### INTERNAL CONTROL SYSTEM

Your Company has in place an established system of internal controls to ensure assets are safeguarded and transactions are appropriately authorized, recorded and correctly reported. The Internal Audit Department evaluates the functioning and quality of internal controls and provides assurance of its adequacy and effectiveness through periodic reporting. Your Company's Internal Control Systems are adequate and are routinely tested and certified by statutory as well as internal auditors. The internal control system is a process that provides reasonable assurance regarding the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. Various risks are identified and assessed routinely across all operations and suitable controls are designed to address and mitigate significant risks. The Internal Audit Department reports to the Audit Committee and recommends control measures from time to time. The systems are continuously upgraded to be in line with best international practices.

The scope of internal audit covers a wide variety of operational matters and, as a minimum, ensures compliance with specific standards with regard to availability and suitability of policies and procedures and extent of adherence. It further evaluates adequacy of segregation of duties, reliability of Management Information Systems including controls in the area of authorization procedures including steps for safeguarding assets. Planned periodic reviews are carried out resulting in identification of control deficiencies, opportunities for bridging gaps with best practices and formalization of time bound action plans to minimize risk. The implementation process is further reviewed and reported by the Internal Audit department after an appropriate period.

Your Company believes that overall internal control system is never static but dynamic, reflecting the current requirements at all times and hence it is ensured that appropriate procedures and controls are operating and monitoring practices are in place.

### OPPORTUNITIES & THREATS

While the Indian Beer market has been growing at 8% annually, your Company has recorded a much higher growth rate during the period under review. With further investment your Company has been able to upgrade and expand existing capacities and further strengthen its brands. Currently, the total Indian Beer market is still small with annual sales of around 7 Million Hecto Litres, but has been growing rapidly over the last one decade. This trend is continuing and your management is taking all initiatives to tap the growing demand. Climatic conditions in India are more suited to drinking Beer, which could be seen as a healthier alternative, than other alcoholic beverages.

Strong Beer (alcohol by volume of 6% - 8%) accounts for 65% of the total Beer market and the key Beer consuming States are Andhra Pradesh, Maharashtra, Tamil Nadu, Karnataka, Rajasthan and Uttar Pradesh. The per capita consumption of 0.6 Litres is low, emphasizing the significant growth potential in a country with a population in excess of one billion people. Key drivers of high growth include rising gross domestic product, favourable demographics, changing lifestyles, and the opportunity to grow per capita consumption together with potential deregulation of the Indian Beer industry.

Deregulation is expected to happen imminently. The brewing industry has been united in airing its views in this regard. As deregulation happens, the taxation structure on Beer will be de-linked from liquor making Beer available to the consumer at much lower rates. Such a shift in Government policy will broaden the demographic base significantly the Indian Beer market will expand multiple times in the next few years.

Increasing entry of foreign competition in the Indian Beer Industry could be a potential future threat though your Company is taking proactive steps to ensure its continued dominance in the industry.

### RISKS & CONCERNS

Regulation and excessive taxation are key concerns. Given the similar nature of the duty structure, Beer is dearer than spirits per unit of alcohol. Government levies and taxation have a direct bearing on the Profitability of the industry. Further escalation of input cost in vital areas like of packaging and other basic raw materials has a significant impact in the pricing of the product. Availability of Barley is a concern due to reduced margins to farmers and consequent reduction in the cultivable land available for Barley.

Your Company has explored a number of avenues to contain the risk of continued increase in the face of static selling prices.

The drivers of growth are in place. However, high taxation and extension of State monopoly in distribution and restriction in communication will have a bearing on the future results.

### HUMAN RESOURCES

The objective of your Company's Management is to build competencies, commitment and culture in the organization. This objective enables the Human Resource to enhance performance and retain its leadership position. The Balanced Scorecard performance management system has been recently introduced across the organization. This methodology translates strategy in operational terms and aligns the objectives of each and every individual with the Company objectives.

The management is in the process of carrying out a competency mapping exercise to ensure that development initiatives are undertaken to bridge the gaps identified. Employees are motivated to bring out their best. Performance is recognized with an appropriate compensation package. A Profit incentive plan was announced to ensure that a part of the incremental Profit is shared with the employees.

Your Company's human resources have played a vital role in achieving the improved results. Your Directors express their appreciation for the dedication and hard work put in by the employees throughout the year.

Your Company's Human Resources Department ensured smooth and harmonious Industrial Relations at all the units. 1844 employees form part of the human capital of your Company.

### SUBSIDIARY COMPANIES

During the year, your Company has acquired the balance 35% stake in Associated Breweries & Distilleries Limited (ABDL) by which ABDL would become a wholly owned Subsidiary of your Company.

Your Company has received approval from the Central Government exempting your Company from attaching the Accounts etc. of its subsidiaries viz. Associated Breweries & Distilleries Ltd., London Pilsner Breweries Pvt. Ltd., London Draft Pubs Pvt. Ltd. and Mangalore Breweries & Distilleries Ltd., with the Balance Sheet of the parent Company. In terms of the approval so granted by the Central Government, the Accounts, etc., of the above subsidiaries are not required to be attached with the Balance Sheet of parent Company. However, these Accounts will be provided on request to any member requiring to have a copy, on receipt of such request by the Company Secretary at the Registered Office of the Company.

Statement pursuant to Section 212(1) (e) forms part of the Annual Report.

### CONSOLIDATION

As required under the Listing Agreement, Consolidated Accounts conforming to applicable Accounting Standards are attached to the Annual Report.

### DEPOSITORY SYSTEM

Your Company has entered into agreements with National Securities Depository Limited and Central Depository Services (India) Limited in accordance with the provisions of the Depositories Act 1996 and as per the directives issued by SEBI.

### DIRECTORS

Consequent upon acquisition of 37.5% equity Stake by Scottish & Newcastle India Limited, a Subsidiary of Scottish & Newcastle Plc. (S&N) the Board of Directors of your Company has been reconstituted in accordance with an understanding reached between S&N and your Company. Consequently Mr. S R Gupte, Mr. Atul Munim, Mr. V K Rekhi and Dr. Neville Bain opted out of the Board with effect from April 29, 2005. Mr. John Hunt, Mr. John Dunsmore, Mrs. Lesley Jackson, Mr. CY Pal and Mr. Sunil Alagh were appointed as Additional Directors with effect from April 29, 2005.

The Board places on record the competence, commitment, dedication and guidance provided by the outgoing Directors during their tenure on the Board of your Company.

Mr. C L Jain and Mr. A K Ravi Nedungadi retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment.

### AUDITORS

M/s. Price Waterhouse, Statutory Auditors, hold office till the conclusion of the ensuing Annual General Meeting, and are eligible for re-appointment.

### AUDITOR'S REPORT

With respect to the observations made by the Auditors in the Audit Report, your Directors state as under :

## Report of the Directors (Contd.)

Millennium Alcobev Pvt. Limited, being a Joint Venture (JV) between UBL and S&N has already made significant inroads into the market by achieving a 10% market share within a period of three years. The said subsidiaries and the JV have their manufacturing locations in critical markets and meet almost 33% of the Company's capacity requirement. Considering these, the investments are strategic and long-term in nature and substantial benefits are expected to accrue to the Company in terms of market share and capacity utilization. Therefore, the management is of view that there is no permanent diminution in the value of investments and no provision therefore is considered necessary at this stage.

The Company and its subsidiaries are engaged in manufacture, purchase and sale of Beer including licensing of brands which constitutes a single business segment.

### LISTING REQUIREMENTS

Your Company's Equity Shares are listed at Bangalore, Mumbai, Ahmedabad, New Delhi, Calcutta, Hyderabad, Cochin, Ludhiana and Chennai Stock Exchanges. The Listing Fees have been paid to all the Stock Exchanges for the year 2005- 2006 and the Company has complied with all requirements of the Listing Agreements.

### CASH FLOW STATEMENT

A Cash Flow Statement for the year ended March 31, 2005 is appended.

### CORPORATE GOVERNANCE

A Report on Corporate Governance along with the Certificate from the Auditors forms part of this report.

### FIXED DEPOSITS

The Company has not invited any Fixed Deposits.

### PARTICULARS OF EMPLOYEES, CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION ETC.

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956 read with the Company's (Particulars of Employees) Rules 1975, forms part of this Directors' Report and is annexed. Particulars required under Section 217(1)(e) are also annexed.

### DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of The Companies Act, 1956, your Board of Directors reports that :

- in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- accounting policies have been selected and applied consistently and that the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit of the Company for that period.
- proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Annual Accounts have been prepared on a going concern basis.

### ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation for the continued support received from Shareholders, Banks and Financial Institutions. Your Directors are also grateful to the Company's business partners and customers for their continued support and patronage. Finally, your Directors wish to acknowledge the support and contribution on the part of all employees who constitute our most valuable asset.

By Authority of the Board,

Mumbai  
July 29, 2005

**VIJAY MALLYA**  
Chairman

## Annexure to the Directors' Report

### A. CONSERVATION OF ENERGY

Energy conservation measures taken by the Company.

(a) **Electrical Energy** : Steps taken to improve power factor at Bombay Brewery resulting in receipt of power factor improvement incentives from Maharashtra Electrical Board – implemented.

(b) **Fuel Oil Consumption** : Improvement in Steam Systems implemented at Kalyani and Hyderabad.

Alternate fuel boiler installed at Ludhiana based on local waste material i.e., Rice Husk. This resulted in savings of energy cost of the unit to the tune of Rs.90 lakhs per annum.

(c) **Water Conservation** : Rain water harvesting completed at Palghat Unit resulting in recharge of local bore wells. Similar exercise has been initiated at Goa also.

Pasteurized water recycling started at Hyderabad and Canning Rinser water recycling started at Bombay Brewery.

Water conservation for cleaning purposes is started at Goa and Ludhiana. This has brought down the water consumption by more than ten percent.

### B. TECHNOLOGY ABSORPTION

Latest technology for Beer Filling Machine has been incorporated in the fillers installed at Hyderabad and Ludhiana. This replaces the mechanical filling valves by electroneumatic filling valves, resulting in reduced wastages and higher productivities on the line.

### C. RESEARCH AND DEVELOPMENT

Company continues its Research & Development programme in the area of development of two row malting variety of barley. Company also introduced a new "Winey Beer". The product is the output of in-house R&D activity. This kind of product is being launched for the first time anywhere in the World.

### D. FOREIGN EXCHANGE INFLOW AND OUTFLOW

Foreign Exchange earned      Rs. 2.635 Million  
Foreign Exchange used         Rs. 274.17 Million

### STATEMENT UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 FOR THE YEAR ENDED MARCH 31, 2005

Sl. No.	Name	Age	Date of Joining *	Total Remuneration Rs.	Designation	Educational Qualifications	Experience in Years	Previous Employment
1.	Kalyan Ganguly	54	9.08.2002	12661254	Managing Director	B.A. (Hons.), PGDBM (XLRI)	32	EVP - Marketing & Sales; McDowell & Co. Ltd.
2.	N. K. Mittal	56	1.08.2001	4237481	EVP - Manufacturing	B.Tech., Mech. Engg.	33	DVP - Mfg. North; McDowell & Co. Ltd.
3.	Shekar Ramamurthy	44	1.08.2001	4610814	EVP - Sales & Marketing	B.Tech., IIT, PGDBM (IIM)	18	General Manager-Marketing; Herbertsons Ltd.
4.	P.A. Murali	47	1.08.2001	4243466	EVP - Finance & Accounts	B.Com., A.C.A.	24	Sr. Vice President & CFO-Mendocino Brewing Co., Inc. - USA
5.	Joe Noronha	50	1.08.2001	2826264	SVP - HRD	B.Com. PGPMIR (XLRI)	25	Personnel Manager, The Oberoi Bogmalo Beach, Goa
6.	D.N. Sapra	58	1.08.2001	2462318	SVP - Operations	M.Sc. (Chem), M.Sc. (Brwg. Sc.)	34	Asst. Production Manager, Jagatjit Industries Limited

#### \* NOTES :

Mr. Kalyan Ganguly was appointed as a Managing Director of the Company on August 9, 2002. Prior to the said date, Mr. Ganguly was holding the position of President – Breweries Division.

All the above employees were transferred to United Breweries Limited upon Demerger of Brewing Business of erstwhile United Breweries Limited into the Company. Remuneration shown above include Salary, Allowance, Medical, Leave Travel Expenses and monetary value of perquisites as per Income Tax Rules.

None of the employees mentioned above is a relative of any Director of the Company.

None of the above mentioned employees is holding more than 2% of the Paid-up Equity Capital of the Company.





# Provisional and Unaudited Balance Sheet as at April 30, 2005

Rs. Thousands

SOURCES OF FUNDS	Schedule	As at April 30, 2005		As at March 31, 2005	
		Rs.	Rs.	Rs.	Rs.
<b>SHAREHOLDERS' FUNDS</b>					
Share Capital	1	2,685,001		2,315,114	
Reserves and Surplus	2	2,298,134	4,983,135	206,105	2,521,219
<b>LOAN FUNDS</b>					
	3				
Secured Loans		1,647,744		1,809,936	
Unsecured Loans		74,196	1,721,940	949,791	2,759,727
Deferred Credit			43,461		43,461
Deferred Tax Liability (Net)			81,026		81,026
			6,829,562		5,405,433
<b>APPLICATION OF FUNDS</b>					
<b>FIXED ASSETS</b>					
	4				
Gross Block		1,396,529		1,357,304	
Less : Depreciation		269,081		259,370	
Net Block		1,127,448		1,097,934	
Capital Work in Progress		–	1,127,448	40,117	1,138,051
<b>INVESTMENTS</b>					
	5		1,465,139		1,465,149
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>					
Inventories	6	571,067		484,916	
Sundry Debtors	7	931,427		996,638	
Cash and Bank Balances	8	1,296,730		172,621	
Other Current Assets	9	439		439	
Loans and Advances	10	2,738,929		2,608,750	
		5,538,592		4,263,364	
Less : <b>CURRENT LIABILITIES &amp; PROVISIONS</b>					
Liabilities	11	1,260,021		1,410,604	
Provisions	12	42,088		51,057	
		1,302,109		1,461,661	
Net Current Assets			4,236,483		2,801,703
Deferred Tax Asset (Net)			–		
<b>MISCELLANEOUS EXPENDITURE</b>					
(To the extent not written off)			492		530
Profit & Loss Account			–		–
			6,829,562		5,405,433

# Report on Corporate Governance

## COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Manifested in the Company's vision United Breweries Limited has always strived for excellence in Corporate Governance. Beyond mere compliance we are committed towards taking all strategic initiatives to enhance Shareholders' wealth in the long term. In pursuit towards corporate goals, the Company accords high importance to transparency, accountability and integrity in its dealings. Our philosophy on Corporate Governance is driven towards welfare of all the Stakeholders and the Board of Directors remains committed towards this end.

The Board of Directors supports the broad principles of Corporate Governance and lays strong emphasis on its role to align and direct the actions of the Company in achieving its objectives.

## BOARD OF DIRECTORS

Your Company is managed and controlled through a professional Board of Directors. The composition of the Board of Directors meets with the requirement of Corporate Governance Code prescribed in the Listing Agreement. The Board is comprised of requisite independent Directors in terms of the Corporate Governance norms. Your Company's Board consists of eminent persons with considerable professional expertise and experience.

Pursuant to strategic alliance with Scottish & Newcastle Plc., (S&N), Scottish & Newcastle India Limited, a subsidiary of S&N has acquired equity stake in the Company on April 7, 2005, and hence the Board of Directors of the Company has been reconstituted now to comprise of 9 Directors.

Matters of policy and other relevant and significant information are regularly made available to the Board. In order to ensure better Corporate Governance and transparency, the Company has constituted Audit Committee, Investors' Grievance Committee, Remuneration / Compensation Committee and Share Transfer Committee to look into the aspects of each Committee. The Company has an Internal Audit Department commensurate with the size of the organization. There are comprehensive management reporting systems involving preparation of operating results and their review by senior management and by the Board.

During the financial year ended on March 31, 2005, 9 Board Meetings were held on April 27, 2004, June 25, 2004, July 27, 2004, October 28, 2004, November 19, 2004, December 19, 2004, January 20, 2005, January 31, 2005 and March 31, 2005.

## ATTENDANCE AT BOARD MEETINGS AND ANNUAL GENERAL MEETING (AGM)

Names of the Directors	Category	Number of Board Meetings held	Number of Board Meetings attended	Attendance at the last AGM held on 28.09.2004
Dr. Vijay Mallya	Chairman (NE)	9	7	YES
Mr. S R Gupte *	Director (NE)	9	7	YES
Mr. V K Rekhi *	Director (NE)	9	8	YES
Mr. A K Ravi Nedungadi	Director (NE)	9	9	YES
Mr. Atul Munim *	Director (NE)	9	6	NO
Mr. C L Jain	Director (NE, Ind)	9	9	YES
Dr. Neville Bain *	Director (NE)	9	2	NO
Mr. Kalyan Ganguly	Managing Director	9	9	YES
Mr. John Hunt ** (@)	Director (NE)	9	3	YES
Mr. Sunil Alagh **	Director (NE, Ind)	Nil	Nil	NO
Mr. John Dunsmore **	Director (NE)	Nil	Nil	NO
Mr. C Y Pal **	Director (NE, Ind)	Nil	Nil	NO
Mrs. Lesley Jackson **	Director (CFO)	Nil	Nil	NO

Notes : NE – Non-Executive, Ind - Independent

\* These Directors have resigned from the Board with effect from April 29, 2005 in view of reconstitution of the Board of Directors of the Company.

\*\* These Directors have been appointed as additional Directors on the Board of the Company with effect from April 29, 2005 in view of reconstitution of the Board of Directors of the Company.

(@) Mr. John Hunt was appointed as an alternate Director to Dr. Neville Bain on October 28, 2004. Mr. John's term of office expired upon resignation of Dr. Bain effective April 29, 2005. In the same meeting Mr. John Hunt was appointed as an additional Director of the Company.

## Report on Corporate Governance (Contd.)

### MEMBERSHIP IN BOARDS AND BOARD COMMITTEES – OTHER THAN UNITED BREWERIES LIMITED (UBL)

Names of the Directors	Membership in Boards other than UBL	Membership in Board Committees Other than UBL	
		Prescribed for reckoning the limits under Clause 49 of the Listing Agreement **	Other Committees not so prescribed ***
Dr. Vijay Mallya	23	NIL	1 (Chairman of 1 Committee)
Mr. S R Gupte *	18	7 (Chairman of 5 Committees)	2
Mr. Kalyan Ganguly	8	4	4
Mr. V K Rekhi *	6	NIL	1
Mr. A K Ravi Nedungadi	13	5	2
Mr. Atul Munim *	4	NIL	NIL
Mr. C L Jain	9	8 (Chairman of 3 Committees)	2 (Chairman of 1 Committee)
Dr. Neville Bain *	2	NIL	NIL
Mr. John Hunt	1	1	NIL
Mr. John Dunsmore	1	1	1
Mrs. Lesley Jackson	5	4	4
Mr. C Y Pal	3	3 (Chairman of 1 Committee)	1
Mr. Sunil Alagh	3	NIL	NIL

The above position is as on the date of this Report.

\* Resigned from the Board of United Breweries Limited with effect from April 29, 2005

\*\* Audit & Investor Grievance Committees

\*\*\* Remuneration & Share Transfer Committees

**The above details are in respect of their Directorships only in Indian Companies.**

#### NOTES :

- Out of 23 other Companies in India in which Dr. Vijay Mallya is a Director 7 are Private Limited Companies, and 2 are Section 25 Companies. Dr. Vijay Mallya is also on the Board of 30 Overseas Companies.
- Out of 18 other Companies in which Mr. S R Gupte is a Director, 2 are Private Limited Companies and 1 is a Section 25 Company. Mr. S R Gupte is also on the Board of 1 Overseas Company.
- Out of 6 other Companies in which Mr. Kalyan Ganguly is a Director, 1 is a Private Limited Company. Mr. Kalyan Ganguly is also on the Board of 2 Overseas Companies.
- Mr. V K Rekhi is also on the Board of 2 Overseas Companies.
- Out of 13 other Companies in which Mr. A K Ravi Nedungadi is a Director, 4 are Private Limited Companies and 1 is a Section 25 Company. Mr. A K Ravi Nedungadi is also on the Board of 2 Overseas Companies.
- Out of 4 other Companies in which Mr. Atul Munim is a Director, 3 are Private Limited Companies.
- Out of 9 other Companies in which Mr. C L Jain is a Director, 2 are Private Limited Companies.
- Dr. Neville Bain is also on the Board of 5 Overseas Companies.
- Out of 3 other Companies in which Mr. Sunil Alagh is a Director, 2 are Private Limited Companies.
- Mr. John Hunt is a Director in 1 Private Limited Company.
- Mr. John Dunsmore is a Director in 1 Private Limited Company.

# Report on Corporate Governance

## PARTICULARS OF NEW DIRECTORS AND DIRECTORS RETIRING BY ROTATION AND BEING RE-APPOINTED

### DIRECTORS RETIRING BY ROTATION

Mr. C L Jain and Mr. A K Ravi Nedungadi, retire at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment.

### PARTICULARS OF DIRECTORS RETIRING BY ROTATION

Brief resume	Other Directorships & Committee Memberships
<p><b>Mr. C L Jain</b></p> <p>Mr. Chhagan Lal Jain is a Chartered Accountant and a Company Secretary by profession, having more than 40 years of Corporate experience in various organizations including ICI and Hindustan Lever Ltd. He was also Finance Director of Hoechst India Ltd. and later the President of Ceat Asset Management Ltd.</p> <p>Apart from Directorships he holds in esteemed public Companies, he is also a trustee of Nayana Parekh Charitable Trust and Sangeeta Jain Charitable Trust.</p> <p>Mr. C L Jain joined the Board on January 27, 2003.</p>	<p><b>Other Boards</b></p> <p>Shasun Chemicals and Drugs Limited RPG Life Sciences Limited Herbertsons Limited Brescon Corporate Advisors Limited Practical Financial Services Pvt. Limited Vulcan Financial Consultants Pvt. Limited Asit C. Mehta Investment Intermediates Limited Millennium Beer Industries Limited Shaw Wallace &amp; Company Limited</p> <p><b>Audit Committee</b></p> <p>Shasun Chemicals and Drugs Limited (Chairman) RPG Life Sciences Limited (Chairman) Herbertsons Limited United Breweries Limited Brescon Corporate Advisors Limited Millennium Beer Industries Limited Shaw Wallace &amp; Company Limited</p> <p><b>Investors' Grievance Committee</b></p> <p>United Breweries Limited Herbertsons Limited (Chairman) Shaw Wallace &amp; Company Limited</p>
<p><b>Mr. A K Ravi Nedungadi</b></p> <p>Mr. Ravi Nedungadi is a Chartered Accountant and a Cost Accountant. Having qualified in 1978 he started his career at Macneill &amp; Magor Ltd., initially in their Head Office Accounts and subsequently as Regional Accounts Manager for the Northern region responsible for all manufacturing and sales accounting of the Group interests in North India.</p> <p>After a 6-year stint in Macneill &amp; Magor Ltd., he moved as Asst. Vice President – Finance of Pentagon Fasteners Ltd. at the behest of the India Financial Institutions. He played a key role in the turnaround of this company.</p> <p>Following successful financial rehabilitation of Pentagon, Mr. Nedungadi joined Computer Point Limited as Head of</p>	<p><b>Other Boards</b></p> <p>Aventis Pharma Limited Bayer CropScience Limited Shaw Wallace &amp; Company Limited Shaw Wallace Financial Services Limited Shaw Wallace Distilleries Limited Shaw Wallace Breweries Limited Kingfisher Airlines Limited Millennium Alcobev Private Limited Idea Streamz Consultants Pvt. Limited Triumph Distillers &amp; Vintners Pvt. Limited Pie Education Limited Millenia Vision Advertising (P) Limited Shaw Wallace Executives' Welfare &amp; Benefit Company</p> <p><b>Audit Committee</b></p> <p>Aventis Pharma Limited Millennium Alcobev Private Limited</p>

## Report on Corporate Governance (Contd.)

<p><b>Brief resume</b></p> <p>Finance and Procurement before moving on to the UB Group as the Corporate Treasurer in Bangalore. He was promoted as the Group Finance Director of UB International Ltd. in the United Kingdom overseeing operations in 27 countries. During this period, constituents of UB International were listed on major international Stock Exchanges including London and Singapore.</p> <p>Presently Mr. Nedungadi is the President &amp; CFO of the UB Group overseeing financial strategic functions for the UB Group. He has recently steered the restructuring of major businesses and played a lead role in the strategic Partnership as well as the recent Spirits Acquisition.</p> <p>Mr. Nedungadi is also a Trustee of India Foundation for the Arts.</p> <p>Mr. Nedungadi joined the Board on August 9, 2002.</p>	<p><b>Other Directorships &amp; Committee Memberships</b></p> <p>Bayer CropScience Limited Shaw Wallace Financial Services Limited</p> <p><b>Investors' Grievance Committee</b></p> <p>Aventis Pharma Limited</p>
<p><b>PARTICULARS OF NEW DIRECTORS</b></p>	
<p><b>Mr. John Hunt</b></p> <p>Mr. John Hunt is an M.A. (Hons.) in Mech. Engineering and a Post-Graduate in Production Engineering from Cambridge University. He is also an ACA and has completed Executive Development Programs at S&amp;N's Sr. Exec. Program, IMD-Lausanne and Harvard Business School. He commenced his Professional career with KPMG as Audit Senior (1985-1989), then moved on to the Foster's Brewing Group in London where he was elevated from the role of Operational Audit Manager (1989-1991) to the level of Commercial Director (1993-1996) of Holsten UK, a Foster's JV in the UK. He then moved on as Finance &amp; Airtime Sales Director (1996-1998) of a BBC/Pearson JV running BBC's World &amp; Prime satellite TV channels in Europe. He then joined S&amp;N in April 1998 as Corporate Development Manager where he was part of a small team that acquired the No.1 French and the No. 2 Portuguese brewers and a £ 1 billion Pub Company. Mr. John Hunt held few other positions in the S&amp;N group and is currently the Managing Director for Asia (since May 2004) – responsible for all S&amp;N operations in Asia including listed brewing JV's in India &amp; China. Total turnover of JV businesses is around \$ 500 mn. He brings with him a very wide and international experience in the industry.</p> <p>Mr. John Hunt was appointed as additional Director on April 29, 2005.</p>	<p><b>Other Boards</b></p> <p>Millennium Alcobev Private Limited</p> <p><b>Audit Committee</b></p> <p>Millennium Alcobev Private Limited</p>

GROUP

Brief resume	Other Directorships & Committee Memberships
<p><b>Mr. John Dunsmore</b></p> <p>Mr. John Dunsmore started his career as a Graduate Trainee at Scottish &amp; Newcastle Plc. (S&amp;N) after completing his education at Magdalen College School Oxford and Manchester University, (English BA Hons., 2i). He then (1982) moved on to Grand Met as a Tenanted Sales Manager. Subsequent to this assignment he was with Rowe &amp; Pitman as Drinks Analyst, then with Wood Mackenzie as International Brewing, Distilling &amp; Leisure Analyst. He then joined Marston's as Brewing &amp; Brands Director. Thereafter, he was with Natwest Securities as Head of UK Equities.</p> <p>In 1996, he rejoined to S&amp;N as the Director of Corporate Development and moved as the Head of S&amp;N's on trade business in the UK from 1997-2002. In 2002, he took over the role of Managing Director of S&amp;N UK. He is currently the Chairman &amp; Managing Director of S&amp;N's business in the UK.</p> <p>Mr. John Dunsmore brings with him a very rich experience in the Beer industry.</p> <p>Mr. John Dunsmore was appointed as additional Director on April 29, 2005.</p>	<p><b>Other Boards</b></p> <p>Millennium Alcobev Private Limited</p> <p><b>Audit Committee</b></p> <p>Millennium Alcobev Private Limited</p>
<p><b>Mrs. Lesley Jackson</b></p> <p>Mrs. Lesley Jackson is an FCA, Master of Business Administration, ACA and B.A. (Hons.) Accounting &amp; Finance. She started her career with KPMG Peat Marwick in 1985, then moved on to Cadbury Schweppes PLC. Following a period in Internal Audit she then moved on as a Financial Analyst at Sears PLC. In 1991 she became Finance Manager for Dairy Crest Dairies. After 3 years she joined Albright &amp; Wilson PLC and held various positions in both Finance and non Finance. She was based in mainland Europe for a period of time and following the IPO of the company returned to the UK to hold the position of European Finance Manager. In 1997 she joined HP Bulmer PLC as UK Finance Director. She accepted the additional role of E-Commerce Director in 1999, resulting in the successful launch of the first on trade portal and its resulting merger with Barbox in 2001. Her last 12 months with the company were spent as Business Development Director prior to moving to Scottish Courage Ltd. in 2003, the UK Subsidiary of Scottish &amp; Newcastle Plc, firstly as On-trade Finance Director and then held the position of Distribution Finance Director and more recently Business Systems Director of S&amp;N's UK business. She has now taken up the assignment as Chief Financial Officer at UBL.</p> <p>Mrs. Lesley Jackson brings with her the experience of a commercial finance professional, possessing broad business skills, and experience in overseas operations.</p> <p>Mrs. Lesley Jackson was appointed as additional Director on April 29, 2005.</p>	<p><b>Other Boards</b></p> <p>Scottish &amp; Newcastle (India) Private Limited Associated Breweries &amp; Distilleries Limited Mangalore Breweries &amp; Distilleries Limited Empee Breweries Limited GMR Beverages &amp; Industries Limited</p> <p><b>Audit Committee</b></p> <p>Associated Breweries &amp; Distilleries Limited Mangalore Breweries &amp; Distilleries Limited Empee Breweries Limited GMR Beverages &amp; Industries Limited</p>

## Report on Corporate Governance (Contd.)

Brief resume	Other Directorships & Committee Memberships
<p><b>Mr. C Y Pal</b></p> <p>Mr. Pal completed his Graduation in Engineering with First Class (Distinction) in 1958. He then started his career at TELCO and was trained in Industrial Engg. He then moved to Hindustan Lever Limited where he held various positions starting as an Industrial Engineer (1960-1962) and moving up quickly in the Management Hierarchy in a variety of roles and was the Head of Corporate Materials Management (1975-1977). He then joined Cadbury India Limited and held various positions as Technical Director (1977-1982), Managing Director (1983-1987), Chairman &amp; Managing Director (1987-1994), Executive Chairman (1994-1997); he continues to be the Chairman (Non-Executive) at Cadbury India Limited.</p> <p>Mr. Pal also holds two Non-Executive Directorships at Shriram Pistons &amp; Rings, New Delhi and Aptech Ltd. He is also the Chairman (in an Executive role) at Renfro India Pvt. Ltd. (an INDO-US JV).</p> <p>Mr. Pal brings with him great expertise and understanding of the Indian business environment.</p> <p>Mr. Pal was appointed as additional Director on April 29, 2005.</p>	<p><b>Other Boards</b></p> <p>Cadbury India Limited Aptech Limited Shriram Pistons &amp; Rings Limited</p> <p><b>Audit Committee</b></p> <p>Cadbury India Limited (Chairman) United Breweries Limited (Chairman) Aptech Limited</p> <p><b>Investors' Grievance Committee</b></p> <p>Cadbury India Limited United Breweries Limited</p>
<p><b>Mr. Sunil Alagh</b></p> <p>Mr. Sunil Kumar Alagh is a Graduate in Economics (Hons.) with MBA from IIM Kolkata. He has worked with ITC Limited, Jagatjit Industries Limited and Britannia Industries Ltd. He was Managing Director and CEO of Britannia Industries Ltd. from 1989 to 2003. During this tenure, Britannia figured in the Forbes Magazine list of 300 Best Small Companies in the world for 3 years. It also became the Number 1 Food Brand in India. He was honoured with the 'Gold Medal Kashlkar Memorial Award 2000' for outstanding contribution to the food processing industry in India. This award has been instituted by the All India Food Processors' Association (AIFPA).</p> <p>He is the President of the All India Management Association and is on the Board of Governors of I.I.M., Bangalore.</p> <p>Mr. Alagh was appointed as additional Director on April 29, 2005.</p>	<p><b>Other Boards</b></p> <p>GATI Limited Tamara Capital Advisors Pvt. Limited SKA Advisors Pvt. Limited</p> <p><b>Audit Committee</b></p> <p>United Breweries Limited</p> <p><b>Investors' Grievance Committee</b></p> <p>United Breweries Limited</p>

NOTE : Committee Memberships of Directors mentioned above includes only those Committees prescribed for reckoning of limits under Clause 49 of the Listing Agreement.

# Report on Corporate Governance

## COMMITTEES OF DIRECTORS

The Board has constituted Committees of Directors to deal with matters which need quick decisions and timely monitoring of the activities falling within their terms of reference. In view of reconstitution of the Board of Directors of the Company, the memberships in various committees have also been reconstituted. The Board Committees are as follows :

### AUDIT COMMITTEE

Prior to reconstitution, the Audit Committee comprised of Mr. C L Jain, Mr. A K Ravi Nedungadi and Mr. Atul Munim as Members of the Committee. The Chairmanship of the Committee was vested with Mr. C L Jain. The reconstituted Audit Committee comprises of Mr. C Y Pal, Mr. Sunil Alagh, and Mr. C L Jain as members. The Chairmanship of the Committee now vests with Mr. C Y Pal.

The Committee oversees the financial reporting process, disclosure requirements and matters relating to Internal Control System. The Committee also reviews periodically the financial accounts, adequacy of internal audit function, compliance with accounting standards and other areas within its terms of reference as under :

- i) Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- ii) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of Audit fee;
- iii) Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- iv) Reviewing, with the Management, the annual financial statements before submission to the Board for approval, with particular reference to :
  - > Matters required to be included in the Directors Responsibility Statement to be included in the Board's report in terms of Clause 2AA of Section 217 of the Companies Act, 1956;
  - > Changes, if any, in accounting policies and practices and reasons for the same;
  - > Major accounting entries involving estimates based on the exercise of judgment by the Management;
  - > Significant adjustments made in the financial statements arising out of Audit findings;
  - > Compliance with listing and other legal requirements relating to financial statements;
  - > Disclosure of any related party transactions;
  - > Qualifications in the draft audit report;
- v) Reviewing with the Management the quarterly financial statements before submission to the Board for approval;
- vi) Reviewing with the Management, performance of statutory and internal auditors, adequacy of internal control systems;
- vii) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;
- viii) Discussing with Internal Auditors any significant findings and follow up there on;
- ix) Reviewing the findings of any internal investigations by the Internal Auditors in to matters where there is suspected fraud or irregularity or failure of Internal Control Systems of a material nature and reporting the matter to the Board;
- x) Discussing with Statutory Auditors before the Audit commences, about the nature and scope of Audit as well as post-audit discussion to ascertain any area of concern;
- xi) To look into the reasons for substantial defaults in the payment to Depositors, Shareholders (in case of non-payment of declared Dividends), Debentureholders and Creditors;



## Report on Corporate Governance (Contd.)

- xii) To review the function of the Whistle Blower mechanism, in case the same is existing, and  
 xiii) Carrying out any other function as may be mentioned in the terms of reference of the Audit Committee from time to time.

The Audit Committee shall mandatorily review the following information :

1. Management discussion and analysis of financial conditions and results of operations;
2. Statement of significant related party transactions submitted by the management;
3. Management letters/letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief Internal auditor.

During the year ended March 31, 2005, 4 Audit Committee Meetings were held on June 24, 2004, July 27, 2004, October 27, 2004 and January 28, 2005.

### ATTENDANCE AT AUDIT COMMITTEE MEETINGS

Names of the Directors	Category	Number of Audit Committee Meetings held	Number of Audit Committee Meetings attended
Mr. C L Jain	Chairman	4	4
Mr. A K Ravi Nedungadi	Member	4	4
Mr. Atul Munim	Member	4	2

The Company Secretary was present in all the meetings of Audit Committee.

### SHARE TRANSFER COMMITTEE

Prior to reconstitution, the Share Transfer Committee comprised of Mr. S R Gupte, Mr. Kalyan Ganguly, Mr. V K Rekhi, Mr. A K Ravi Nedungadi and Mr. Atul Munim as Members. The Chairmanship of the Committee was vested with Mr. S R Gupte. In view of the reconstitution of the Committees, the Share Transfer Committee now comprises of Mr. A K Ravi Nedungadi, Mr. Kalyan Ganguly and Mrs. Lesley Jackson as Members. Mr. A K Ravi Nedungadi is the Chairman of the Committee.

The Terms of reference is as under :

- To monitor Transfer, Transmission and Transposition of the Shares of the Company;
- Issue of Duplicate Share Certificates, in lieu of Certificates lost or misplaced;
- Issue of New Share Certificates in lieu of Certificates torn, mutilated, cages for transfer filled up etc.
- Consolidation and sub-division of Share Certificates;
- To oversee compliance of the norms laid down under the Depositories Act, 1996;
- To appoint/remove Registrars and Transfer Agents;
- To oversee compliance of the norms laid down under the Tripartite Agreement with National Securities Depository Limited/Central Depository Services (India) Limited;
- Perform all such acts and deeds, matters and things as it may in its absolute discretion deem necessary, expedient, desirable, usual or proper and to settle any question, dispute, difficulty or doubt that may arise in regard to the matters arising out of the aforesaid acts.

## Report on Corporate Governance (Contd.)

In order to facilitate prompt and efficient service to the Shareholders all the transactions in connection with Transfer, Transmission, issue of Duplicate Certificates, etc., have been entrusted to Alpha Systems Private Limited, Registrars and Transfer Agents and the same are being processed and approved on fortnightly basis.

During the year ended March 31, 2005 the Committee met 3 times on April 15, 2004, April 27, 2004 and October 28, 2004 for approving the transactions falling within the Terms of reference mentioned above.

The Board of Directors have, by a resolution by circulation passed on May 5, 2004, delegated the power to approve transfers/transmission etc., upto 5000 shares to the Managing Director and the Company Secretary, who can act severally in the above matter.

### INVESTOR'S GRIEVANCE COMMITTEE

The Investors'/Shareholders' Grievance Committee earlier comprised of Mr. Atul Munim, Mr. V K Rekhi and Mr. S R Gupte as Members with Mr. Atul Munim as Chairman of the Committee. In view of reconstitution of the Board of Directors, Investor Grievance Committee has been reconstituted which comprises of Mr. C Y Pal, Mr. Sunil Alagh and Mr. C L Jain as Members. Mr. C Y Pal is the Chairman of the Committee.

The Terms of Reference for the Committee include **inter alia** specifically to look into the redressing of Shareholders' and Investors' complaints like non-receipt of Balance Sheet, non-receipt of declared Dividends, non-receipt of share certificates upon transfer of Shares, Demat Credit etc. The Committee is empowered to operate in terms of the provisions of the Listing Agreement and/or the provisions as prescribed under the Companies Act, 1956 and other related Regulations.

The Compliance Officer is Mr. Govind Iyengar, Company Secretary.

Number of Shareholders' complaints received from 1-4-2004 to 31-3-2005 (These Complaints pertained mainly to non-receipt of Share Certificates upon transfer, non-receipt of Balance Sheets, Demat credit, complaints pertaining to open offer by SNIL etc.)	424
Number of complaints not solved to the satisfaction of the Shareholders	NIL
Number of pending Share transfers :	3 transfer requests for 204 Shares were pending for confirmation of sale from Transferor. These shares were subsequently transferred in April 2005.

During the year ended March 31, 2005 Investors' Grievance Committee Meetings were held on April 27, 2004 and October 28, 2004, in which all the Members of the Committee were present. Mr. V K Rekhi could not attend the Meeting held on October 28, 2004.

### REMUNERATION/COMPENSATION COMMITTEE

The Remuneration/Compensation Committee earlier comprised of Mr. C L Jain, Mr. S R Gupte and Mr. V K Rekhi as Members. In view of reconstitution of the Board of Directors, the Remuneration Committee has also been reconstituted which now comprises of Mr. C Y Pal, Mr. Sunil Alagh and Mr. C L Jain as Members. Mr. Sunil Alagh is the Chairman of the Committee.

The Committee is authorized **inter alia** :

- to deal with matters related to compensation by way of salary, perquisites, benefits, etc., to the Managing Director/ Executive/Wholtime Directors of the Company and set guidelines for the salary, performance, pay and perquisites to other Senior Employees, and
- to formulate and implement Employee Stock Option Scheme to employees.

## Report on Corporate Governance (Contd.)

During the year ended March 31, 2005 no Meeting of the Remuneration Committee was held as there was no business to be transacted.

### REMUNERATION POLICY

The Company carries out periodic reviews of comparable Companies and through commissioned survey ascertains the remuneration levels prevailing in these Companies. The Company's Remuneration Policy is designed to ensure that the remuneration applicable to Managers in the Company is comparable with multinational Companies operating in the Brewing or similar industry in India.

For the financial year ended March 31, 2005, Mr. Kalyan Ganguly, Managing Director was paid remuneration as under :

Salary	Perquisites	Retiral Benefits
Rs.89,42,856/-	Rs.18,55,560/-	Rs.18,62,838/-

Mr. Ganguly was appointed as a Managing Director effective August 9, 2002 for a period of five year. The terms of appointment has been approved by the Members of the Company at its meeting held on September 30, 2002 and the appointment and remuneration payable to him has been approved by the Central Government also.

### SITTING FEES PAID TO DIRECTORS

Sl. No.	Name of Director	Sitting Fees paid
1.	Mr. S R Gupte	Rs.90,000/-
2.	Mr. V K Rekhi	Rs.85,000/-
3.	Mr. A K Ravi Nedungadi	Rs.1,40,000/-
4.	Mr. Atul Munim	Rs.1,00,000/-
5.	Mr. C L Jain	Rs.1,25,000/-
6.	Dr. Neville Bain	Rs.14,000/- *
7.	Mr. John Hunt	Rs.20,820/- *

\* (net of TDS).

Sitting fees are being paid at the rate of Rs.10,000/- for attending each Board and Audit Committee Meeting and Rs.5,000/- for attending other Committee Meetings.

### GENERAL BODY MEETINGS

The previous three Annual General Meetings of the Company were held on the dates, time and venue as given below :

DATE	TIME	VENUE
September 28, 2004	11.00 A.M.	Dr. B.R. Ambedkar Bhavana, Miller's Road, Vasanthanagar, Bangalore – 560 052
September 26, 2003	2.30 P.M.	Dr. B.R. Ambedkar Bhavana, Miller's Road, Vasanthanagar, Bangalore – 560 052
September 30, 2002	11.00 A.M.	Dr. B.R. Ambedkar Bhavana, Miller's Road, Vasanthanagar, Bangalore – 560 052

## Report on Corporate Governance (Contd.)

All the Resolutions set out in respective Notices including Special Resolutions were passed by the Members at the above Annual General Meetings. The Company has not transacted any business through Postal Ballot during the year. The Company shall comply with the provisions of Postal Ballot Rules whenever applicable.

### DISCLOSURES

During the financial year ended March 31, 2005, there were no materially significant related party transactions with the Company's Directors or their relatives. Details of related party transaction form part of Notes on Accounts.

The Company has complied with all the Statutory requirements comprised in the Listing Agreements/Regulations/Guidelines/ Rules of the Stock Exchanges/SEBI/other Statutory Authorities.

The Company did not suffer from any levies and there were no strictures on any Capital market related matters since incorporation.

### MEANS OF COMMUNICATION

The Company has its own Website and all vital information relating to the Company and its performance involving quarterly results, official Press release and presentation to analysts shall be posted on the Company's Website [www.kingfisherworld.com](http://www.kingfisherworld.com). Apart from furnishing copies of Results to all the Stock Exchanges, the Quarterly, Half-yearly and Annual Results of the Company's performance are being published in The Asian Age and in Kannada Prabha Newspapers. As prescribed by SEBI, requisite information is also regularly being posted on the EDIFAR website maintained by National Informatics Centre (NIC).

**Management Discussion and Analysis forms part of the Directors' Report.**

### GENERAL SHAREHOLDER INFORMATION

The Company's financial year begins on April 1 and ends on March 31 of immediately subsequent year.

Division of Financial Calendar		Declaration of Unaudited Results	
1st Quarter	April 1 to June 30	1st Quarter	By July, 30
2nd Quarter	July 1 to September 30	2nd Quarter	By October, 31
3rd Quarter	October 1 to December 31	3rd Quarter	By January, 30
4th Quarter	January 1 to March 31	4th Quarter	By April, 30

### ANNUAL GENERAL MEETING INFORMATION

Board Meeting for Consideration of Accounts	June 24, 2005
Posting of Annual Report	August 25, 2005
Book Closure dates	September 16, 2005 to September 19, 2005 (both days inclusive)
Last date for receiving proxy	September 17, 2005
Date of AGM	September 19, 2005

## Report on Corporate Governance (Contd.)

### ANNUAL GENERAL MEETING ON

September 19, 2005

#### VENUE

Dr. B.R. Ambedkar Bhavana,  
Miller's Road,  
Vasanthanagar,  
Bangalore - 560 052

#### TIME

11.30 A.M.

**DATE OF BOOK CLOSURE** : Friday, September 16, 2005 to Monday, September 19, 2005 (both days inclusive)

### LISTINGS AT

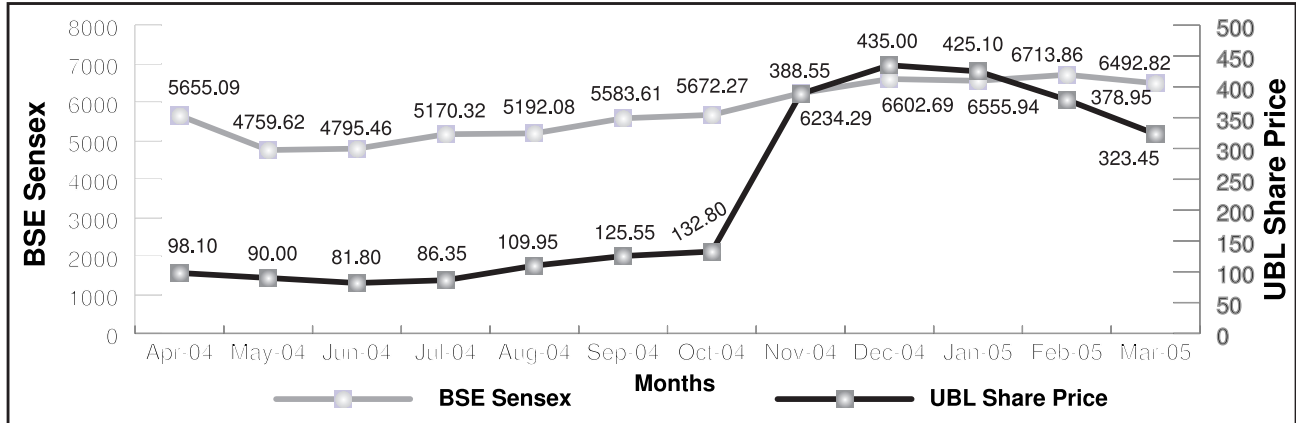
STOCK EXCHANGE	SCRIP CODE
BANGALORE STOCK EXCHANGE LIMITED	UNITEDBRED
COCHIN STOCK EXCHANGE LIMITED	UBW
CALCUTTA STOCK EXCHANGE ASSN. LIMITED	31195
MADRAS STOCK EXCHANGE LIMITED	UNITEDBREW
THE LUDHIANA STOCK EXCHANGE ASSN. LIMITED	-
THE STOCK EXCHANGE – AHMEDABAD	62379
THE STOCK EXCHANGE – MUMBAI	532478
HYDERABAD STOCK EXCHANGE LIMITED	6498
THE DELHI STOCK EXCHANGE ASSN. LIMITED	121113

Market price data of the Company's Equity Shares traded on The Stock Exchange, Mumbai (BSE) during the period April 2004 to March 2005 :

Month	High	Low	Close	BSE SENSEX-CLOSE
April 2004	105.00	95.00	98.10	5655.09
May 2004	105.00	90.00	90.00	4759.62
June 2004	99.00	80.10	81.80	4795.46
July 2004	91.90	80.10	86.35	5170.32
August 2004	114.45	83.10	109.95	5192.08
September 2004	135.00	106.20	125.55	5583.61
October 2004	162.00	100.00	132.80	5672.27
November 2004	388.55	135.00	388.55	6234.29
December 2004	527.00	376.10	435.00	6602.69
January 2005	448.00	403.00	425.10	6555.94
February 2005	449.00	375.00	378.95	6713.86
March 2005	443.00	308.25	323.45	6492.82

## Report on Corporate Governance (Contd.)

### UBL SHARE PRICE MOVEMENT (BSE)



No trading of the Company's Shares had taken place on the Ahmedabad, Bangalore, Chennai, Cochin, Delhi, Hyderabad and Ludhiana Stock Exchanges during the aforesaid period. The Company's Shares were thinly traded on the Calcutta Stock Exchange during the above period.

Graphical representation of the Company's Shares in comparison to broad-based indices i.e., BSE Sensex, is given below :

All matters pertaining to Share Transfer are being handled by Alpha Systems Private Limited, the Registrars and Share Transfer Agents of the Company. The Share Transfer requests received are processed by them and a Memorandum of Transfer is sent to the Company for approval by the Committee. The average time taken for processing Share Transfer requests including despatch of Share Certificates is 15 days, while it takes a minimum of 10-12 days for processing dematerialization requests. The Company regularly monitors and supervises the functioning of the system so as to ensure that there are no delays or lapses in the system.

The Company was offering the facility of transfer-cum-demat as per SEBI Guidelines. However, SEBI has vide its Circular No. SEBI/MRD/Cir-10/2004 dated February 10, 2004, withdrawn transfer-cum-demat scheme. In line with the above, on receipt of transfer requests the Company has discontinued issuing of option letters to the shareholders.

The distribution of shareholding as on March 31, 2005 is furnished below :

Category (Rupees)	No. of Shareholders	% (Percentage)	No. of Shares held	% (Percentage)
Up to 5000	36,652	98.89	14,54,544	8.16
5001 – 10000	170	0.46	1,24,227	0.70
10001 – 20000	112	0.30	1,65,483	0.93
20001 – 30000	37	0.10	93,495	0.52
30001 – 40000	13	0.04	46,805	0.26
40001 – 50000	12	0.03	55,211	0.31
50001 – 100000	23	0.06	1,70,733	0.96
100001 and Above	44	0.12	1,57,10,105	88.16
<b>TOTAL</b>	<b>37,063</b>	<b>100.00</b>	<b>1,78,20,603</b>	<b>100.00</b>

## Report on Corporate Governance (Contd.)

21369077 Redeemable Optionally Convertible Preference Shares of Rs.100/- each allotted on Rights basis in November, 2004 were redeemed on April 30, 2005 upon subscription of 3779522 Equity Shares and 24690000 Cumulative Redeemable Preference Shares (CRPS) of Rs.100/- each by Scottish & Newcastle India Limited (SNIL). Upon such preferential Allotment to SNIL, the paid-up Equity Share Capital of the Company now comprises of 21600125 Equity Shares and 24690000 CRPS.

### DEMATERIALIZATION OF SHARES

The Company has set up requisite facilities for dematerialization of its Equity Shares in accordance with the provisions of the Depositories Act, 1996 with National Securities Depository Limited and Central Depository Services (India) Limited. The Company has entered into agreements with both the Depositories for the benefit of Shareholders. The status of Dematerialization of the Company's Shares as on March 31, 2005 is as under :

	Shares	% age	No. of Shareholders
Physical mode	5389716	30.24	23886
Electronic mode	12430887	69.76	13177
<b>TOTAL</b>	<b>17820603</b>	<b>100.00</b>	<b>37063</b>

For any assistance regarding Share Transfers, Transmissions, change of address, issue of duplicate/lost Share Certificates/ exchange of Share Certificate/Dematerialization and other relevant matters, please write to the Registrar and Share Transfer Agent of the Company, at the address given below :

ALPHA SYSTEMS PRIVATE LIMITED  
30, RAMANA RESIDENCY, 4TH CROSS, SAMPIGE ROAD,  
MALLESWARAM, BANGALORE – 560 003.  
Tel. No. : (080) 2346 0815 to 2346 0818  
Fax No. : (080) 2346 0819  
e.mail : [alfint@vsnl.com](mailto:alfint@vsnl.com).  
Contact Persons : **MR. SRIDHAR, MR. G. SUBRAMANI or MR. RAJARAMAN**

The Company has constituted a Compensation Committee. The Company's half yearly results are published in English and Kannada Newspapers. Hence the same are not sent to Shareholders. The Company has not transacted any business through Postal Ballot. The Company shall comply with the provisions of Law in this regard whenever required.

## Report on Corporate Governance (Contd.)

### MANUFACTURING NETWORK

ANDHRA PRADESH – HYDERABAD	MAHARASHTRA – TALOJA
GOA – PONDA	PUNJAB – LUDHIANA
KERALA – CHERTALA & PALAKKAD	WEST BENGAL – KALYANI

*In addition, the Company also has Manufacturing facilities through Subsidiary/Associate Companies/Contract Breweries at Bangalore, Mangalore, Daman, Secunderabad, Srikakulam, Navi Mumbai, Faridabad, Lucknow, Aurangabad, Madhopur, Daruhera, Morena, Raisen, Kuthambakkam and Kanjikode.*

#### REGISTERED OFFICE :

“UB ANCHORAGE”, NO.100/1, RICHMOND ROAD,

BANGALORE - 560 025

Phone : (91-80) 22272806 to 22272808

Fax No. (91-80) 22127212 - 22229488

Cable : UBEEGEE

## Auditors' Certificate on Corporate Governance

### To the Members of United Breweries Limited

We have examined the compliance of conditions of Corporate Governance by **United Breweries Limited**, for the year ended March 31, 2005, as stipulated in clause 49 of the Listing Agreement of the said company with the Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investor grievances received during the year March 31, 2005, no investor grievances are pending for a period exceeding one month against the Company, as per records maintained by the Company which are presented to the Shareholders/Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**J. Majumdar**

Partner

Membership Number – F51912

For and on behalf of

**Price Waterhouse**

Chartered Accountants

Bangalore, July 29, 2005



## AUDITORS' REPORT TO THE MEMBERS OF UNITED BREWERIES LIMITED

1. We have audited the attached Balance Sheet of United Breweries Limited as at March 31, 2005, the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together 'the Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the 'Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. *Further to our comments in para 3 above*  
*Attention is drawn to Note 3(b) in Schedule 19 regarding non-provision for the loss, if any (being currently not ascertainable), arising on account of*
  - *Diminution in the value of investments in subsidiary Companies [having aggregate carrying value of Rs.875,437 thousands (2004 : Rs.635,387 thousands)]and in Joint Venture [having aggregate carrying value of Rs.589,529 thousands (2004 : Rs.456,277)]*
  - *Advances to and Corporate guarantees on behalf of such subsidiaries [aggregating to Rs.1,015,488 thousands (2004 : Rs. 858,086)] that may not be ultimately recoverable or may be enforced.*
5. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (v) On the basis of written representations received from the directors of the Company, as on March 31, 2005 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act *and subject to our remarks in paragraph 4 above*, give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2005;
    - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
    - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

**J. Majumdar**  
Partner

Membership Number – F51912  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants

Mumbai, June 24, 2005

[Referred to in Paragraph 3 of the Auditor's Report of even date to the members of United Breweries Limited on the financial statements for the year ended March 31, 2005]

- i.
  - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - b) The fixed assets of the Company are physically verified by the management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to such programme, a portion of the fixed assets has been physically verified by the management during the year and this revealed no material discrepancies.
  - c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
- ii.
  - a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
  - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c) On the basis of our examination of records of inventory, in our opinion, the Company has maintained proper records of inventory and the discrepancies noticed on physical verification between the physical stocks and the book records were not material.
- iii.
  - a) The Company has granted a secured loan to a Company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loan amounts to Rs.1,599,865 (2004 : Rs.1,600,000) thousands. The Company has not taken loans, secured or unsecured, from companies covered in the register maintained under Section 301 of the Act.
  - b) In our opinion, the rate of interest and other terms and conditions of such loan granted are not prima facie prejudicial to the interest of the Company.
  - c) In respect of the aforesaid loan, the party is regular in payment of interest. There was no stipulation for repayment of principal amount during the year.
  - d) There is no overdue amount in respect of above loan.
- iv. In our opinion and according to the information and explanations given to us, having regard to the explanations that certain items purchased are of a special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system, commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v.
  - a) In our opinion and based on the examination of the records of the Company, the particulars of the contracts / arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
  - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
- viii. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) Section 209 of the Act for any of the products of the Company.
- ix.
  - a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities and no undisputed amounts payable were outstanding as at March 31, 2005 for a period of more than six months from the date they became payable.
  - b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess as at March 31, 2005 which have not been deposited on account of a dispute are as follows :

## Annexure to Auditors' Report (Contd.)

Name of the statute	Rs.	Forum where dispute is pending	Year to which amount relates
Customs Act, 1962	2,233,000	High Court of Bombay	1991-92
State Excise Acts	2,955,367	High Court of Calcutta	1999-00
	2,886,206	High Court of Andhra Pradesh	1981-82
	149,560	Commissioner Excise	2004-05
Central Excise Act	159,158	Commissioner Excise	2002-03
State Sales Tax Acts	1,717,438	High Courts	Various years
	668,215	Sales Tax Appellate Tribunal, Hyderabad	2002-03, 2004-05, 1988-89, 1999-00
	2,683,803	Sales Tax Appellate Tribunal, Chertala	1996-97, 1997-98, 2001-02
	38,064	Sales Tax Appellate Tribunal, Palghat	1997-98
	212,395	Revisional Authority	2000-01, 2001-02, 2002-03
	496,774	Commissioner Sales Tax	2001-02
	4,027,358	Deputy Commissioner of Sales Tax,	1996-97, 1997-98
	18,227,338		

- x. The Company has no accumulated losses as at March 31, 2005 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- xii. In our opinion, the Company has maintained adequate documents and records in the cases where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.
- xiv. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- xv. Read with paragraph 4 of the Auditor's Report dated June 24, 2005, in our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company, for loans taken by others from banks or financial institutions during the year are not prejudicial to the interest of the Company.
- xvi. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- xvii. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on short-term basis which have been used for long-term investment.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- xix. The Company has not issued debentures during the year.
- xx. The management has disclosed the end use of money raised by public issues (refer Note 22 on Schedule 19) and the same has been verified by us.
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

**J. Majumdar**

Partner

Membership Number – F51912

For and on behalf of

**Price Waterhouse**

Chartered Accountants

Mumbai, June 24, 2005

## Balance Sheet as at March 31, 2005

Rs. Thousands

SOURCES OF FUNDS	Schedule	2005		2004	
		Rs.	Rs.	Rs.	Rs.
<b>SHAREHOLDERS' FUNDS</b>					
Share Capital	1	2,315,114		178,206	
Reserves and Surplus	2	206,099	2,521,213	239,704	417,910
<b>LOAN FUNDS</b>					
Secured Loans	3	1,809,936		3,191,325	
Unsecured Loans		949,791	2,759,727	776,534	3,967,859
Deferred Credit [Refer Schedule 19 - Note 1(e)]			43,468		40,000
Deferred Tax Liability (Net) [Refer Schedule 19 Note 12]			81,026		—
			<b>5,405,434</b>		<b>4,425,769</b>
<b>APPLICATION OF FUNDS</b>					
<b>FIXED ASSETS</b>					
Gross Block	4	1,357,305		1,083,631	
Less : Depreciation		259,371		156,041	
Net Block		1,097,934		927,590	
Capital Work in Progress		40,117	1,138,051	182,520	1,110,110
<b>INVESTMENTS</b>					
Deferred Tax Asset (Net) [Refer Schedule 19 - Note 12]	5		1,465,150		1,091,868
			—		10,930
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>					
Inventories	6	484,916		391,743	
Sundry Debtors	7	996,637		741,695	
Cash and Bank Balances	8	172,622		156,141	
Other Current Assets	9	439		312	
Loans and Advances	10	2,608,751		2,546,103	
		4,263,365		3,835,994	
Less : <b>CURRENT LIABILITIES &amp; PROVISIONS</b>					
Liabilities	11	1,410,604		1,628,761	
Provisions	12	51,057		47,138	
		1,461,661		1,675,899	
Net Current Assets			<b>2,801,704</b>		2,160,095
<b>MISCELLANEOUS EXPENDITURE</b>					
(To the extent not written off)					
Deferred Revenue Expenditure [Refer Schedule 19 - Note 7]			529		984
Profit & Loss Account			—		51,782
			<b>5,405,434</b>		<b>4,425,769</b>
<b>Significant Accounting Policies</b>	18				
<b>Notes on Accounts</b>	19				

The Schedules referred to above and the notes thereon form an integral part of the Accounts. This is the Balance Sheet referred to in our report of even date.

**J. Majumdar**  
Partner  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants  
Mumbai, June 24, 2005

**Kalyan Ganguly**  
Managing Director

**A.K. Ravi Nedungadi**  
Director

**Govind Iyengar**  
Company Secretary

# Profit and Loss Account for the year ended March 31, 2005

Rs. Thousands

Schedule	2005		2004	
	Rs.	Rs.	Rs.	Rs.
<b>INCOME</b>				
Sales and Service	13	6,318,787	5,584,059	
Less : Excise Duty		1,164,946	1,047,262	
		<u>5,153,841</u>	<u>4,536,797</u>	
Other Income	14	246,607	129,135	4,665,932
<b>EXPENDITURE</b>				
Cost of Sales	15	3,579,179	3,301,187	
Other Expenses	16	1,254,784	898,782	
Interest	17	208,230	324,509	
Deferred Revenue Expenses [Refer Schedule 19 - Note 7]		455	455	
Depreciation		105,666	66,856	4,591,789
Profit before non recurring item		<u>252,134</u>		74,143
Non recurring item		–		(32,180)
Profit before Taxation		<u>252,134</u>		41,963
Provision for Taxation				
– Current		(19,771)	(3,226)	
– Deferred Tax (Liability)/Asset [Refer Schedule 19 - Note 12]		(91,956)	(10,977)	(14,203)
Profit after Taxation		<u>140,407</u>		27,760
Less :				
Dividend on Preference Shares @ 5%		(38,933)		
Tax on distributed profits		(5,088)		
		<u>96,386</u>		27,760
Loss brought forward from previous year		(51,782)		(79,542)
Balance carried to Balance Sheet		<u>44,604</u>		(51,782)
Earnings per share (Basic/Diluted)		5.41		1.56
<b>Significant Accounting Policies</b>	18			
<b>Notes on Accounts</b>	19			

The Schedules referred to above and the notes thereon form an integral part of the Accounts. This is the Profit and Loss Account referred to in our report of even date.

**J. Majumdar**  
Partner  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants  
Mumbai, June 24, 2005

**Kalyan Ganguly**  
Managing Director

**A.K. Ravi Nedungadi**  
Director

**Govind Iyengar**  
Company Secretary

## Cash Flow Statement for the year ended March 31, 2005

[Refer Schedule 19 – Note 23]

Rs. Thousands

	2005		2004	
	Rs.	Rs.	Rs.	Rs.
<b>A. Cash Flow from Operating Activities</b>				
Profit before taxation and non-recurring items		252,134		74,143
Adjustments for:				
Depreciation	105,666		66,856	
(Profit)/Loss on Sale of Assets	(1,700)		274	
(Profit)/Loss on Sale of Investments	–		(115)	
Interest Expenses (Net)	208,230		324,509	
Deferred Revenue	455	312,651	455	391,979
<b>Operating profits before Working Capital Changes</b>		<b>564,785</b>		<b>466,122</b>
<b>Adjustment for working capital changes :</b>				
(Increase)/Decrease in Trade and Other Receivables	(254,941)		4,573	
(Increase)/Decrease in Inventories	(93,173)		(71,396)	
Increase/(Decrease) in Trade Payables	(92,371)		(163,337)	
(Increase)/Decrease in other Current Assets	(127)	(440,612)	130,212	(99,948)
<b>Cash generated from operations</b>		<b>124,173</b>		<b>366,174</b>
Direct taxes Payable		4,125		(16,175)
<b>Cash generated from operations before non-recurring items</b>		<b>128,298</b>		<b>349,999</b>
Non-recurring items		–		(32,180)
<b>Net cash generated from operating activities</b>		<b>128,298</b>		<b>317,819</b>
<b>B. Cash Flow from Investing Activities</b>				
Purchase of Fixed Assets		(143,296)		(339,496)
Sale of Fixed Assets		11,389		2,105
Sale of Investments		20		366,385
Purchase of Investments		(373,302)		(597,877)
<b>Net cash used in investing activities</b>		<b>(505,189)</b>		<b>(568,883)</b>
<b>C. Cash Flow from Financing Activities</b>				
Short Term Loan		(1,404,941)		(804,337)
Long Term Borrowing/Repayment		204,910		3,109,526
Loan to United Breweries (Holdings) Ltd.		–		(1,600,000)
Loan to subsidiary companies/others		(76,538)		(79,657)
ROCPS		2,136,908		–
Expenses on ROCPS		(78,209)		–
Dividend paid including distribution tax		(44,021)		–
Interest Paid		(344,737)		(332,211)
<b>Net cash from/(used in) financing activities</b>		<b>393,372</b>		<b>293,321</b>
<b>Net Increase/(Decrease) in cash and cash equivalents</b>		<b>16,481</b>		<b>42,257</b>
<b>Opening cash and cash equivalents</b>				
Cash and Cheques on hand including Remittances in Transit	7,422		2,704	
Bank Balances	148,719	156,141	111,180	113,884
<b>Closing cash and cash equivalents</b>				
Cash and Cheques on hand including Remittances in Transit	1,082		7,422	
Bank Balances	171,540	172,622	148,719	156,141

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

**J. Majumdar**  
Partner  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants  
Mumbai, June 24, 2005

**Kalyan Ganguly**  
Managing Director

**A.K. Ravi Nedungadi**  
Director

**Govind Iyengar**  
Company Secretary

## Schedules

Rs. Thousands

### SCHEDULE 1 Share Capital

#### Authorised

	2005 Rs.	2004 Rs.
30,000,000 (2004 : 30,000,000) Equity Shares of Rs.10 each	300,000	300,000
25,000,000 (2004 : 22,000,000) Preference Shares of Rs. 100 each	2,500,000	2,200,000
	<u>2,800,000</u>	<u>2,500,000</u>

#### Issued, Subscribed and Paid-up

17,820,603 (2004 : 17,820,603) Equity Shares of Rs.10 each fully paid	178,206	178,206
---	---------	---------

(Of the above 15,093,971 Equity Shares of Rs. 10 each were allotted to the shareholders of United Breweries (Holdings) Limited as per a Scheme of Arrangement).

5% 21,369,077 Redeemable Optionally Convertible Preference Shares of Rs. 100 each	2,136,908	-
	<u>2,315,114</u>	<u>178,206</u>

### SCHEDULE 2

#### Reserves And Surplus

Securities Premium Account As per last Balance Sheet	239,704	239,704
Less : Expenses relating to issue of Redeemable Optionally Convertible Preference Shares during the year	(78,209)	-
Profit and Loss Account Balance	44,604	-
	<u>206,099</u>	<u>239,704</u>

### SCHEDULE 3

#### Secured Loans

Foreign Currency Loans [Refer Schedule 19 - Note 1(a)]		
External Commercial Borrowing	479,820	480,000
Foreign Currency Loan	228,991	139,656
From Banks	735,388	509,199
[Refer Schedule 19 - Note 1(b)]		
Interest accrued and due	3,569	1,924
From Others (including HP creditors) [Refer Schedule 19 - Note 1(c )]	362,168	2,060,546
	<u>1,809,936</u>	<u>3,191,325</u>

#### Unsecured Loans

From Banks	939,791	223,797
[Refer Schedule 19 - Note 1(d)]		
From Others	10,000	552,737
[Refer Schedule 19 - Note 1(d)]		
	<u>949,791</u>	<u>776,534</u>

**SCHEDULE 4**  
**Fixed Assets [Refer Schedule 19 - Note 2]**

Rs. Thousands

Net Value of Assets as at March 31, 2004	Particulars	Cost			Gross Value of Assets as at March 31, 2005	Depreciation			As At March 31, 2005	Net Value of Assets as at March 31, 2005
		Gross Value of Assets as at March 31, 2004	Additions	Sales		As At March 31, 2004	Deletions	For the year		
Rs.		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
907	Goodwill	907	-	-	907	-	-	-	-	907
-	Licenses	-	37	-	37	-	-	-	-	37
10,683	Land - Freehold	10,683	-	1,532	9,151	-	-	-	-	9,151
66,982	Land - Leasehold	69,069	-	-	69,069	-	-	760	2,847	66,222
212,251	Buildings	230,578	24,466	-	255,044	18,327	-	7,999	26,326	228,718
529,144	Plant and Machinery	637,038	226,326	3,759	859,605	107,894	759	81,564	188,699	670,906
27,846	Office Machinery	39,141	6,927	917	45,151	11,295	340	6,387	17,342	27,809
32,192	Furniture & Fittings	37,267	17,970	607	54,630	5,075	78	3,380	8,377	46,253
4,909	Lab Equipments	5,403	1,332	-	6,735	494	-	313	807	5,928
42,676	Vehicles	53,545	8,641	5,210	56,976	10,869	1,159	5,263	14,973	42,003
927,590		1,083,631	285,699	12,025	1,357,305	156,041	2,336	105,666	259,371	1,097,934
182,520	Capital work in progress [including capital advances Rs. 1,985 (2004 : Rs. 77,881)]									40,117
1,110,110										1,138,051



## Schedules (Contd.)

### SCHEDULE 5 Investments

[Refer Schedule 19 - Note 3]

Rs. Thousands

PARTICULARS	2005			2004		
	NUMBER OF SHARES	FACE VALUE	COST	NUMBER OF SHARES	FACE VALUE	COST
<b>IN GOVERNMENT SECURITIES :</b>						
<b>FULLY PAID (UNQUOTED, LONG TERM) :</b>						
National Savings Certificate	-	134	134	-	154	154
<b>IN SUBSIDIARY COMPANIES - FULLY PAID SHARES (UNQUOTED, LONG TERM)</b>						
Associated Breweries & Distilleries Ltd.	400,000	40,000	449,504	260,000	26,000	209,504
Associated Breweries & Distilleries Ltd.	2,540,000	254,000	254,000	2,540,000	254,000	254,000
Mangalore Breweries & Distilleries Ltd.	9,800,180	98,002	171,933	9,795,180	97,952	171,883
<b>NON-TRADE (UNQUOTED, LONG TERM)</b>						
Millennium Alcobev Private Limited	6,140,000	61,400	256,277	6,140,000	61,400	256,277
Millennium Alcobev Private Limited	3,000,000	300,000	333,252	1,800,439	180,044	200,000
United East Bengal Football Team Pvt. Ltd.	4,999	50	50	4,999	50	50
			<b>1,465,150</b>			<b>1,091,868</b>

Quoted Investments  
Unquoted Investments

	Cost	Market Value	Cost	Market Value
Quoted Investments	-	-	-	-
Unquoted Investments	<b>1,465,150</b>	-	<b>1,091,868</b>	-
	<b>1,465,150</b>	-	<b>1,091,868</b>	-

Particulars	Class of Shares	Number of Shares	Additions during the year		Deletions during the year	
			Face Value	Cost	Face Value	Cost
Millennium Alcobev Private Limited	Preference	1,199,561	119,956	133,252	-	-
Associated Breweries & Distilleries Ltd.*	Equity	140,000	14,000	240,000	-	-
Mangalore Breweries & Distilleries Ltd.	Equity	5,000	50	50	-	-
National Saving Certificate			-	-	20	20
				<b>373,302</b>		<b>20</b>

\* Shares yet to be transferred in the name of the Company.

## Schedules (Contd.)

	Rs. Thousands	
	2005 Rs.	2004 Rs.
<b>SCHEDULE 6</b>		
<b>Inventories</b>		
Raw Materials	65,742	57,937
Stores and Spares	125,732	101,829
Finished Goods (including Traded Goods)	272,699	209,872
Goods in transit	20,743	22,105
	<u>484,916</u>	<u>391,743</u>
<b>SCHEDULE 7</b>		
<b>Sundry Debtors</b> (Unsecured, unless stated otherwise)		
Considered Good		
– Over Six Months [Refer Schedule 19 - Note 5]	31,678	19,891
– Others	964,959	721,804
Considered Doubtful		
– Over Six Months	1,299	82,409
– Others	–	–
	<u>997,936</u>	<u>824,104</u>
Less : Provision for Doubtful Debts	<u>(1,299)</u>	<u>(82,409)</u>
	<u>996,637</u>	<u>741,695</u>
<b>SCHEDULE 8</b>		
<b>Cash and Bank Balances</b>		
Cash and Cheques on hand including Remittances in Transit	1,082	7,422
Balances with Scheduled Banks :		
– in Current Account	123,638	96,291
– in Deposit Account	47,902	52,428
	<u>172,622</u>	<u>156,141</u>
<b>SCHEDULE 9</b>		
<b>Other Current Assets</b>		
Income accrued on Investments and Deposits	439	312
	<u>439</u>	<u>312</u>
<b>SCHEDULE 10</b>		
<b>Loans and Advances</b>		
(Unsecured, considered good unless otherwise stated)		
Loan to United Breweries (Holdings) Limited	1,599,865	1,600,000
(Secured by an exclusive first charge on an immovable property of the Company and a second charge on certain other immovable properties / investments of the company)		
Advances to Subsidiaries	568,988	411,586
[Refer Note Schedule 19 - Note 4 ( c)]		
Advances recoverable in cash or in kind or for value to be received [including : Rs. 146 (2004 : Rs. 161) due from Directors of the Company	105,365	141,703
– maximum amount due during the year Rs. 161 (2004 : Rs. 178)]		
Considered Doubtful	5,000	56,745
	<u>2,279,218</u>	<u>2,210,034</u>
Less : Provision for Doubtful Advances	<u>(5,000)</u>	<u>(56,745)</u>
<i>Balance carried forward</i>	<u>2,274,218</u>	<u>2,153,289</u>

## Schedules (Contd.)

### SCHEDULE 10

#### Loans and Advances (Contd.)

Rs. Thousands

	2005 Rs.	2004 Rs.
<i>Balance brought forward</i>	2,274,218	2,153,289
Balances with Excise Authorities	7,151	7,924
Other Deposits [Refer Schedule 19 - Note 4(a)]	327,382	371,001
Tax Deducted at Source (net)	–	13,889
	<u>2,608,751</u>	<u>2,546,103</u>

### SCHEDULE 11

#### Liabilities

Acceptances	80,923	76,291
Sundry Creditors		
– Due to Small Scale Industrial Undertakings [Refer Schedule 19 - Note 6 (a)]	16,938	16,050
– Trade payable	387,988	401,452
– Other payable	923,253	996,959
Interest accrued but not due	1,502	138,009
	<u>1,410,604</u>	<u>1,628,761</u>

### SCHEDULE 12

#### Provisions

Employee Benefits	41,051	47,138
Tax (net)	10,006	–
	<u>51,057</u>	<u>47,138</u>

### SCHEDULE 13

#### Sales & Service

Sales	5,369,765	4,750,760
Income from Services	949,022	833,299
	<u>6,318,787</u>	<u>5,584,059</u>

### SCHEDULE 14

#### Other Income

Guarantee Commission	4,465	3,957
Liabilities no longer required written back	22,761	5,993
Miscellaneous Income	78,527	117,148
Profit on sale of Investments	–	115
Profit on sale of Assets (net)	1,700	–
Provision for Doubtful Debts no longer required written back	82,409	1,311
Provision for Doubtful Advances no longer required written back	56,745	611
	<u>246,607</u>	<u>129,135</u>

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## Schedules (Contd.)

	Rs. Thousands	
	2005 Rs.	2004 Rs.
<b>SCHEDULE 15</b>		
<b>Cost of Sales</b>		
<b>Manufacturing Expenses</b>		
Consumption of Raw Materials	503,863	466,780
Consumption of Stores and Spares	1,452,622	1,216,426
Purchases of Finished Goods	482,066	574,444
Power and Fuel	196,827	184,613
<b>Personnel Expenses</b>		
Salaries, Wages and Bonus	274,799	243,056
Contribution to Provident & Other Funds	22,014	20,382
Gratuity	15,014	12,327
Welfare Expenses	26,180	22,863
<b>Others</b>		
Rent	36,108	19,675
Insurance	5,832	6,223
Repairs Building *	11,207	9,686
Repairs to Machinery *	52,213	44,013
Travel and Conveyance	55,250	42,120
Communication Expenses	12,276	10,660
Rates and Taxes	240,230	207,007
Facility Fees	166,267	130,395
Miscellaneous Expenses	88,529	122,574
[ * Includes Materials consumed Rs. 28,078 (2004 : Rs. 24,857)].		
<b>Change in Inventory</b>		
Opening Stock	209,872	164,596
Closing Stock	(272,699)	(209,872)
Excise Duty on Opening Stock	(110,116)	(96,897)
Excise Duty on Closing Stock	110,825	110,116
	<b>3,579,179</b>	<b>3,301,187</b>
<b>SCHEDULE 16</b>		
<b>Other Expenses</b>		
Selling and Promotion Expenses	1,101,750	881,727
Directors' Sitting fees	620	424
Auditor's Remuneration [Refer Schedule 19 - Note 14]	4,521	4,148
Bad Debts Written Off	85,102	108
Bad Advances Written Off	55,517	3,552
Provision for Doubtful Debts	1,299	5,194
Provision for Idle Assets	975	3,355
Loss on sale of Assets (net)	-	274
Provision for Doubtful Advances	5,000	-
Loss on sale of Investments	-	20,068
Less : Provision no longer required written back	-	(20,068)
	<b>1,254,784</b>	<b>898,782</b>
<b>SCHEDULE 17</b>		
<b>Interest and Finance Charges</b>		
Interest on Loans for a fixed period	246,368	255,453
Interest Others	116,619	97,228
Other Finance Charges	15,764	89,457
	<b>378,751</b>	<b>442,138</b>
Less : Interest Received	(170,521)	(117,629)
	<b>208,230</b>	<b>324,509</b>

# Significant Accounting Policies for the year ended March 31, 2005

## SCHEDULE 18

### Significant Accounting Policies

#### 1. **Basis of Presentation of Financial Statements :**

The Financial Statements of the Company have been prepared under historical cost convention, to comply in all material aspects with the Generally Accepted Accounting Principles (GAAP) applicable in India, the Accounting Standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

#### 2. **Use of Estimates :**

The preparation of the Financial Statements in conformity with GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the Financial Statements, and the reported amounts of revenue and expenses during the reported period. Actual result could differ from those estimates.

#### 3. **Revenue Recognition :**

Revenue from sale of goods is recognised in accordance with the terms of sale, on despatch from the Breweries/ warehouses of the Company, and is net of trade discount but includes Excise Duty. Income from brand franchise is recognised at contract rates on sale/production of the branded products by the franchisees. Dividend Income is recognised when the Company's right to receive is established. Royalty from foreign entities is recognized as per the terms of agreement, net of tax.

#### 4. **Borrowing Costs :**

Borrowing costs incurred for the acquisition of qualifying assets are recognised as part of cost of such assets when it is probable that they will result in future economic benefits to the Company while other borrowing costs are expensed.

#### 5. **Fixed Assets :**

The cost of Fixed assets taken over on demerger have been determined with reference to their book values (excluding revaluation) on July 31, 2001 as appearing in the books of United Breweries (Holdings) Limited.

Fixed assets acquired on or after August 1, 2001 are stated at their original cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses relating to acquisition and installation of such assets.

Fixed assets acquired under hire purchase/installment credit schemes are capitalised at cost. Fixed assets taken on finance lease prior to March 31, 2001 are not capitalised.

Assets identified and evaluated technically as obsolete and held for disposal are stated at their estimated net realisable value.

#### 6. **Investments :**

Investments being long term in nature are stated at cost. Cost includes expenses such as professional/legal charges relating to acquisition/subscription. Diminution in value of investments, if considered permanent, is provided for.

#### 7. **Inventories :**

Raw Materials and Stores and spare parts are valued at cost on FIFO basis. Cost includes freight, taxes and duties. Work-in-process and finished goods are valued at the lower of cost and realisable value including Excise Duty. Cost includes all direct costs and applicable production overheads.

#### 8. **Foreign Currency Transactions :**

Foreign Currency transactions are accounted at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Foreign currency liability contracted for acquiring fixed assets are restated at the rates ruling at the year end and all exchange differences arising as a result of such restatement are adjusted to the cost of the asset.

#### 9. **Depreciation :**

Depreciation on Fixed assets is determined using Straight Line Method based on the rates prescribed under Schedule XIV of the Companies Act, 1956.

Leasehold Land is amortised over the period of lease.

#### 10. **Deferred Revenue Expenditure :**

The Voluntary Retirement Scheme is amortised over a period of 60 months.

#### 11. **Employee Retirement Benefits :**

a. Liability towards gratuity payable in future to employees is ascertained on actuarial basis as at the year-end and funded into gratuity fund maintained by Life Insurance Corporation of India except in respect of certain units, where such provisions, though made, are not funded.

b. Contributions to Pension and Superannuation Funds are made to separate trust funds.

c. Leave encashment benefit to employees is determined on actuarial basis and provided for.

#### 12. **Taxes on Income :**

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

#### 13. **Contingent Liabilities :**

All known liabilities, wherever material, are provided for and liabilities, which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of Notes to the Accounts.

## Notes on Accounts for the year ended March 31, 2005

### SCHEDULE 19

#### Notes on Accounts

	2005 Rs.	2004 Rs.
<b>1. Loan Funds :</b>		
<b>Secured Loans</b>		
(a) Foreign Currency Loans	<b>708,811</b>	619,656
Loan repayable within one year – Rs. 228,991 (2004 : Rs.139,656) External Commercial Borrowing is secured by first charges on all the moveable and immovable properties of the Company and pledge of certain investments in favour of Scottish Courage Limited and the Foreign Currency loan is secured as detailed below under loan from Banks.		
(b) From Banks	<b>738,957</b>	511,123
Loans repayable within one year – Rs. 738,957 (2004 : Rs. 411,123) Secured by hypothecation of stock in trade, stores, raw materials, book debts and a second charge on all the immovable properties of the Company.		
(c) From Others	<b>350,000</b>	Nil
Rabo India Finance Private Limited [Includes bridge loan of Rs. Nil (2004: Rs. 2,000,000 availed against the proposed Redeemable Optionally Convertible Preference Shares (ROCPS) issue]. Loans repayable within one year – Rs. 91,667 (2004 : Rs. 2,050,000) Secured by pledge of certain Investments held by a third party and a first charge on certain assets of the Company.	<b>Nil</b>	2,050,000
Hire Purchase Creditors	<b>12,168</b>	10,546
Secured by Assets purchased under Hire Purchase Scheme.		
(d) Unsecured Loans	<b>949,791</b>	776,534
Loans repayable within one year – Rs. 949,791 (2004 : Rs. 223,797)		
(e) Deferred Credits	<b>43,468</b>	40,000
Secured by Assets purchased under the Scheme.		
<b>2. Fixed Assets :</b>		
a) Land includes Rs. 21,411 representing stamp duty and registration charges on leasehold land held prior to March 31, 2001.		
b) Buildings amounting to Rs. 14,115 and Plant & Machinery amounting to Rs. 23,884 are in premises not owned by the Company.		
<b>3. Investments :</b>		
a) Investments in Equity Shares of Subsidiaries and Joint Venture have been pledged/given on lien for availing External Commercial Borrowings and other loans	<b>465,781</b>	630,412
b) The Company, as a part of its on-going efforts to establish substantial market leadership in the brewing industry acquired majority shareholding in Mangalore Breweries and Distilleries Limited, Karnataka (MBDL) and Associated Breweries & Distilleries Limited, Maharashtra (ABDL) aggregating to Rs. 875,437. Having regard to the strategic nature of these investments, the Company proposes to invest further sums to enhance shareholding and capacities in both the subsidiaries.  The Company has also made advances of Rs. 568,988 (2004 : Rs. 411,586) [Refer Note 4(c) below] to and given guarantees of Rs. 446,500 (2004 : Rs. 446,500) [Refer Note 9(g) below] on behalf of ABDL and MBDL.  Both MBDL and ABDL had accumulated losses at the time of acquisition. As at March 31, 2005, the net worth of both subsidiaries have been fully eroded.		

## Notes on Accounts (Contd.)

### SCHEDULE 19 (Contd.)

3. c) In addition, the Company has invested a sum of Rs. 589,529 (2004 : Rs. 456,277) in Millennium Alcobev Private Ltd. (MAPL), whose net worth on a consolidated basis, considering Millennium Beer Industries Ltd. as a subsidiary of MAPL is substantially negative.

MAPL, being a Joint Venture between UBL and Scottish & Newcastle Plc. has already made significant inroads in to the market by achieving a 10% market share within a period of three years. The said subsidiaries and the JV have their manufacturing locations in critical markets and meet almost 33% of the Company's capacity requirement. Considering these, the investments are strategic and long term in nature and substantial benefits are expected to accrue to the Company in terms of market share and capacity utilization. Therefore, the management is of the view that there is no permanent diminution in the value of investments and no provision therefor is considered necessary at this stage.

#### 4. Loans and Advances include :

- a) Deposit of Rs. 205,000 with two companies whose brewery facilities are being utilised by the company for production of Company's brands of Beer under contract brewery arrangements.
- b) Rs. 50,000 paid in earlier years to a company whose brewery facilities are being utilised by the company for the production of Company's brands of Beer under contract brewery arrangements. The said company has made a reference to the Board for Industrial Financial Restructuring (BIFR) being a sick company. The management proposes to recover/adjust the advances from the Company based on the brewery operations carried out by them.
- c) An aggregate sum of Rs. 568,988 (2004 : Rs. 411,586) been paid to ABDL and MBDL referred to in Note 3 (b), which are interest free and there is no stipulation with regard to repayment.

#### 5. Debtors :

Debtors – Others include Rs. 19,739 which is due from a company for more than six months whose brewery facilities are being utilised by the company for the production of Company's brands of Beer under contract brewery arrangements. As stated in Note 4 (b) above, the said company has made a reference to the BIFR, being a sick company. As per the arrangement, the said due is being paid over a period of three years. The commitment for the current year has been fulfilled.

#### 6. Schedule of outstandings to SSI Units :

- a) The names of Small Scale industries to whom the company owes dues outstanding for more than 30 days at the Balance Sheet date, computed on unit wise basis are given in the list below. The information given in Schedule 11 regarding Small Scale Industrial undertakings has been determined to the extent such parties have been identified on the basis of information disclosed by the creditors available with the Company. This has been relied upon by the auditors.
- b) List of SSIs :

Arrow Head Packaging Pvt. Ltd., Pranath Packaging Inds., Mittal Punch & Pack Pvt. Ltd., Aditya Packwell, Cubic Cartons, Goyal Print Pack, Shivam Packaging Pvt. Ltd., Punch & Pack, Dhruv Packaging, Flixty Packaging India Pvt. Ltd., Hind Packaging, Jaycell Products, Omkar Inds, Nahar Packages, Arvind Board & Paper Process, Package Industries, Ashirwad Enterprises, Apollo Papers, Mohinder Packages, Anu Packages, Max Pac, Frontier Elect Press, Kwaliti Offset Printers.

#### 7. Details of Deferred Revenue Expenditure :

Nature of Expenditure	2004	Additions/(charge) for the year	2005
	Rs.	Rs.	Rs.
Voluntary Retirement Scheme	984	(455)	529
<b>Total</b>	984	(455)	529

#### 8. Investor Education Protection Fund :

There are no overdue balances unremitted to the fund under Section 205C of the Companies Act, 1956.

### SCHEDULE 19 (Contd.)

#### 9. Contingent Liabilities :

Particulars	2005 Rs.	2004 Rs.
a) Estimated amount of Contracts remaining to be executed on capital account and not provided for	9,650	55,067
b) Sales Tax/other taxes demands under appeal *	12,320	8,186
c) Excise Duty/Customs Duty demands under appeal *	9,683	10,286
d) Claims against the Company not acknowledged as debt *	109,473	97,099
e) Future commitments for Interest/lease rental payable on deferred credits/lease	7,214	10,638
f) Letter of Credit outstanding	38,424	20,892
g) Guarantees given by the company – on behalf of subsidiaries – to third parties	446,500 91,244	446,500 283,893
h) Liability for a put option for investment in a subsidiary, which has already been exercised since settled through an Escrow account with Citibank already considered as Investment – Rs. 240,000	Nil	262,741
i) Commitment as per Joint Venture Agreement to place funds in the form of Preference Capital	100,000	200,000
j) Consideration payable to erstwhile promoters of ABDL withheld against possible tax benefits, if any, availed by ABDL towards its future profits	32,300	32,300
k) Letter of undertaking to distributors towards countervailing duty for imports from Nepal	38,500	Nil

(\* In the opinion of the management, the above demands/claims are not sustainable in law and accordingly no provision has been made in the accounts)

#### 10. Segmental Reporting :

The Company is engaged in manufacture, purchase and sale of beer including licensing of brands which constitutes a single business segment.

#### 11. Related party disclosures :

##### a. Name of the related parties :

##### Subsidiaries

Associated Breweries & Distilleries Limited (ABDL)  
Mangalore Breweries & Distilleries Limited (MBDL)

##### Associates

United East Bengal Football Team Private Limited (UEBFTPL)

##### Joint Venture

Millennium Alcobev Private Limited \* (MAPL)

##### Subsidiary/Associates of Joint Venture

Empee Breweries Limited (EMPEE)  
GMR Beverages & Industries Limited (GMR)  
Millennium Beer Industries Limited (MBIL)

##### Key Management Personnel (KMP)

Mr. Kalyan Ganguly

##### Relative of Key Management Personnel

Mrs. Suparna Bakshi Ganguly  
(Wife of Mr. Kalyan Ganguly)



## Notes on Accounts (Contd.)

### SCHEDULE 19 (Contd.)

#### b. Transactions with related parties during the year :

Particulars	MBDL		ABDL		MBIL		MAPL		GNMR		EMPEE		UEBFTPL		KMP		
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	
Purchase of goods	-	-	409,922	400,568	57,944	11,921	-	142,404	-	-	-	-	-	-	-	-	-
Sale of Raw materials	-	1,780	842	2,039	-	-	-	-	-	-	-	-	-	-	-	-	-
Receipts against rendering Services	204,353	115,598	857	857	3,608	2,069	9,324	6,926	40,763	36,991	10,443	10,008	-	-	-	-	-
Payment against rendering Service	-	-	-	-	-	12,719	52,313	27,976	-	-	-	-	20,000	16,100	-	-	-
Sale of Brands	-	-	-	-	-	-	-	30,000	-	-	-	-	-	-	-	-	-
Purchase of investments	50	-	240,000	-	-	-	133,252	455,777	-	-	-	-	-	-	-	-	-
Sale of Investments	-	-	-	-	-	244,347	-	-	-	-	-	-	-	-	-	-	-
Purchase of Assets	-	-	-	843	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Assets	-	248	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance (Including loans in cash or kind)*	130,718	(9,681)	28,593	89,339	26,059	(24,836)	4,118	(8,972)	102,102	6,305	31,241	(36,130)	-	-	-	-	-
Remuneration to Managing Director	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,586	#
<b>Guarantees &amp; Collaterals</b>	<b>Refer Schedule 19 Note 9 (g)</b>																
Amount due From/(To)	254,450	118,170	314,538	285,944	(9,293)	(35,352)	1,574	(2,544)	137,209	35,107	(81)	(31,322)	-	-	-	-	146

(\* ) Figures in brackets indicate Amounts received.

(#) Includes payment to relative of KMP amounting to Rs. 1,442 (2004 : Rs. 1,409).

### SCHEDULE 19 (Contd.)

#### Related Party disclosure (Contd.)

Transactions with Scottish & Newcastle Plc, (S&N) the holding company of the following :

Scottish Courage Limited (SCL)

Scottish & Newcastle India Limited (SNIL)

Scottish & Newcastle India (Private) Limited (SNIPL)

Transaction with S&N – Nil

Transaction with SCL – ECB – Rs.479,820 (2004 : Rs.480,000)  
– Interest on ECB Rs. 18,287 (2004 : Rs. 9,873)

Transaction with SNIL – Nil

Transaction with SNIPL – Subscription to ROCPS – Rs.1,837,756 (2004 : Rs. Nil)  
– Dividend on above – Rs.33,482

#### 12. Accounting for Taxes on Income :

In accordance with the 'Accounting Standard 22 – Accounting for Taxes on Income', issued by the Institute of Chartered Accountants of India, the Company has recognised net deferred tax liability of Rs. 81,026.

Particulars	2004 Rs.	Current year charge/(Credit)/effective tax rate adjustment Rs.	2005 Rs.
<b>Deferred Tax Liability</b>			
Difference between book and tax depreciation	75,095	32,750	107,845
<b>Deferred Tax Asset</b>			
Tax Loss	(64,077)	39,832	(24,245)
Leave Salary	Nil	(2,099)	(2,099)
Doubtful Debtors	(21,948)	21,473	(475)
<b>Total</b>	(10,930)	91,956	81,026

#### 13. Earnings Per Share :

For the purpose of computing earnings per share, the profit after tax (net of preference dividend) for the year has been used as the numerator and 17,820,603 shares as denominator. In the absence of specific conversion terms, any enhancement to the number of shares on account of conversion of ROCPS is not considered for diluted EPS.

#### 14. Remuneration to Auditors :

Particulars	2005 Rs.	2004 Rs.
Fees	3,200	3,355
Tax Audit	400	513
Other Certification Services	300	54
Out of Pocket Expenses (inclusive of Service Tax)	621	226
<b>Total</b>	4,521	4,148

## Notes on Accounts (Contd.)

### SCHEDULE 19 (Contd.)

#### 15. Remuneration to Managing Director :

Particulars	2005 Rs.	2004 Rs.
Salary and Allowances	8,943	8,987
Contribution to Provident and Other Funds	1,863	1,826
Perquisites	1,855	1,773
<b>Total</b>	<b>12,661</b>	<b>12,586</b>

#### 16. Quantitative Details :

##### A. Quantitative Particulars

Particulars	2005		2004	
	Beer in Hecto Litres	Value in Rs.	Beer in Hecto Litres	Value in Rs.
Licensed Capacity *	2,173,180	–	2,173,180	–
Installed Capacity per annum *	1,905,000	–	1,905,000	–
Actual Production for the year	1,421,569	–	1,306,636	–
Sales during the year	1,413,052	4,725,765	1,293,476	4,071,655
Opening Stock – Finished Goods	102,801	209,537	89,641	164,596
Closing Stock – Finished Goods	111,318	266,135	102,801	209,537

\* Note : Licensing of products of the company under the Industries (Development and Regulation) Act, 1951, is discontinued and consequently the reported capacities are as per permissions obtained from the respective regulatory authorities on a yearly basis. As regards installed capacity, the same has been certified by the Management and relied upon by the Auditors, being a technical matter.

##### B. Particulars of Goods Traded by the Company

Particulars	2005		2004	
	Quantity in Hecto Litres	Value in Rs.	Quantity in Hecto Litres	Value in Rs.
Opening Stock	364	335	Nil	Nil
Purchases during the period	128,212	482,066	153,489	574,444
Sales during the period	126,831	644,000	153,125	679,105
Closing Stock	1,495	6,564	364	335

##### C. Consumption of Raw Materials

Particulars	2005		2004	
	Quantity in Tonnes	Value in Rs.	Quantity in Tonnes	Value in Rs.
Malt	19,047	270,406	17,438	273,067
Brewing Materials	9,265	154,566	7,759	122,864
Other Materials *		78,891		70,849

\* In view of the large number of items, individually comprising less than 10% of the total consumption, quantitative details are not given.

### SCHEDULE 19 (Contd.)

#### 17. Value of Imports during the year calculated on CIF basis :

Particulars	2005 Rs.	2004 Rs.
Raw Materials	49,857	24,461
Components & Spares	187,313	115,643
Capital Goods	31,028	258

#### 18. Expenditure in Foreign Currency :

Particulars	2005 Rs.	2004 Rs.
Foreign Travel expenses of employees and others (net of recoveries)	1,808	2,222
Other Expenses	4,160	3,500

#### 19. Consumption :

Particulars	2005		2004	
	Value in Rs.	Percentage to total consumption	Value in Rs.	Percentage to total consumption
Value of Imported Raw Materials consumed	36,786	7.31	24,461	5.24
Value of indigenous Raw Materials consumed	467,077	92.69	442,319	94.76
Value of Imported Spare Parts and components consumed	108,978	7.36	115,643	9.32
Value of indigenous Spare Parts and components consumed	1,371,722	92.64	1,125,640	90.68

#### 20. Earnings in Foreign Exchange :

Particulars	2005 Rs.	2004 Rs.
Services – Royalty	2,635	Nil

#### 21. Pursuant to the unanimous approval of the members of the Company in the Extra Ordinary General Meeting held on January 20, 2005 and in accordance with SEBI Takeover Regulation, 1997 :

- S & N acquired 20% of the enhanced capital of the Company by way of an open offer @ Rs. 575 per share. The offer opened on February 7, 2005 and closed on February 26, 2005;
- 37,79,522 equity shares of Rs.10 each @ Rs. 575 per share amounting to Rs. 2,173,225,150 were allotted on a preferential basis to S&N on April 7, 2005; and
- 2,46,90,000 Cumulative Redeemable Preference Shares of Rs.100 each at a coupon of 3% per annum amounting to Rs. 2,469,000,000 were allotted to S&N on April 7, 2005, the proceeds of which was utilized to redeem the existing Redeemable Optionally Convertible Preference Shares (ROCPS) of Rs. 2,136,907,700.

#### 22. Utilisation of ROCPS proceeds of Rs. 2,136,908

Loan given to United Breweries(Holdings) Limited	1,250,000
Debt Repayment	886,908

#### 23. Cash Flow Statement :

- The Cash Flow Statement has been compiled from and is based on the Balance Sheet as at March 31, 2005 and the related Profit and Loss Account for the year ended on that date.
- The Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard – 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.

#### 24. All amounts are in Rupees thousands, unless otherwise stated.

#### 25. The previous year's figures have been regrouped to conform to the current year's classification.

## Notes on Accounts (Contd.)

STATEMENT PURSUANT TO SECTION 212(1)(e) OF THE COMPANIES ACT, 1956 AS AT MARCH 31, 2005

Rupees Thousands

Sl. Name of the Subsidiary No.	a) No. of Equity Shares at the end of the financial year of the Subsidiary		b) Extent of Holdings		Net Aggregate Profit/(Loss) of the Subsidiary so far as it concerns the Members of the Company			
	United Breweries Limited (Formerly UB Beer Ltd.)	Other Subsidiary Companies	United Breweries Limited (Formerly UB Beer Ltd.)	Other Subsidiary Companies	a) Not dealt with in the Accounts of the Company		b) Dealt with in the Accounts of the Company	
					(i) For the Subsidiary's Financial year ended 31.03.2005	(ii) For previous years of the Subsidiary's Financial year ended 31.03.2005	(i) For the Subsidiary's Financial year ended 31.03.2005	(ii) For previous years of the Subsidiary's Financial year ended 31.03.2005
1	2	3	4	5	6	7	8	9
1. Associated Breweries & Distilleries Ltd.	400,000	–	100	–	(50,670)	(523,176)	–	–
2. London Draft Pubs Pvt. Ltd.*	–	50,000	–	100	(33)	(1,071)	–	–
3. London Pilsner Breweries Pvt. Ltd.*	–	50,000	–	100	**	**	–	–
4. Mangalore Breweries & Distilleries Ltd.	9,800,180	–	98	–	(5,517)	(288,825)	–	–

\* Became Subsidiary of the Company by virtue of the provisions of Section 4(1)(c) of the Companies Act, 1956.

\*\* As the Company has not commenced its business activities, there is no Profit & Loss Account. Figures in brackets represent losses.

**K. Ganguly**  
Managing Director

**A.K. Ravi Nedungadi**  
Director

**Govind Iyengar**  
Company Secretary

Mumbai  
June 24, 2005

DISCLOSURE UNDER CLAUSE 32 OF THE LISTING AGREEMENT			
Name of the listed Company : United Breweries Limited		Rupees Thousands	
Name of the Company	Amount outstanding as at March 31, 2005 Rs.	Value of investments as at March 31, 2005 Rs.	Terms
<b>Subsidiaries :</b>			
Associated Breweries & Distilleries Ltd. (ABDL)	314,538	–	No stipulation towards repayment and interest
London Pilsner Breweries Pvt. Ltd. Subsidiary of ABDL	–	500	–
London Draft Pubs Pvt. Ltd. Subsidiary of ABDL	–	410	–
Mangalore Breweries & Distilleries Ltd.	254,450	–	No stipulation towards repayment and interest
<b>Joint Venture :</b>			
McDowell Alcobev Limited	1,574	–	–
<b>Associates :</b>			
United East Bengal Football Team P. Ltd.	(1,198)	–	–

\* Consideration for 160000 Equity Shares of Rs. 100 each paid. However Equity Shares were lying in Escrow pending transfer.

## Balance Sheet Abstract

### COMPANY'S GENERAL BUSINESS PROFILE

Rupees Thousands

#### I. Registration Details

Registration	:	25195
State Code	:	08
Balance Sheet Date	:	31.03.2005

#### II. Capital Raised during the year

Public Issue	:	—
Rights Issue	:	2,136,908
Bonus Issue	:	—
Private Placement	:	—

#### III. Position of Mobilisation and Deployment of Funds:

<b>Total Liabilities</b>	<b>5,405,434</b>	<b>Total Assets</b>	<b>5,405,434</b>
<b>Sources of Funds</b>		<b>Application of Funds</b>	
Paid up Capital	2,315,114	Net Fixed Assets	1,138,051
Reserves & Surplus	206,099	Investments	1,465,150
Secured Loans	1,809,936	Net Current Assets	2,801,704
Unsecured Loans	949,791	Deferred Tax Asset	Nil
Deferred Credit	43,468	Miscellaneous Expenditure	529

#### IV. Performance of Company

Turnover	5,400,448	Total Expenditure (Includes non-recurring items)	5,148,314
Profit Before Tax	252,134	Profit After Tax	140,407
Earnings per Share	5.41	Dividend Rate	Nil

#### V. Generic Names of three Principal Products/Services of the Company

Item Code - ITC Code	22030000
Product Description	Beer made from Malt

# Auditors' Report on Consolidated Financial Statements



## REPORT OF THE AUDITOR'S TO THE BOARD OF DIRECTORS OF UNITED BREWERIES LIMITED

1. We have audited the attached Consolidated Balance Sheet of United Breweries Limited and its subsidiaries, Associates and Joint Venture (UB Consolidated) as at March 31, 2005, the Consolidated Profit and Loss Account for the year ended on that date annexed thereto, and the Consolidated Cash Flow Statement for the year ended on that date which we have signed under reference to this report. These consolidated financial statements are the responsibility of United Breweries Limited's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standard require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit also includes assessing the accounting principles used and significant estimates used by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3.
  - a) We did not audit the financial statements of certain subsidiaries and associate Company, whose financial statements reflect total assets of Rs. 15,941 thousands as at March 31, 2005 and total revenues of Rs. 27,987 thousands for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of the other auditors.
  - b) The financial statements and other information of the Joint Venture (JV), whose financial statements reflect total assets of Rs. 1,147,863 thousands as at March 31, 2005 and the total revenues of Rs. 471,040 thousands for the year ended on that date, have been certified by the management, and our opinion, insofar as it relates to amounts included in respect of the JV, is solely based on the above financial statements.
4. We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21 – Consolidated Financial Statements, Accounting Standard 23 – Accounting for Investment in Associates in Consolidated Financial Statements and Accounting Standard 27 – Financial Reporting of Interest in Joint Ventures issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of UB Consolidated included in the consolidated financial statements.
5. Based on our audit and on consideration of the reports / certificates of other auditors / directors on separate financial statements and on the other financial information of the components, in our opinion and to the best of our information and according to explanations given to us, the attached consolidated financial statements, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the consolidated Balance Sheet, of the consolidated state of affairs of UB Consolidated as at March 31, 2005;
  - (b) in the case of the consolidated Profit and Loss Account, of the consolidated results of operations of UB Consolidated for the year ended on that date;

and

  - (c) in case of the consolidated Cash Flow Statement, of the consolidated Cash Flows of UB Consolidated for the year ended on that date.

**J. Majumdar**  
Partner

Membership Number – F51912  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants

Mumbai, June 24, 2005

## Consolidated Balance Sheet as at March 31, 2005

		Rs. Thousands							
Schedule	2005		Joint Venture		Total		2004		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
<b>SOURCES OF FUNDS</b>									
<b>SHAREHOLDERS' FUNDS</b>									
Share Capital	1	2,315,114		313,601		2,628,715		563,780	
Reserves and Surplus	2	161,585	2,476,699	91,012	404,613	252,597	2,881,312	338,784	902,564
<b>LOAN FUNDS</b>									
Secured Loans	3	2,068,750		710,009		2,778,759		4,157,339	
Unsecured Loans		952,797	3,021,547	–	710,009	952,797	3,731,556	779,540	4,936,879
Deferred Credit									
[Refer Schedule 19 - Note 4(e)]			43,461	–		43,461		40,000	
Deferred Tax Liability (net)			81,026	6,799		87,825		–	
[Refer Schedule 19 - Note 16]									
			5,622,733	1,121,421		6,744,154		5,879,443	
<b>APPLICATION OF FUNDS</b>									
<b>GOODWILL</b> [Refer Schedule 19 - Note 3]			943,916	230,948		1,174,864		851,370	
<b>FIXED ASSETS</b>									
Gross Block	4	1,814,511		565,212		2,379,723		2,043,676	
Less : Depreciation		453,569		137,622		591,191		412,144	
Net Block		1,360,942		427,590		1,788,532		1,631,532	
Capital Work in Progress		60,204	1,421,146	20,925	448,515	81,129	1,869,661	203,986	1,835,518
<b>INVESTMENTS</b>									
Deferred Tax Asset (Net)	5		589,783	(569,868)		19,915		16,905	
[Refer Schedule 19 - Note 16]								10,930	
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>									
Inventories	6	591,168		46,340		637,508		522,316	
Debtors	7	1,100,551		–		1,100,551		896,323	
Cash and Bank Balances	8	175,900		29,189		205,089		204,077	
Other Current Assets	9	449		193		642		23,020	
Loans and Advances	10	2,066,129		737,615		2,803,744		2,757,373	
		3,934,197		813,337		4,747,534		4,403,109	
Less : <b>CURRENT LIABILITIES &amp; PROVISIONS</b>									
Liabilities	11	1,578,675		108,937		1,687,612		1,892,078	
Provisions	12	69,368		5,052		74,420		52,385	
		1,648,043		113,989		1,762,032		1,944,463	
Net Current Assets		2,286,154		699,348		2,985,502		2,458,646	
<b>MISCELLANEOUS EXPENDITURE</b>									
(To the extent not written off)									
Deferred Revenue Expenditure		10,010		1,807		11,817		39,812	
[Refer Schedule 19 - Note 13]									
Preliminary Expenses		237	10,247	–	1,807	237	12,054	310	40,122
Profit & Loss Account			371,487		310,671		682,158		665,952
			5,622,733	1,121,421		6,744,154		5,879,443	
Significant Accounting Policies	18								
Notes to Accounts	19								

The Schedules referred to above and the notes thereon form an integral part of the Accounts.

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

### J. Majumdar

Partner  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants  
Mumbai, June 24, 2005

**Kalyan Ganguly**  
Managing Director

**A.K. Ravi Nedungadi**  
Director

**Govind Iyengar**  
Company Secretary





# Consolidated Profit and Loss Account for the year ended March 31, 2005

Rs. Thousands

Schedule	2005		Joint Venture		Total		2004	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>INCOME</b>								
Sales and Service	13	7,132,110		461,098		7,593,208		6,503,426
Less : Excise Duty		1,805,610		–		1,805,610		1,553,712
		5,326,500		461,098		5,787,598		4,949,714
Other Income	14	269,833	5,596,333	9,942	471,040	279,775	6,067,373	183,514
								5,133,228
<b>EXPENDITURE</b>								
Cost of Sales	15	3,698,215		464,084		4,162,299		3,677,437
Other Expenses	16	1,302,739		663		1,303,402		940,716
Interest	17	243,324		13,710		257,034		428,770
Deferred Revenue Expenses [Refer Schedule 19 - Note 13]		27,275		790		28,065		19,779
Depreciation		137,507	5,409,060	44,673	523,920	182,180	5,932,980	142,443
								5,209,145
Profit/(Loss) before non-recurring item			187,273		(52,880)		134,393	(75,917)
Share of loss in an Associate			–		(60,359)		(60,359)	–
Non-recurring item			–		–		–	(32,180)
Profit/(Loss) before Taxation			187,273		(113,239)		74,034	(108,097)
Provision for Taxation :								
– Current		19,771		843		20,614		(3,803)
– Deferred Tax (Liability)/Asset [Refer Schedule 19 - Note 16]		91,956	111,727	6,799	7,642	98,755	119,369	(10,977)
								(14,780)
Profit/(Loss) after Taxation			75,546		(120,881)		(45,335)	(122,877)
Less : Dividend on Preference Shares @ 5%		(38,933)		–		(38,933)		–
Tax on distributed profits		(5,088)	(44,021)	–	–	(5,088)	(44,021)	–
			31,525		(120,881)		(89,356)	(122,877)
Loss brought forward from previous year		(486,456)		(179,498)		(665,954)		(543,075)
Reduction in Minority interest during the year on account of acquisition		(14,050)		–		(14,050)		–
Prior period adjustment		–		(10,292)		(10,292)		–
Add : Movement during the year		97,494	(403,012)	–	(189,790)	97,494	(592,802)	–
Balance carried to Balance Sheet			(371,487)		(310,671)		(682,158)	(665,952)
Earnings per share (Basic/Diluted) [Refer Schedule 19 - Note 18]							(5.01)	(5.08)
Significant Accounting Policies	18							
Notes to Accounts	19							

The Schedules referred to above and the notes thereon form an integral part of the Accounts.

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

**J. Majumdar**

Partner

For and on behalf of

**Price Waterhouse**

Chartered Accountants

Mumbai, June 24, 2005

**Kalyan Ganguly**

Managing Director

**A.K. Ravi Nedungadi**

Director

**Govind Iyengar**

Company Secretary

# Consolidated Cash Flow Statement for the year ended March 31, 2005

[Refer Schedule 19 - Note 21]

Rs. Thousands

	2005		2004	
	Rs.	Rs.	Rs.	Rs.
<b>A. Cash Flow from Operating Activities</b>				
Profit/(Loss) before taxation and non-recurring items		74,034		(75,917)
Adjustments for:				
Depreciation	182,180		142,443	
(Profit)/Loss on Sale of Assets (Net)	-		274	
Interest Expenses (Net)	257,034		428,770	
Deferred Revenue	28,065		19,779	
		<u>467,279</u>		<u>591,266</u>
<b>Operating Profits before Working Capital Changes</b>		<b>541,313</b>		<b>515,349</b>
Adjustment for Working Capital Changes :				
(Increase)/Decrease in Trade & Other Receivables	(204,228)		(100,430)	
(Increase)/Decrease in Inventories	(115,192)		(129,865)	
(Increase)/Decrease in Deferred Revenue	3		(3,397)	
Increase/(Decrease) in Trade Payables	(73,736)		(77,766)	
		<u>(393,153)</u>		<u>(311,458)</u>
<b>Cash generated from operations</b>		<b>148,160</b>		<b>203,891</b>
Direct Taxes Paid		2,888		(19,494)
<b>Cash generated from operations before non-recurring items</b>		<b>151,048</b>		<b>184,397</b>
Non-recurring items		(10,292)		(32,180)
<b>Net Cash generated from Operating Activities</b>		<b>140,756</b>		<b>152,217</b>
<b>B. Cash Flow from Investing Activities</b>				
Purchase of Fixed Assets		(216,324)		(837,000)
Sale of Fixed Assets		-		(274)
Purchase of Investments		(3,010)		208,151
Dividend payout		(44,021)		-
<b>Net Cash generated in Investing Activities</b>		<b>(263,355)</b>		<b>(629,123)</b>
<b>C. Cash Flow from Financing Activities</b>				
Short Term Loan		399,910		(779,572)
Long Term Borrowing/Repayment		(1,597,140)		3,721,757
Loan to Associates		(24,208)		(2,074,074)
Share in Capital of Joint Venture/Subsidiaries		1,738,698		134,309
Interest Paid		(393,649)		(436,284)
<b>Cash outflow from/(used in) Financing Activities</b>		<b>123,611</b>		<b>566,136</b>
<b>Net Increase/(Decrease) in cash and cash equivalents</b>		<b>1,012</b>		<b>89,230</b>
<b>Opening cash and cash equivalents</b>				
Cash and Cheques on hand including Remittances in Transit	7,592		2,738	
Bank Balances	196,485	204,077	112,109	114,847
<b>Closing cash and cash equivalents</b>				
Cash and Cheques on hand including Remittances in Transit	1,449		7,592	
Bank Balances	203,640	205,089	196,485	204,077

The current year figures include transactions relating to Joint Venture and hence are not comparable to those of previous year.

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

**J. Majumdar**

Partner  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants  
Mumbai, June 24, 2005

**Kalyan Ganguly**  
Managing Director

**A.K. Ravi Nedungadi**  
Director

**Govind Iyengar**  
Company Secretary

## Schedules

Rs. Thousands

	2005	Joint Venture	Total	2004
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE 1</b>				
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
30,000,000 (2004 : 30,000,000) Equity Shares of Rs. 10 each	300,000	–	300,000	300,000
25,000,000 (2004 : 22,000,000) Preference Shares of Rs.100 each	2,500,000	–	2,500,000	2,200,000
	<u>2,800,000</u>	<u>–</u>	<u>2,800,000</u>	<u>2,500,000</u>
<b>Issued, Subscribed and Paid-up</b>				
17,820,603 (2004 : 17,820,603) Equity Shares of Rs.10 each fully paid	178,206	–	178,206	178,206
(Of the above 15,093,971 Equity Shares of Rs. 10 each were allotted to the shareholders of United Breweries (Holdings) Limited as per a Scheme of Arrangement).				
5% 21,369,077 Redeemable Optionally Convertible Preference Shares of Rs. 100 each	2,136,908	313,601	2,450,509	385,574
	<u>2,315,114</u>	<u>313,601</u>	<u>2,628,715</u>	<u>563,780</u>
<b>SCHEDULE 2</b>				
<b>RESERVES AND SURPLUS</b>				
Capital Reserve	90	–	90	99,080
Securities Premium Account	161,495	91,012	252,507	239,704
	<u>161,585</u>	<u>91,012</u>	<u>252,597</u>	<u>338,784</u>
<b>SCHEDULE 3</b>				
<b>SECURED LOANS</b>				
Foreign Currency Loans [Refer Schedule 19 - Note 4(a)]	708,811	–	708,811	619,656
From Banks	994,202	–	994,202	862,981
[Refer Schedule 19 - Note 4(b)]				
Interest accrued and due	3,569	–	3,569	1,924
From Others (including HP creditors) [Refer Schedule 19 - Note 4(c)]	362,168	710,009	1,072,177	2,672,778
	<u>2,068,750</u>	<u>710,009</u>	<u>2,778,759</u>	<u>4,157,339</u>
<b>UNSECURED LOANS</b>				
Short Term Loans and Advances :				
From Banks	939,791	–	939,791	223,797
[Refer Schedule 19 - Note 4(d)]				
From Others	13,006	–	13,006	555,743
[Refer Schedule 19 - Note 4(d)]				
	<u>952,797</u>	<u>–</u>	<u>952,797</u>	<u>779,540</u>

**SCHEDULE 4  
CONSOLIDATED FIXED ASSETS [Refer Schedule 19 - Note 5]**

Rs. Thousands

Net Value of Assets as at March 31, 2004	Particulars	Cost			Gross Value of Assets as at March 31, 2005	As At March 31, 2004	Depreciation			As At March 31, 2005	Net Value of Assets as at March 31, 2005
		Gross Value of Assets as at March 31, 2004	Additions	Sales			Deletions	For the year	Rs.		
Rs.		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
907	Goodwill	907	-	-	907	-	-	-	-	-	907
-	Licenses	-	37	-	37	-	-	-	-	-	37
26,939	Land - Freehold	26,939	2,529	1,532	27,936	-	-	-	-	-	27,936
92,805	Land - Leasehold	98,337	-	-	98,337	5,532	-	1,146	-	6,678	91,659
289,790	Buildings	347,786	24,466	-	372,252	57,996	-	13,904	-	71,900	300,352
661,617	Plant and Machinery	880,842	260,339	4,638	1,136,543	219,225	1,261	105,916	-	323,880	812,663
28,331	Office Machinery	40,495	6,958	917	46,536	12,164	340	6,531	-	18,355	28,181
35,273	Furniture & Fittings	45,742	18,058	607	63,193	10,469	78	3,975	-	14,366	48,827
5,638	Lab Equipments	6,737	1,713	-	8,450	1,099	-	426	-	1,525	6,925
43,257	Vehicles	55,746	9,924	5,350	60,320	12,489	1,233	5,609	-	16,865	43,455
1,184,557		1,503,531	324,024	13,044	1,814,511	318,974	2,912	137,507	-	453,569	1,360,942
446,975	Share of Joint Venture	540,145	26,431	1,364	565,212	93,170	221	44,673	-	137,622	427,590
1,631,532		2,043,676	350,455	14,408	2,379,723	412,144	3,133	182,180	-	591,191	1,788,532
196,344	Capital works in progress at cost and capital advances										60,204
7,642	Share of Joint Venture										20,925
1,835,518											1,869,661

Capital works in progress at cost and capital advances Rs.7,537 (2004 : Rs.77,881)

## Schedules (Contd.)

Rs. Thousands

	2005	Joint Venture	Total	2004
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE 5</b>				
<b>INVESTMENTS</b>				
Government Securities :				
National Savings Certificates	154	–	154	174
Long Term, Non-Trade (Unquoted) :				
United East Bengal Football Team Private Limited *	50	–	50	50
Zorastrian Co-op. Bank Limited	100	–	100	100
Millennium Alcobev Private Limited	589,529	(589,529)	–	–
	589,833	(589,529)	304	324
* Associate Company Goodwill arising on consolidation	(50)	–	(50)	(50)
Share in JV's Investments	–	19,661	19,661	16,631
Net Investments	589,783	(569,868)	19,915	16,905
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>CURRENT ASSETS</b>				
<b>SCHEDULE 6</b>				
<b>INVENTORIES</b>				
Raw Materials	89,904	19,438	109,342	102,115
Stores and Spares	158,753	11,347	170,100	128,514
Finished Goods (Including Traded Goods)	321,768	15,555	337,323	267,726
Goods in transit	20,743	–	20,743	23,961
	591,168	46,340	637,508	522,316
<b>SCHEDULE 7</b>				
<b>SUNDRY DEBTORS</b>				
(Unsecured, unless stated otherwise)				
Considered Good				
– Over Six Months	33,522	–	33,522	19,973
– Others [Refer Schedule 19 - Note 10]	1,067,029	–	1,067,029	876,350
Considered Doubtful				
– Over Six Months	15,489	–	15,489	99,928
– Others [Refer Schedule 19 - Note 10]	–	–	–	–
	1,116,040	–	1,116,040	996,251
Less : Provision for Doubtful Debts	(15,489)	–	(15,489)	(99,928)
	1,100,551	–	1,100,551	896,323
<b>SCHEDULE 8</b>				
<b>CASH AND BANK BALANCES</b>				
Cash and Cheques on hand including remittances in transit	1,174	275	1,449	7,592
Balances with Scheduled Banks :				
– in Current Account	126,824	14,778	141,602	130,321
– in Deposit Account	47,902	14,136	62,038	66,164
	175,900	29,189	205,089	204,077
<b>SCHEDULE 9</b>				
<b>OTHER CURRENT ASSETS</b>				
Income accrued on Investments and Deposits	449	193	642	470
Fixed Assets held for disposal	–	–	–	22,550
	449	193	642	23,020

## Schedules (Contd.)

Rs. Thousands

	2005 Rs.	Joint Venture Rs.	Total Rs.	2004 Rs.
<b>SCHEDULE 10</b>				
<b>LOANS AND ADVANCES</b>				
(Unsecured, considered good unless otherwise stated)				
Loan to United Breweries (Holdings) Limited (Secured by an exclusive first charge on an immovable property of the Company and a second charge on certain other immovable properties/Investments of the Company)	1,599,865	–	1,599,865	1,600,000
Advances Recoverable in cash or in kind or for value to be received				
– Considered Good *	113,873	728,348	842,221	741,215
– Considered Doubtful	6,539	–	6,539	58,760
Less : Provision for Doubtful Advances	(6,539)	–	(6,539)	(58,760)
* including : Rs. 146 (2004 : Rs.161) due from Directors of the Company.				
– maximum amount due during the year				
Rs. 161 (2004 : Rs. 178)				
Balances with Excise Authorities	8,086	10	8,096	10,011
Other Deposits [Refer Schedule 19 - Note 9 (a)]	331,238	5,851	337,089	389,460
Advance Income Tax/Tax deducted at source (Net)	13,067	3,406	16,473	16,687
	<b>2,066,129</b>	<b>737,615</b>	<b>2,803,744</b>	<b>2,757,373</b>
<b>SCHEDULE 11</b>				
<b>LIABILITIES</b>				
Acceptances	80,923	–	80,923	76,291
Sundry Creditors				
– Trade Payable	478,850	–	478,850	647,048
– Other Payable	1,017,400	108,856	1,126,256	1,030,541
Interest accrued but not due	1,502	81	1,583	138,198
	<b>1,578,675</b>	<b>108,937</b>	<b>1,687,612</b>	<b>1,892,078</b>
<b>SCHEDULE 12</b>				
<b>PROVISIONS</b>				
Gratuity/Leave Encashment Payable	46,371	1,544	47,915	52,385
Provision for Tax (net)	22,997	290	23,287	–
Provision for Loss of Investment	–	3,218	3,218	–
	<b>69,368</b>	<b>5,052</b>	<b>74,420</b>	<b>52,385</b>
<b>SCHEDULE 13</b>				
<b>SALES &amp; SERVICE</b>				
Sales	6,383,833	461,098	6,844,931	5,782,867
Income from Services	748,277	–	748,277	720,559
	<b>7,132,110</b>	<b>461,098</b>	<b>7,593,208</b>	<b>6,503,426</b>

## Schedules (Contd.)

Rs. Thousands

	2005	Joint Venture	Total	2004
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE 14</b>				
<b>OTHER INCOME</b>				
Guarantee Commission	–	632	632	242
Liabilities no longer required written back	37,973	–	37,973	6,723
Income from Investments	15	9,310	9,325	46,301
Profit on sale of Investments	–	–	–	115
Miscellaneous Income	87,123	–	87,123	128,062
Provision for Doubtful Advances no longer required written back	56,745	–	56,745	1,911
Provision for Doubtful Debts no longer required written back	87,977	–	87,977	160
	<b>269,833</b>	<b>9,942</b>	<b>279,775</b>	<b>183,514</b>

## SCHEDULE 15 COST OF SALES

### Manufacturing Expenses :

Consumption of Raw Materials	726,899	62,041	788,940	699,583
Consumption of Stores and spares	1,638,482	202,980	1,841,462	1,509,248
Purchase of Finished Goods	74,426	–	74,426	174,910
Power and Fuel	244,137	35,160	279,297	256,317

### Personnel Expenses :

Salaries, Wages and Bonus	312,625	37,566	350,191	293,266
Contribution to Provident & Other Funds	23,981	2,920	26,901	23,439
Gratuity	15,984	–	15,984	13,523
Welfare Expenses	31,355	946	32,301	28,068

### Others :

Rent	36,213	6,128	42,341	21,810
Insurance	7,613	1,142	8,755	8,622
Repairs Building *	12,839	398	13,237	11,421
Repairs to Machinery *	60,320	5,435	65,755	52,448
Travel and Conveyance	56,267	–	56,267	43,133
Communication Expenses	12,809	–	12,809	10,886
Rates and Taxes	248,408	4,880	253,288	217,221
Prior period revenue	–	–	–	1,720
Facility Fees	166,267	–	166,267	130,395
Other Miscellaneous Expenses	94,412	105,157	199,569	211,551

\* includes material consumed Rs.28,078 (2004 : Rs.24,857)

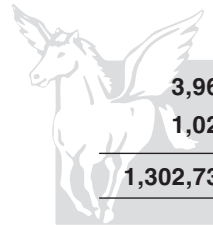
### Changes in Inventory

Opening Stock	253,101	14,890	267,991	225,461
Closing Stock	(321,768)	(15,559)	(337,327)	(267,726)
Excise Duty on Opening Stock	(136,357)	–	(136,357)	(124,216)
Excise Duty on Closing Stock	140,202	–	140,202	136,357
	<b>3,698,215</b>	<b>464,084</b>	<b>4,162,299</b>	<b>3,677,437</b>

## Schedules (Contd.)

Rs. Thousands

	2005	Joint Venture	Total	2004
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE 16</b>				
<b>OTHER EXPENSES</b>				
Selling and Promotion Expenses	1,143,544	–	1,143,544	920,505
Directors Fees	680	–	680	469
Auditors Remuneration	5,668	255	5,923	6,087
Bad Debts written off	85,540	–	85,540	5,429
Provision for Doubtful Debts	1,465	–	1,465	7,807
Provision for Doubtful Advances	5,000	112	5,112	108
Advances written off	55,860	–	55,860	–
Loss on sale of Investments	–	–	–	20,104
Less : Provision no longer required	–	–	–	(20,068)
Loss on sale of Assets (Net)	3,962	296	4,258	274
Provision for Idle Assets	1,020	–	1,020	–
	<u>1,302,739</u>	<u>663</u>	<u>1,303,402</u>	<u>940,716</u>
<b>SCHEDULE 17</b>				
<b>INTEREST</b>				
On Fixed Loans	279,177	–	279,177	75,417
On Others	134,755	70,379	205,134	471,018
	<u>413,932</u>	<u>70,379</u>	<u>484,311</u>	<u>546,435</u>
Less : Interest Received	170,608	56,669	227,277	117,665
	<u>243,324</u>	<u>13,710</u>	<u>257,034</u>	<u>428,770</u>



UB

UNITED  
BREWRIES  
LIMITED



# Significant Accounting Policies for the year ended March 31, 2005

## SCHEDULE 18

### CONSOLIDATED ACCOUNTS

#### 1. Basis of Presentation of Financial Statements :

The Financial Statements of the Company have been prepared under historical cost convention, to comply in all material aspects with the Generally Accepted Accounting Principles (GAAP) applicable in India, the Accounting Standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

#### Basis of Consolidation :

The Financial Statements of the Subsidiaries and the Joint Venture (JV) used in the consolidation are drawn up to the same reporting date as that of the parent company, i.e., year ended March 31, 2005.

#### Estimates :

The preparation of the financial statements in conformity with GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual result could differ from those estimates.

#### 2. Principles of Consolidation :

- i) The financial statement of the parent company and its subsidiaries have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenditure after eliminating intra group balances and intra group transactions.
- ii) The financial statements of the parent company and its subsidiaries have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances, except that :
  - (a) Depreciation in Mangalore Breweries & Distilleries Limited (MBDL), London Draught Pubs Private Limited and London Pilsner Breweries Private Limited have been determined using Written Down Value Method, instead of straight line basis followed by others.
  - (b) Deferred Revenue expenses in JV are charged off over a longer period and not charged off in the year of incurrence.
- iii) The financial statement of the JV has been consolidated on a line by line basis for the proportionate share in the JV, by adding together the book values of like items of assets, liabilities, income and expenditure after eliminating Company's share of intra group balances as per the books of the company and intra group transactions.
- iv) Goodwill represents the difference between the Company's share in the networth and the cost of acquisition of a subsidiary and JV at each point of time of making the investment in the subsidiary and JV. Goodwill arising on consolidation is not amortised. Negative goodwill is recognised as capital reserve on consolidation.
- v) Investments in Associate Companies have been accounted under the Equity Method as per Accounting Standard 23. Under the Equity Method of accounting, the investment is initially recorded at cost, identifying any goodwill/capital reserve arising at the time of acquisition. The carrying amount of investment is adjusted thereafter for the post acquisition change in the investor's share of net assets of the Investee. The consolidated statement of profit and loss reflects the investor's share of the results of operations of the investee.

#### 3. Revenue Recognition :

Revenue from sale of goods is recognised in accordance with the terms of sale, on despatch from the Breweries/warehouses of the Company, and is net of trade discount but includes Excise Duty. Income from brand licensing is recognised at contract rates on sale/production of the branded products by the Contract Breweries. Dividend income is recognised when the Company's right to receive is established. Royalty from foreign entities is recorded as per terms of agreement net of tax.

#### 4. Borrowing Costs :

Borrowing costs incurred for the acquisition of qualifying assets are recognised as part of cost of such assets when it is probable that they will result in future economic benefits to the Company while other borrowing costs are expensed.

## Significant Accounting Policies (Contd.)

### 5. Fixed Assets :

The cost of Fixed assets taken over on demerger have been determined with reference to their book values (excluding revaluation) on July 31, 2001, as appearing in the books of United Breweries (Holdings) Ltd.

Fixed assets acquired on or after August 1, 2001 are stated at their original cost of acquisition and subsequent improvement thereto including taxes, duties, freight and other incidental expenses relating to acquisition and installation of such assets.

Fixed assets acquired under hire purchase/installment credit schemes are capitalised at cost. Fixed assets taken on finance lease prior to March 31, 2001 are not capitalised.

Assets identified and evaluated technically as obsolete and held for disposal are stated at their estimated net realizable value.

### 6. Investments :

Investments being long term in nature, are stated at cost. Cost includes expenses such as professional/legal charges relating to acquisition/subscription. Diminution in value of investments, if considered permanent, is provided for.

### 7. Inventories :

Raw Materials and Stores and spare parts are valued at cost on FIFO basis. Cost includes freight, taxes and duties.

Work-in-process and finished goods are valued at the lower of cost and realisable value including Excise Duty. Cost includes all direct costs and applicable production overheads.

### 8. Foreign Currency Transactions :

Foreign Currency transactions are accounted at the exchange rates prevailing on the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Foreign currency liability contracted for acquiring fixed assets are restated at the rates ruling at the year end and all exchange differences arising as a result of such restatement are adjusted to the cost of the asset.

### 9. Depreciation :

Depreciation on Fixed assets is determined using Straight Line Method based on the rates prescribed under Schedule XIV of the Companies Act, 1956 except in Mangalore Breweries & Distilleries Ltd. (MBDL), London Draught Pubs Private Ltd. and London Pilsner Breweries Private Ltd. where it is determined using Written Down Value Method.

Leasehold Land is amortised over the period of lease.

### 10. Deferred Revenue Expenditure :

The payments under the Voluntary Retirement Scheme are amortised over a period of 60 months. Preliminary expenses are amortised over a period of 120 months.

### 11. Retirement Benefits :

a. Liability towards gratuity payable in future to employees is ascertained on actuarial basis as at the year end and funded into gratuity fund maintained by Life Insurance Corporation of India except in respect of ABDL, where such provisions, though made, are not funded.

b. Contributions to Pension and Superannuation Funds are made to separate trust funds.

c. Leave encashment benefit to employees is determined on actuarial basis and provided for.

### 12. Taxes on Income :

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

### 13. Contingent Liabilities :

All known liabilities, wherever material, are provided for and liabilities, which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of Notes to the Accounts.

# Notes on Consolidated Accounts

## SCHEDULE 19

### NOTES ON CONSOLIDATED ACCOUNTS

1. The Consolidated Financial Statement (CFS) present the consolidated accounts of United Breweries Limited with its following subsidiaries, Associates and Joint Venture :

	Ownership Percentage		Country of Incorporation
	2005	2004	
<b>Name of the Subsidiary</b>			
Associated Breweries & Distilleries Limited (ABDL)	100.00	65.00	India
London Draft Pubs Private Limited (Subsidiary of ABDL)	100.00	100.00	India
London Pilsner Breweries Private Limited (Subsidiary of ABDL)	100.00	100.00	India
Mangalore Breweries & Distilleries Limited (MBDL)	98.20	98.15	India
<b>Name of the Associate</b>			
United East Bengal Football Team Private Limited (UEBF)	50.00	50.00	India
<b>Name of the Joint Venture</b>			
Millennium Alcobev Private Limited (MAPL)	40.00	40.00	India

2. The unaudited financial statements of Millennium Alcobev Private Limited (MAPL), along with its subsidiaries GMR Beverages & Industries Limited and Empee Breweries Limited and an associate Millennium Beer Industries Limited (MBIL), have been consolidated as per Accounting Standard (AS) - 27.
3. The group evaluates the carrying value of its Goodwill whenever events or changes in circumstances indicate that its carrying value may be impaired for diminution, other than temporary. The group has currently reassessed the circumstances that could indicate the carrying amount of Goodwill may be impaired. As a consequence of such reassessment, the management believes that the expected revenues and earnings of the acquired entities are sustainable in the foreseeable future, and there is no need for writing down the goodwill.

4. <b>Loans Funds :</b>	2005 Rs.	2004 Rs.
<b>Secured Loans</b>		
(a) Foreign Currency Loan	708,811	619,656
Loan repayable within one year - Rs. 228,991 (2004 : Rs. 139,656) External Commercial Borrowing is secured by first charges on all the moveable and immovable properties of the Company and pledge of certain investments in favour of Scottish Courage Limited and the Foreign Currency loan is secured as detailed below under loan from Banks.		
(b) From Banks	997,771	864,905
Loans repayable within one year – Rs. 925,972 (2004 : Rs. 531,378) Secured by hypothecation of stock in trade, stores, raw materials, book debts and a second charge on all the immovable properties of the Company.		
(c) From Others	350,000	Nil
Rabo India Finance Private Limited [Includes bridge loan of Rs. Nil (2004 : Rs. 2,000,000) availed against the proposed Redeemable Optionally Convertible Preference Shares (ROCPS) issue]. Loans repayable within one year – Rs.91,667 (2004 : Rs.2,050,000) Secured by pledge of certain Investments held by a third party and a first charge on certain assets of the Company	Nil	2,050,000

## Notes on Consolidated Accounts (Contd.)

	2005 Rs.	2004 Rs.
4. (c) Hire Purchase Creditors Secured by Assets purchased under Hire Purchase Scheme	12,168	10,546
(d) <b>Unsecured Loans</b> Loans repayable within one year – Rs. 949,791 (2004 : Rs. 223,797)	952,797	779,540
(e) <b>Deferred Credits</b> Secured by Assets purchased under the Scheme	43,461	40,000

### 5. Fixed Assets :

- a) Land includes Rs. 21,411 representing stamp duty and registration charges on leasehold land held prior to March 31, 2001.
- b) Buildings amounting to Rs. 14,115 and Plant & Machinery amounting to Rs. 23,884 are in premises not owned by the Company.
- c) Cost relating to fixed assets of ABDL as on April 1, 2001 represents assets of partnership firm Associated Breweries & Distilleries transferred to the Company at Written Down Value as at April 1, 1995.
- d) Leasehold land relating to ABDL is held in the name of the promoters as at the Balance Sheet date and subsequently transferred in the name of ABDL.

6. Pursuant to the resolution passed by the members of the JV at its Extra Ordinary General Meeting held on 20th January, 2005, the JV had filed an application with the Registrar of Companies (ROC), Chennai for name change of the Company to Millennium Alcobev Private Limited. The approval for the same was accorded on 24th February, 2005. The JV's name stands changed to Millennium Alcobev Private Limited.

7. Pursuant to the approval by the Board of Directors of the JV at its meeting held on 27th January, 2004, and approval by the respective Boards of Directors of GMR Beverages and Industries Limited and Empee Breweries Limited at their meeting held on 28th January 2004, the subsidiaries of the JV has filed a petition in the Honourable High Court of Judicature at Madras/Andhra Pradesh for merger of its wholly owned subsidiaries, Empee Breweries Limited and GMR Beverages and Industries Limited, with the JV company with effect from 1st July, 2002. The said Petition has been admitted by the respective High Courts of Judicature and now pending Order. Consequently, no effect of the merger/operations has been given in preparing the accounts of the JV.

During the year, the JV received a request from the Board of Directors of its wholly owned subsidiaries GMR Beverages and Industries Limited and Empee Breweries Limited requesting the company not to charge interest on monies advanced to them. Considering the financial condition of its wholly owned subsidiaries and since the JV has already started the process of merger of its subsidiaries with itself, the Board of Directors of the JV has acceded to the request and consequentially no interest has been charged by the JV to its wholly owned subsidiaries during the year for the monies advanced to them.

8. Agreement for acquisition of 51.753% of the Issued Capital of Millennium Beer Industries Limited [Formerly known as Inertia Industries Limited] :

The open offer for acquisition of 35% of equity capital in Millennium Beer Industries Limited (Formerly known as Inertia Industries Limited)(MBIL) opened on 22nd April, 2004 and closed on 21st May, 2004. The Offer formalities including acceptance/rejection and payment of consideration in respect of acquired shares were completed by 19th June, 2004. In the Offer the JV acquired 14,266,960 Equity Shares (7,531,110 Equity Shares in demat form and 6,735,850 Equity Shares in physical form) representing 26.03% of the Equity Share Capital of MBIL.

In compliance of the undertaking given to SEBI, the JV made its efforts to resolve the prolonged pending issues relating to listing of shares of MBIL. However, the listing approvals of Stock Exchanges are still awaited. In view of the Undertaking dated 15th April, 2004 given by MAPL to SEBI, the Share Purchase Agreement (SPA) remain on hold. Consequently 51.753% of the shares forming part of the SPA still remains in the Escrow Account and the voting rights for these shares also remain with the transferors. Accordingly MBIL has been considered as an associate to the JV.

### 9. Loans and Advances include :

- a) Deposit of Rs. 205,000 with two companies whose brewery facilities are being utilised by the company for production of Company's brands of Beer under contract brewery arrangements.
- b) Rs. 50,000 paid in earlier years to a company whose brewery facilities are being utilised by the company for the production of Company's brands of Beer under contract brewery arrangements. The said company has made a reference to the Board for Industrial and Financial Reconstruction (BIFR), being a sick company. The management proposes to recover/adjust the advances from the Company based on the brewery operations carried out by them.

## Notes on Consolidated Accounts (Contd.)

### 10. Debtors :

Debtors - Others include Rs. 19,739 which is due from a company whose brewery facilities are being utilised by the company for the production of Company's brands of Beer under contract brewery arrangements. As stated in note 9 (b) above, the said company has made a reference to the BIFR, being a sick company. As per the arrangement, the said due is being paid over a period of three years. The commitment for the current year has been fulfilled.

11. The Board of MBDL has intimated the BIFR, under Section 15 of Sick Industrial Companies (Special Provisions) Act, 1985. MBDL does not propose to opt for any rehabilitation package from its lenders/creditors and therefore sought a clarification from BIFR as to whether appointment of Operating Agency is mandatory, and pending clarification, no action has been taken in this regard.

12. The Board of ABDL has intimated the BIFR under Section 15 of Sick Industrial Companies (Special Provisions) Act, 1985. ABDL does not propose to opt for any rehabilitation package from its lenders/creditors and therefore sought a clarification from BIFR as to whether appointment of Operating Agency is mandatory, and pending clarification, no action has been taken in this regard.

### 13. Details of Deferred Revenue Expenditure :

Nature of Expenditure	2004	Additions/(charge) for the period	2005
	Rs.	Rs.	Rs.
Brand Launch Expenses	16,591	(16,591)	Nil
Voluntary Retirement Scheme	20,624	(10,612)	10,011
Preliminary Expenses	309	(73)	236
<b>Total</b>	<b>37,524</b>	<b>(27,276)</b>	<b>10,247</b>
<b>Share of Joint Venture</b>	<b>2,598</b>	<b>(791)</b>	<b>1,807</b>
<b>Total</b>	<b>40,122</b>	<b>(28,067)</b>	<b>12,054</b>

### 14. a. Contingent Liabilities :

Particulars	2005 Rs.	2004 Rs.
Estimated amount of Contracts to be executed on Capital Account (Net of Advances)	11,850	55,067
Sales Tax demands under appeal *	12,410	8,276
Excise Duty/Customs Duty demands under appeal *	9,683	10,286
Claims against the Company not acknowledged as debt *	114,373	116,199
Future commitments for Interest/lease rental payable on deferred credits/lease	7,214	10,638
Letter of Credit outstanding	38,424	20,892
Bank Guarantees	538,294	730,893
Liability for a put option for investment in a Subsidiary. The option is already exercised and settled	Nil	262,741
Dividend on Cumulative preference shares placed with Associated Breweries & Distilleries Limited not provided for (relates to years ended March 31, 2002 to March 31, 2005 due to inadequacy of profits)	162,560	121,920
Income Tax demands under appeal *	Nil	547
Consideration payable to the erstwhile promoters of ABDL withheld against possible tax benefits if any availed by ABDL towards its future profits	32,300	32,300
Commitment as per the joint venture agreement to place funds in the form of Preference Capital	100,000	200,000
Letter of undertaking to distributors towards countervailing duty for imports from Nepal	38,500	Nil

(\* In the opinion of the management, the above demands/claims are not sustainable in law and accordingly no provision has been made in the accounts)

## Notes on Consolidated Accounts (Contd.)

### 14. b. Contingent Liabilities of JV :

Income tax demands under appeal Rs.2,036 and Sales tax demands under appeal Rs.138.

Estimated amount of contracts to be executed on Capital account (net of advances) - Rs.24,346.

### 15. Segmental Reporting :

The Company is engaged in manufacture, purchase and sale of beer including licensing of brands which constitutes a single business segment.

### 16. Accounting for Taxes on Income :

In accordance with the 'Accounting Standard 22 – Accounting for Taxes on Income', issued by the Institute of Chartered Accountants of India, the Company has recognised deferred tax liability of Rs. 81,026.

Particulars	2004 Rs.	Current year charge/(Credit)/ effective tax rate adjustment Rs.	2005 Rs.
<b>Deferred Tax Liability</b>			
Difference between book and tax depreciation	75,095	32,750	107,845
<b>Deferred Tax Asset</b>			
Tax Loss	(64,077)	39,832	(24,245)
Leave Salary	Nil	(2,099)	(2,099)
Doubtful Debtors	(21,948)	21,473	(475)
<b>Total</b>	(10,930)	91,956	81,026
<b>Share of JV</b>	Nil	6,799	6,799

With regard to the subsidiaries ABDL and MBDL, the timing difference relating mainly to depreciation and business losses for the period up to March 31, 2005, result in net deferred tax asset. As a prudent measure, the net deferred tax asset relating to the above have not been recognised in the accounts.

### 17. Related Party Disclosures :

#### i. Names of the related parties :

##### Associates :

- United East Bengal Football Team Private Limited (UBEFT)
- Millennium Beer Industries Ltd. (MBIL)  
[Formerly Inertia Industries Limited (Upto May 8, 2003)]

##### Key Management Personnel : (KMP)

- Mr. Kalyan Ganguly

##### Relative of Key Management Personnel :

- Mrs. Suparna Bakshi Ganguly  
(Wife of Mr. Kalyan Ganguly)

## Notes on Consolidated Accounts (Contd.)

### 17. ii. Transactions with Related Parties during the period :

Particulars	MBIL		UBEF		KMP	
	2005	2004	2005	2004	2005	2004
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Purchase of goods	-	11,921	-	-	-	-
Receipts against rendering Services	-	2,069	-	-	-	-
Payment against rendering Services	-	12,719	20,000	16,100	-	-
Sale of Investments	-	244,347	-	-	-	-
Finance (Including Loans in Cash or Kind)*	-	(24,836)	-	-	-	-
Remuneration to Managing Director	-	-	-	-	12,661	13,975 #
Amount due From/(To) as at March 31, 2005	-	9,834	-	-	-	146

\* Figures in brackets represents amount received.

# Includes payment to relative of KMP amounting to Rs.1,442 (2004 : Rs.1,409).

Transactions with Scottish & Newcastle Plc, (S&N) the holding company of the following:

Scottish Courage Limited (SCL)

Scottish & Newcastle India Limited (SNIL)

Scottish & Newcastle India (Private) Limited (SNIPL)

Transaction with S&N – Nil (2004:Nil)

Transaction with SCL – ECB Rs. 479,820 (2004: Rs. 480,000)

– Interest on ECB Rs. 18,287 (2004 : Rs. 9,873)

Transaction with SNIL – Nil (2004:Nil)

Transaction with SNIPL – Subscription to Redeemable Optionally Convertible Preference Shares (ROCPS) – Rs. 1, 837,756 (2004: Rs. Nil)  
Dividend on above – Rs. 33, 482 (2004: Nil)

### 18. Earnings Per Share :

For the purpose of computing earnings per share, the profit after tax for the period has been used as the numerator and 17,820,603 shares has been used as the denominator. In the absence of specific conversion terms, any enhancement to the number of shares on account of conversion of ROCPS is not considered for diluted EPS.

### 19. Pursuant to the unanimous approval of the members of the company in the Extra Ordinary General Meeting held on January 20, 2005 and in accordance with SEBI Takeover Regulation, 1997 :

- S&N acquired 20% of the enhanced capital of the Company by way of an open offer @ Rs.575 per share. The offer opened on February 7, 2005 and closed on February 26, 2005;
- 37,79,522 equity shares of Rs.10 each @ Rs.575 per share amounting to Rs.2,173,225,150 were allotted on a preferential basis to S&N on April 7, 2005; and
- 2,46,90,000 Cumulative Redeemable Preference Shares of Rs.100 each at a coupon of 3% per annum amounting to Rs.2,469,000,000 were allotted to S&N on April 7, 2005, the proceeds of which was utilized to redeem the existing ROCPS of Rs.2,136,907,700.

### 20. Utilisation of ROCPS proceeds of Rs.2,136,908

Loan given to United Breweries (Holdings) Limited	1,250,000
Debt Repayment	886,908

### 21. Cash Flow Statement :

- The Cash Flow Statement has been compiled from and is based on the Consolidated Balance Sheet as at March 31, 2005 and the related Profit and Loss Account for the year ended on that date.
- The Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standards – 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.

22. All amounts are in Rupees thousands, unless otherwise stated.

23. The current year's figures include transactions relating to MAPL and, hence, are not comparable to those of previous year.

24. The previous year's figures have been regrouped to conform to the current year's classifications.

**SUMMARISED FINANCIALS OF SUBSIDIARY COMPANIES**

Rupees in Thousands

Sl. No.	Name of the Subsidiary	Issued & Subscribed Share Capital	Reserves & Surpluses	Total Assets	Total Liabilities	Investments	Profit & Loss A/c Debit Balance	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation
1.	Associated Breweries & Distilleries Limited	294,000	–	696,098	696,098	560	570,546	244,248	(50,670)	–	(50,670)
2.	London Draft Pubs Private Limited	500	–	1,678	1,678	50	1,104	43	(33)	–	(33)
3.	London Pilsner Breweries Private Limited	500	–	18,754	18,754	–	–	–	–	–	–
4.	Mangalore Breweries & Distilleries Limited	99,800	–	541,488	541,488	10	(299,739)	558,555	(5,618)	–	(5,618)

Notes : 1. None of the above Companies has proposed any dividend.

2. The Annual Report along with related information of the above companies shall be made available for investors of the Company and its subsidiaries seeking the Report/information at any point of time.

3. The Annual Report is also available for inspection of investors at the Registered Office of the Company and its Subsidiaries.