

# Report of the Directors

The Directors of United Breweries Limited have pleasure in presenting their Annual Report with Audited Accounts of your Company for the year ended March 31, 2007.

## SCHEME OF AMALGAMATION

In order to consolidate all brewing entities of the group under one umbrella and streamline the brewing operations, your Company had implemented yet another scheme for amalgamation of Karnataka Breweries and Distilleries Private Limited (KBDL), London Pilsner Breweries Private Limited (LPBPL) and London Draft Pubs Private Limited (LDPPL) into your Company. The said Scheme has been granted by the Honourable High Courts of Karnataka and Bombay respectively with retrospective effect from April 01, 2006. Amalgamation of these Companies has ensured creation of a larger entity and synergies in the business besides economies of scale which has ultimately resulted in cost savings, pooling of managerial skills and enhancement of management focus thereby leading to higher profitability and enhancing shareholder value.

## FINANCIAL RESULTS

Your Company's financial performance for the year ended March 31, 2007 is summarised below. The figures for the financial year under review include operations of the amalgamated Companies viz., KBDL, LPBPL and LDPPL and are, therefore, not directly comparable with the previous year. However, for proper understanding of key financial indicators, comparable figures to reflect the operations of KBDL, LPBPL and LDPPL in the previous year are provided under the head "Operations" in this report.

(Figures in Million Rupees)

	2006-2007	2005-2006
Net Turnover .....	<b>10537.8</b>	6873.5
Profit before Interest & Depreciation .....	<b>1615.1</b>	1371.6
Interest .....	<b>279.8</b>	239.0
Depreciation .....	<b>385.4</b>	208.6
Profit before non recurring items .....	<b>949.9</b>	924.0
Non recurring items .....	—	304.7
Profit before Taxation .....	<b>949.9</b>	619.3
Provision for Taxation .....	<b>(299.0)</b>	(425.3)
Profit after Tax available for appropriations .....	<b>650.9</b>	194.0
<b>Appropriations</b>		
Dividend on Equity Shares (including Taxes thereon)		
Interim Dividend paid .....	<b>37.0</b>	37.0
Final Dividend proposed .....	<b>19.0</b>	18.5
Dividend on Preference Shares paid (including Taxes thereon) .....	<b>84.5</b>	93.1
Balance your Directors propose to carry to the Balance Sheet .....	<b>434.2</b>	10.6

## DIVIDEND

Your directors declared an interim dividend on equity shares @ 15% in January 2007. Your directors take pleasure in declaring a final dividend of 10% to make a total equity dividend distribution of 25% for the year ended March 31, 2007.

Your Company paid a dividend on the cumulative redeemable preference shares at the rate of 3% under the terms of the issue of the 24.69 million cumulative redeemable preference shares held by Scottish & Newcastle.

## CAPITAL

During the year under review, the authorised share capital of the Company remained unchanged at Rs.2,800 million comprising of equity share capital of Rs.300 million and preference share capital of Rs.2,500 million. The issued, subscribed and paid-up share capital as on March 31, 2007 stood at Rs.2,685 million comprising of Rs.216 million (Re.1/- each) equity share capital and Rs.2,469 million cumulative redeemable preference shares.

In terms of the earlier scheme of arrangement granted by the Honourable High Court of Karnataka, your Company allotted, 42,180 equity shares of Re.1/- each to the existing equity shareholders of Mangalore Breweries & Distilleries Limited (MBDL) on 4<sup>th</sup> November 2006. The paid-up equity share capital base has expanded marginally on this account.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

The year under review has seen the Indian beer industry achieve unprecedented growth of nearly 30%. Following recent historic growth in the industry of between 7 – 8 % per annum, the industry continued to grow at double digit for the second year in a row, recording sales of about 137 million cases in 2006-2007 and is expected to cross 155 million cases by the end of the current financial year.

Structural changes in the northern states of Punjab, Haryana and Chandigarh which led to the previous auction route to market being dismantled, resulted in significant growth across the north of India by making beer more affordable and increased availability. This growth was evidenced from the beginning of the first quarter of the financial year under review. It is clear that given the huge growth witnessed in the northern States following the introduction of more liberal policies, there is a significant demand for beer by consumers which current regulatory policy is suffocating, and in some instances driving consumers to drink spirits. Not only is this curtailing the growth of the industry, denying consumers a choice of low alcohol beverage, but governments too are losing high revenues in the form of taxation.

From a per capita consumption in 2000-2001 of around 0.1 litre, the industry has, during the last year, achieved a significant milestone with per capita consumption reaching 1 litre. This is phenomenal growth, however, when compared internationally, the consumption of beer in India remains at a very low level. The worldwide average per capita consumption is around 24 litres.

With less than 1/3<sup>rd</sup> of the Indian population of legal drinking age, accelerated growth can be expected in the coming years as the demography changes and consumer spending increases. As India will still boast the youngest population of any country in the World in 2020, the growth in beer consumption can be sustained for at least a further two decades. Further, today's youth hold more liberal views on alcohol consumption than earlier generations, and therefore as they achieve the legal drinking age, we expect a higher penetration in the future than currently.

In anticipation of this significant opportunity, and the fact that India now represents one of the fastest growing beer markets in the World, a number of International brewers have entered the Indian brewing Industry and existing manufacturers are planning expansion. Your Company has initiated substantial expansion plans which will help to retain and grow its market leadership.

The growth in India continues to be led by the Strong beer segment. This segment now accounts for around 65% of all beer drunk today, and has recorded growth of nearly 35% during the last 12 months. Mild beer too has grown by a robust 20%.

### OPERATIONS

The acquisition of brewery business of KBDL in Karnataka was completed during the year, bringing this strategically important asset into your Company's business as a wholly owned subsidiary of your Company, and, which has now been amalgamated with your Company effective from April 01, 2006. The financial statements presented include the brewing operations of KBDL and merged numbers of LDPPL and LPBPL.

For proper understanding of key financial indicators, comparable figures to reflect the operations of KBDL, LPBPL and LDPPL in the previous year are appearing below:

(Rs. in Million)

	2006-2007	2005-2006
Net Turnover	10,537.8	8,512.1
Profit before Interest & Depreciation	1,615.1	1,406.1
Profit before Taxation	949.9	600.2
Provision for Taxation	(299.0)	(420.9)
Profit after Tax	650.9	179.3

In just 8 years since its launch Kingfisher Strong overtook Kingfisher Premium during the year to become the top selling beer in India today. The brand achieved a record growth of over 45%, and became the first Indian beer to cross sales of 25 million cases.

In further record setting, Kingfisher Strong sold over 3 million cases in each of the States of Maharashtra, Karnataka and Tamil Nadu, as well as exceeding 1 million+ cases in 5 other States. Kingfisher Strong is the fastest growing beer brand in India.

Kingfisher Premium, the flagship superbrand, continues to record a sale of over 20 million cases for a second consecutive year, and remains the top selling Mild beer brand in India.

Price increases were implemented in a number of States leading to a low single digit increase in sales prices. Around 55% of the Company's volumes benefited from an increase, whilst on 45% of the volume, prices remained unchanged from the previous year, due to government intervention in pricing in a number of States. Given real increases in raw materials and packaging, your Company has not been able to pass on the full effect of even inflationary increases, and has to bear this strain in margins on the 45% of volume where prices have not changed. Maintenance of margins will remain a key challenge as long as industry is not in a position to set selling prices for its beer due to government policy. Increased demand and consequent economies of scale will offset this, overtime.

Last year your Company announced an investment of Rs. 4000 million in capacity expansion in existing breweries and 2 new Greenfield breweries, in Rajasthan and Orissa. Around half of the planned investment has been made to increase

## Report of the Directors (contd.)

existing production capacity by 20%. Both Rajasthan and Orissa commenced production in early 2007 with a capacity of 7.2 million and 1.5 million cases per annum respectively. Your Company will continue to invest in enhancing capacities to maintain its market leadership position in this fast growing market.

In order to finance the expansion, your Company negotiated new debt of Rs.1400 million, at the same time as renegotiating and re-financing the operations of Millennium Alcobev Private Limited (a 50% associate of your company), which has led to considerable savings in interest cost.

Though, remaining separate entities, synergies in the business operations of Millennium Alcobev Private Limited, with your Company have continued to accrue, resulting in further cost savings and a brand portfolio which offers a varied product to the consumer.

History was created, when your Company achieved the magical figure of US \$ 1 billion market capitalisation in January 2007. The market capitalisation as on the date of this report stands at Rs.66,109 million equivalent to US \$ 1.63 billion which is a record in beer industry in India.

### SALES

Your Company continues to lead the beer market in India with an overall market share of just under 40% and a combined market share of around 48%. Achieving a volume growth of 24.7% over the previous year, the sales volumes of your Company crossed 54.2 million Cases (66.1 million Cases combined) recording a turnover of Rs.10,537.8 million as compared to a volume of 43.4 million Cases and a turnover of Rs.6,873.5 million as on March 31, 2006 reflecting a growth of 53.3%.

While Kingfisher Strong has a market share of 38%, Kingfisher Premium has a market share of 66%, the Kingfisher brand commands a market share of over 35% in its own right, meaning that every 1 in 3 beers drunk in India today is a Kingfisher. The brand licensing in Australia and New Zealand continues to enhance brand equity and retention.

With an undiluted focus on the consumer and emphasis on delivering value, your Company launched its new range of offerings across the Country. Kingfisher Strong 330ml Can was launched in Goa, Pondicherry, West Bengal and Rajasthan markets, and, Kingfisher Strong 330ml pint bottle was also launched in Goa. The 500ml King Can (Kingfisher Strong) was successfully launched in Mumbai, Maharashtra, Karnataka & Pondicherry. Your Company also launched an exciting Multi Can pack to offer consumers a convenient take home pack.

### MANUFACTURING EXPENSES

The manufacturing expenses stood at 50.5% of the net sales as compared to 43.4% of the net sales in the previous year. The introduction of new pack sizes with a larger component of new bottles and Cans have in part, contributed to the increase in the manufacturing cost. In addition, an increase in the salience of Strong beer has further added to the cost base. During the last quarter your Company has faced significant increases in raw materials costs, in particular, barley and hops, where both are facing a worldwide shortage. Your Company has been able to better manage these costs through synergies obtained with the assistance of the Scottish & Newcastle Group procurement team. The impact of such increases in raw materials is expected to continue in the current financial year. The natural growth in volume and investment in new plant have helped to offset some of the increases through improved efficiencies and capacity utilisation.

### PERSONNEL AND OTHER OPERATING EXPENSES

Personnel expenses of your Company stood at Rs. 668 million as compared to Rs. 472 million in the previous year. This constituted 6.34% of the net sales as against 6.87% of the net sales in the previous year. Other operating expenses amounted to Rs. 602.7 million constituting 5.72% of the net sales. Personnel and other operating expenses are commensurate with the increased volumes during the year at higher productivity levels.

### ADVERTISEMENT AND BRAND PROMOTION

Your Company has spent 23.8% of the net sales on advertisement and brand promotion during the year compared to 22.8% of net sales spent in the previous year. Introduction of new innovative pack sizes coupled with increased volumes during the year has been the primary cause for increase in such spends. These innovative methods of marketing have not only retained target customers but have also ensured continuous recall of your Company's brands.

As a brand promotion initiative, your Company carried out a high decibel campaign during the football World Cup event in June 2006 to promote Kingfisher across the country through various mediums and also promoted local football events in Goa and West Bengal.

In yet another installment of movie promotions Kingfisher continued to be associated with various movies which have increased visibility of the brand. Your Company introduced Kingfisher Comedy performances inviting World renowned, stand up comedian, Jonathan Atherton to India for a whirlwind tour called "Kingfisher Comedy Nites" which were extremely popular.

As usual, Kingfisher extended its long standing association with the Mumbai Marathon again, amidst more excitement and good times than ever before.

The Kingfisher Swimsuit Calendar continues to be a spectacular success and received the Wall Calendar's Gold award at the 46<sup>th</sup> annual awards night conducted by the Association of Business Communications of India. Your Company continues its association with Baichung Bhutia for Kingfisher and Upendra for UB Export Lager.

Events like "Voice of Goa" and "Bangla Rock" continue to attract the attention of the youth of Goa and West Bengal. "The great Indian Oktober Festival" organised in Bangalore was attended by around 25,000 people and has been a success for the second consecutive year.

Significant investment has been made to improve the visibility of our brands. Across 7 States, over 1,200 chiller units have been installed to aid visibility and ensure that the consumer can enjoy a perfectly chilled beer. As a further innovation, investment has been made in creating the perfect experience and ambience to enjoy a Kingfisher through the establishment of Kingfisher lounges. Two have been recently opened at INOX (Goa) and PVR (Bangalore) serving exclusively Kingfisher beer.

### **PROFIT BEFORE INTEREST, DEPRECIATION AND TAXATION (PBITD)**

PBITD for the year under review stood at Rs. 1,615 million as compared to Rs. 1,372 million in the previous year reflecting an increase of 17.7%. This spectacular increase is on account of increased volumes, price rise in some States, stringent cost management and creation of capacities in critical markets.

### **INTEREST AND DEPRECIATION**

Interest paid during the year amounted to Rs. 279.8 million as against Rs. 239 million in the previous year. New funding raised to support the investment in new breweries and capacity expansion was drawn down during the year and has resulted in the increase in interest costs. Depreciation for the year was Rs. 385.4 million as compared to Rs. 208.6 million in the previous year, the increase due to the investment in new capacity at existing breweries, and the acquisition of the KBDL brewery during the year. Goodwill arising out of amalgamation of KBDL, LDPPL and LPBPL amounting to Rs. 623.9 million is amortized over a period of 5 years. The amortization charge for the year is Rs. 124.6 million which is included in this block.

### **PROFIT BEFORE AND AFTER TAXATION**

The Profit Before Taxation stood at Rs. 949.9 million as compared to the Profit Before Taxation of Rs. 619.3 million, an increase of 53.4%. The Profit After Taxation stood at an impressive figure of Rs. 650.9 million as against Rs. 194 million in the previous year. The amalgamation of the brewing business of Associated Breweries & Distilleries Limited and amalgamation of Mangalore Breweries & Distilleries Limited has helped the Company to optimize its tax affairs and profitability. Amalgamation of KBDL effective April 01, 2006 will further optimise the cost and levies thereby increasing profitability and shareholder value.

### **PROSPECTS**

The annual beer production in India has now reached 11 million hecto litres (HL) reflecting a steady increase from the year 2000 – 2001 when it had stood at 5.5 million HL. The per capita consumption of around 1 litre, is still very low compared to other emerging countries around the World, where consumption stands at around 24 litres per capita. Coupled with an attractive demographic landscape, sound economic growth with a consequent rise in GDP, and a young population with more liberated views towards alcohol, the future opportunity of the Indian beer industry offers huge potential.

In a very progressive move, the State of Maharashtra has recognized the agricultural link that both beer and wine share, and have commenced the separate licensing of beer and wine retail outlets in the State. This increased availability will assist the growth of beer in this very important market. In addition, positive signs such as the structural changes brought about in the States of Punjab, Haryana and Chandigarh last year, have not only resulted in beer becoming available at affordable prices but have increased availability leading to a growth in volumes. Having regard to the growth in the northern markets and the need for increased capacity, the Company has already commissioned its green field projects in the States of Orissa and Rajasthan which will increase the capacity by over 8 million cases per annum. This increased capacity, in the new state of the art production facilities will not only enhance volumes but will also assist in improving product quality.

To meet the growing demand, offer high quality beer, and maintain our market leadership position, your Company also proposes to further upgrade its equipment and increase capacity by accelerating investment ahead of earlier plans, in capital expenditure. Further, your Company has plans to launch a number of new innovative products during the next 12 months to continue to excite the consumer.

In the light of new competitors, and to maintain market leadership your Company anticipates further investment behind brand building activity, giving rise to the likelihood of reduced margins.

Your Company also continues its association with sponsoring events like the Kingfisher derby, corporate football, hockey, cricket and fashion shows.

### **ENVIRONMENT AND SOCIAL INITIATIVE**

Your Company continues its commitment towards protecting the environment and renewing scarce resources where possible. In addition to Palakkad unit, rain water harvesting has been implemented at its new unit located at Rajasthan. The technology adopted recharges the equivalent amount of ground water drawn thereby maintaining the ground water table. The unit at Rajasthan is the first of its kind in India, designed to optimise water consumption and recycles most of the water used in the

## Report of the Directors (contd.)

process. As investments have been made during the year to expand capacity, your Company has made sure that the latest technology has been deployed to further reduce water usage. The results from this investment have led to a 15% reduction in water consumption during the last 12 months. In another initiative, 8 out of the 18 Acres of land at the Rajasthan unit has been designated as a green area, where your Company will focus only on horticulture and eco-friendly initiatives.

In the light of increased fuel oil prices your Company has been making investments in bio mass boilers which use agricultural waste for fuel, in order to generate steam. In addition to reducing energy costs, this also reduces greenhouse emissions. Bio mass boilers have been commissioned in four breweries, with more planned for installation in 2007-08.

As part of its corporate social responsibility initiative your Company is proposing to set up a re-charge tank and bore-well to supplement the drinking water needs and water requirements for livestock in a nearby village in Rajasthan. Further, your Company, as part of its social welfare initiative, is also proposing to establish primary health and education facilities in neighbouring villages where your Company's units are located.

Your Company's Palakkad unit has already undertaken a rain water harvesting project at a nearby village and addressed the perpetual problem of scarcity in drinking water to the farming community. As part of the project rain water harvesting systems have been installed to collect roof and surface water and recharge the ground after adequate treatment. In addition a 5000 litre capacity storage tank along with necessary pumps and pipelines have been installed to pump water from the well and distribute the drinking water to every household in the village. This has ensured the open well is adequately recharged and addresses the drinking water needs of 50 families in the village.

### INTERNAL CONTROL SYSTEM

Your Company has in place an established system of internal controls to ensure assets are safeguarded and transactions are appropriately authorised, recorded and correctly reported. Internal Audit 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 process adopted provides reasonable assurance regarding the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

In order to continuously upgrade the internal control system, to be in line with International best practice and to ensure total corporate governance, your Company has implemented risk assessment of business risks, an annual control self assessment and legal compliance management, all of which are reviewed quarterly by the Audit Committee. These have been updated during the year under review.

The internal control system evaluates adequacy of segregation of duties, reliability of management information systems, including controls in the area of authorisation procedures and steps for safeguarding assets. Planned periodic reviews are carried out for identification of control deficiencies, if any, opportunities for bridging gaps with best practices and formalisation of action plans to minimize risk.

Your Company believes that the overall internal control system is 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.

Internal Audit reports to the Audit Committee and recommends control measures from time to time.

### OPPORTUNITIES AND THREATS

As already highlighted, the Indian beer market represents one of the fastest growing beer markets in the World today, with very attractive drivers in place (demographics, GDP, etc.) for sustainable growth for at least the next 2 decades. During the last year, a number of International brewers have entered the market through relationships with local brewers and in an independent capacity, clearly attracted by the opportunities the market has to offer. Whilst their investment in the beer industry will help to sustain the growth of the Industry, and provide the consumer with more choice, clearly their entry presents itself as a threat to the indigenous players, such as ourselves. We remain confident that our flagship brand Kingfisher, can continue its market leadership position for years to come, and grow its brand equity with our continuing investment behind the brand. Kingfisher is an iconic brand in India, and given the advertising restrictions in place, in addition to the highly complex and regulated nature of the Industry, it will be difficult for a new brand to become a significant threat in a reasonable timeframe.

Your Company has a pipeline of innovative new products under development, a number of which will be launched during the current financial year. This will ensure we continue our market leadership position and continue to provide the consumer with exciting new products. We also intend to enter the fast growing wine market to add to our existing portfolio of brands.

Continued investment will be made to upgrade and expand our manufacturing facilities to ensure that the products we produce are of the highest international standard, and we have capacity to meet the growing demand.

### RISKS AND CONCERNS

Given the very high levies of duty on beer, and the lack of distinction between spirits (which typically contain 45% alcohol) and beer (which has alcohol content ranging 5-8%), in India, unlike other markets beer is a very expensive beverage and as



a consequence makes up less than 5% of all alcoholic beverages. In the last few months we have been affected by significant price increases on malt and hops, driven by a worldwide shortage of these key raw materials. Additionally, the continuing control exercised by a number of state governments on pricing, which has resulted in our inability to raise prices on roughly 45% of our sales, has a direct bearing upon the Company's profitability. This scenario continues in the current financial year, resulting in a number of key markets becoming unattractive from a financial perspective.

Your Company has explored a number of avenues to contain the risk of continued increase in basic costs and has entered into a number of long term arrangements for sourcing malt. There has been a continuing review of the long term strategy for the supply of barley, and your Company has extended its own contract farming initiatives in the State of Punjab, in addition to entering into a long term agreement with Pepsi Co Foods Division for contract farming of barley utilising the infrastructure that Pepsi has in place. Following on from the research conducted last year into developing high quality barley seed, VJM201, the first harvest of this barley, in March 2007, has proven to be highly successful, producing a high yield crop of exceptionally high quality.

Excessive regulation and further extensions of government intervention, in the areas of distribution and pricing, is affecting the growth and profitability of the industry as well as restricting government revenues. In addition, restrictions on advertising and licensing of retail outlets continues to present challenges to the Industry.

### HUMAN RESOURCES

Your Company has taken initiatives in order to align its human resource (HR) strategy to the overall organisation strategy and the objectives outlined in the UB balanced scorecard. Your Company believes that human capital is the key driver that creates sustainable competitive advantage. The competency mapping exercise undertaken last year was a step in this direction, and your Company is pleased to inform that this is now being implemented across the organisation. Cognisant of the competitive environment that the Company operates in, your Company has also benchmarked its compensation to the industry, and is in the process of refreshing the remuneration package of its employees in the light of the findings. Your Company has also embarked on a succession planning exercise that provides a framework for gaining visibility to our talent pool, identifying professional development opportunities and ultimately ensuring we have talent ready to contribute ahead of the business need. Your Company intends to continue its focus on strengthening competencies and creating a culture based on commitment, teamwork and values.

The HR agenda in 2006-07 also focused on improving productivity across all manufacturing units through the process of negotiation and driving process improvements. During the course of this year, there was a cordial industrial relations environment at all the breweries.

Your company is pleased to announce that its employee strength now stands at 2061 and the Directors express their appreciation for their commitment.

### SUBSIDIARY COMPANIES

The Honourable High Courts of Karnataka and Bombay have approved the amalgamation of Karnataka Breweries and Distilleries Private Limited, London Pilsner Breweries Private Limited and London Draft Pubs Private Limited, the erstwhile subsidiary Companies into your Company. As a consequence the entire business and whole of the undertaking, along with all the statutory license, permissions, etcetera, of these Companies have been amalgamated with your Company.

Associated Breweries & Distilleries Limited, the investment holding company remains the sole subsidiary of your Company.

Your Company has received approval from the central government exempting your Company from attaching the Accounts of Associated Breweries & Distilleries Limited with the balance sheet of your Company. In terms of the approval so granted by the central government, the Accounts, etcetera, of Associated Breweries & Distilleries Limited are not required to be attached with the balance sheet of the holding Company. However, these Accounts will be provided on request to any member requesting for a copy, upon receipt of such request by Company Secretary at the Registered Office of the Company.

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

### CONSOLIDATION

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

### DEPOSITORY SYSTEM

Your Company has entered into Agreement 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 directions issued by Securities and Exchange Board of India.

### DIRECTORS

Mr. Chugh Yoginder Pal and Mr. Sunil Alagh, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Mr. John Dunsmore resigned from the Board effective July 20, 2007 and Mr. John Nicolson was appointed as additional Director, effective the said date.

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## AUDITORS

M/s Price Waterhouse, Statutory Auditors, hold office until 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:

*Millennium Alcobev Private Limited (MAPL), being a Joint Venture (JV) between the Company and Scottish & Newcastle, plc. has already made significant inroads into the market by achieving a 10% market share within a period of three years. The JV has its manufacturing locations in critical markets and meets almost 30% of the Company's capacity requirement. The Company has adopted a turn around strategy for the JV operations which has involved an operational merger of the businesses. This has led to a rationalisation of spend, a repositioning of the combined brands, restructuring the debt profile of the JV in order to reduce the cost of borrowing, all of which generated positive earnings before interest, depreciation and taxes for the quarter. The brewing capacities have been expanded in all the entities, in line with the growth in the business by infusing additional funds. The company continues to consider that the investments are strategic and long term in nature and substantial benefits are expected to accrue to the JV in terms of market share and capacity utilisation. The management is therefore of the view that there is no permanent diminution in the value of investments and no provision, therefore, is considered necessary at this stage.*

## LISTING REQUIREMENTS

Your Company's equity Shares are listed at Bangalore, Mumbai, Ahmedabad, New Delhi, Calcutta, Hyderabad, Cochin, Ludhiana and Madras Stock Exchanges. The listing fees have been paid to all the Stock Exchanges for the year 2007 – 2008 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, 2007 is appended.

## CORPORATE GOVERNANCE

A Report on Corporate Governance forms part of this report along with the certificate from the Company Secretary in Practice.

## 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 report 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 judgments 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, risk assessment partners 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,

## STATEMENT UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

### A. Conservation of Energy

Energy conservation measures taken by the Company:

#### Electrical Energy:

Focus on optimal work in process during the off season and reducing refrigeration load thereby savings on energy consumption.

Commissioned Vapour Absorption Machines (VAM) at Ludhiana and Andhra Pradesh, and are in progress of installation at Kalyani.

Air knife air blowers (energy efficient air blower) for canning line printing, have been installed at Bombay and Hyderabad breweries. Considerable reduction in the Air Compressor load has led to savings in power.

Energy efficient pumps for continuous duty conditions are being installed in place of conventional pumps at Goa, Empee Chennai, Bangalore and Bombay units.

#### Fuel Oil Consumption:

Installed fuel effimax in Hyderabad & Mangalore units, boilers for improvement of dissolved oxygen controls, auto blow down & steam to fuel ratio.

After successful implementation of alternate fuel boiler at Ludhiana, West Bengal and Andhra Pradesh units – implementation plans for units in Maharashtra and Karnataka are in progress.

#### Water Conservation:

Recycling of effluent treated water with programmable logic control operated reverse osmosis plant successfully commissioned at Hyderabad unit. Washing machine water recycling has also been initiated at most of the units.

On successful completion of rainwater harvesting at Palakkad unit, now Rajasthan Greenfield project is also in progress to save the natural resource water and ground water table.

### B. Technology Absorption

Latest technology for beer filling machine has been incorporated in the fillers installed at Palakkad. This replaces the mechanical filling valves by electro pneumatic filling valves, resulting in improved quality, reduced wastages and higher productivities on the line.

### C. Research and Development

The Company has continued its Research & Development (R&D) programme in the area of development of two row malting variety of barley.

### D. Foreign Exchange Inflow and Outflow

Foreign Exchange earned : Rs. 5.32 million

Foreign Exchange used : Rs. 668.95 million

## STATEMENT UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 (Employed for full year)

Sl. No.	Name	Age	Date of Joining	Total Remuneration (Rs.)	Designation	Educational qualification	Experience in years	Previous employment
1	Kalyan Ganguly	56	09.08.2002	21189473	Managing Director	B.A. (Hons.) PGDBM (XLRI)	34	EVP - Marketing & Sales; McDowell & Co. Ltd.
2	Shekhar Ramamurthy	46	01.08.2001	8826121	EVP – Sales & Marketing	B.Tech., IIT, PGDBM (IIM)	20	GM – Marketing; Herbertsons Ltd.
3	Lesley Jackson	43	13.06.2005	5161228	Director, CFO	B.A. (Hons) FCA, M.B.A.	22	UK Business Systems Director; Scottish & Newcastle Plc.
4	J Noronha	51	01.08.2001	4660556	SVP– HRD	B.Com., PGDPMIR (XLRI)	27	Personnel Manager, The Oberoi Bogmalo Beach, Goa
5	Perry Goes	42	14.06.2004	4203180	DVP – Strategic Planning & Bus. Analysis	B.E. (Mech), PGDBM (Mrktg – Fin & HR)	20	Group Leader for Business Analytics, Honeywell Technologies Solutions Labs
6	D N Sapra	60	01.08.2001	3443396	SVP–Operations	M.Sc. (Chem.), M.Sc. (Brwg. Sc.)	36	Asst. Production Manager, Jagatjit Industries Ltd.
7.	Govind Tiwari	56	01.08.2001	3222234	DVP – UBL-Goa Unit	B.Sc., PGDI, F.A.T., DBA, PGDM&IR	37	Asst. Brewer Indo Lowenbrau Breweries Ltd.
8	Kiran Kumar	39	01.08.2001	3082819	DVP-Sales	B.Com., P.G.D.M. (IIM-A)	16	Marketing Manager Herbertsons Ltd.
9.	R K Jindal	46	01.08.2001	2876694	AVP – Malting & Commercial	B.Com., FCA	22	First Employment
10.	Sudhir Jain	47	15.01.2004	2757263	DVP–Operations	B.Tech.(ChemEngg) IIT - Mumbai	21	G M Plant Operations – Pepsico India Holdings P. Ltd.



## Annexure to Directors' Report (contd.)

### Employed for part of the year

Sl. No.	Name	Age	Date of Joining	Total Remuneration (Rs.)	Designation	Educational qualification	Experience in years	Previous employment
11.	Alok Kumar Basu	60	01.08.2001	2189725	DVP – R&D	B.Sc., B.Tech. (Biochem Engg & Food Tech), PGD in Mltg. & Brwg.	35	First Employment
12.	Cedric Vaz	49	15.05.2006	3723698	EVP – Manufacturing	B.Tech. IIT - Kanpur	25	Head Operations – Cadbury India Ltd.
13.	Roy Cherian	43	04.01.2007	733430	DVP – Marketing	B.Tech (Elec.& Commn.), PGDM-IIM Ahmedabad	20	Group Product Manager– Nestle India Ltd.

AVP - Assistant Vice President, DVP – Divisional Vice President, SVP- Senior Vice President, EVP - Executive Vice President

### 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 in erstwhile United Breweries Limited. Mr. Kalyan Ganguly has been re-appointed as Managing Director for a period of 5 years effective August 9, 2007.
- Executives mentioned at Sl. Nos. 1, 2, 4, 6, 7, 8, 9 and 11 were transferred upon de-merger of brewing business of erstwhile United Breweries Limited into the Company.
- Remuneration shown above includes 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 holds more than 2% of the paid-up equity capital in the Company.

London  
July 20, 2007

**Lesley Jackson**  
Director, CFO

By Authority of the Board,

**Kalyan Ganguly**  
Managing Director

## A. MANDATORY REQUIREMENTS

### 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.

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 an Audit Committee, Investors' Grievance Committee, Remuneration / Compensation Committee and Share Transfer Committee to look into the aspects of each Committee. Internal Audit carried out by the UB Group Internal Audit team and S&N Internal Audit team commensurate with the size of the organization. There are comprehensive management reporting systems involving the preparation of operating results and their review by senior management and by the Board.

In addition to securing board approvals for various matters prescribed under the Companies Act, 1956, matters such as annual budget, operating plans, significant and material showcase notice and demands if any, minutes of Committee meetings, control self assessment, risk assessment and updates thereof are regularly placed before the board.

During the financial year ended on March 31, 2007, 9 Board Meetings were held on April 26, 2006, June 20, 2006, July 24, 2006, August 24, 2006, September 19, 2006, October 26, 2006, January 22, 2007, March 16, 2007 and March 28, 2007.

### 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 19.09.2006
Dr. Vijay Mallya	Chairman (NE)	9	7	YES
Mr. Kalyan Ganguly	Managing Director	9	8	YES
Mr. A K Ravi Nedungadi	Director (NE)	9	8	YES
Mr. John Hunt	Director (NE)	9	6	YES
Mr. John Dunsmore @	Director (NE)	9	2	NO
Mrs. Lesley Jackson	Director (CFO)	9	7	YES
Mr. Chugh Yoginder Pal	Director (NE, Ind)	9	7	YES
Mr. Sunil Alagh	Director (NE, Ind)	9	9	YES
Mr. Chhaganlal Jain	Director (NE, Ind)	9	8	YES

Note: NE – Non Executive, Ind - Independent, CFO - Chief Financial Officer

@ Mr. John Dunsmore resigned from the Board effective July 20, 2007.

# 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	21	NIL	1 (Chairman of 1 Committee)
Mr. Kalyan Ganguly	6	2	2
Mr. A K Ravi Nedungadi	10	5	2
Mr. John Hunt	2	1 (Chairman of 1 Committee)	1
Mr. John Nicolson @	1	1	NIL
Mrs. Lesley Jackson	4	2 (Chairman of 2 Committees)	2 (Chairman of 2 Committees)
Mr. Chugh Yoginder Pal	4	3 (Chairman of 3 Committees)	2
Mr. Sunil Alagh	7	1 (Chairman of 1 Committee)	1
Mr. Chhaganlal Jain	10	6 (Chairman of 3 Committees)	2

The above position is as on the date of this Report and in respect of their Directorships only in Indian Companies.

\*\* Audit & Investor Grievance Committees \*\*\* Remuneration & Share Transfer Committees

@ Mr. John Nicolson has been appointed as an additional Director of the Company effective July 20, 2007.

### NOTES :

- Out of 21 other Companies in India in which Dr. Vijay Mallya is a Director, 7 are Private Limited Companies, and 3 are Section 25 Companies. Dr. Vijay Mallya is also on the Board of 29 Overseas Companies.
- Out of 6 other Companies in India in which Mr. Kalyan Ganguly is a Director, 1 is a Private Limited Company. Mr. Kalyan Ganguly is also on the Board of 1 Overseas Company.
- Out of 10 other Companies in India in which Mr. A K Ravi Nedungadi is a Director, 3 are Private Limited Companies and 1 is a Section 25 Company. Mr. A K Ravi Nedungadi is also on the Board of 6 Overseas Companies.
- Mr. John Hunt is a Director in 2 Private Limited Companies, in India. Mr. John Hunt is also on the Board of 4 Overseas Companies.
- Mr. John Nicolson is a Director in 1 Private Limited Company in India. He is also on Board of 8 Overseas Companies.
- Out of 4 other Companies in India in which Mrs. Lesley Jackson is a Director, 1 is a Private Limited Company.
- Out of 4 other Companies in India in which Mr. Chugh Yoginder Pal is a Director, 1 is a Private Limited Company.
- Out of 7 other Companies in India in which Mr. Sunil Alagh is a Director, 3 are Private Limited Companies.
- Out of 10 other Companies in India in which Mr. Chhaganlal Jain is a Director, 1 is a Private Limited Company. He is also on the Board of 1 Overseas Company.

### DIRECTORS RETIRING BY ROTATION AND BEING RE-APPOINTED

Mr. Chugh Yoginder Pal and Mr. Sunil Alagh retire at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment. Their brief particulars are mentioned below:

Brief resume	Other Directorships & Committee Memberships
<p><b>Mr. Chugh Yoginder Pal</b></p> <p>Mr. Chugh Yoginder Pal is a Graduate in Engineering with First Class (Distinction). He started his career at TELCO &amp; was trained in Industrial Engineering. He then moved to Hindustan Lever Limited where he held various positions starting as an Industrial Engineer (1960-1962) &amp; 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 &amp; 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 brings with him great expertise &amp; understanding of the Indian business environment. Mr. Pal is on Board of UBL since April 29, 2005.</p>	<p><b>Other Boards</b></p> <p>Cadbury India Limited Aptech Limited Shriram Pistons &amp; Rings Limited Renfro India Private Limited</p> <p><b>Audit Committee</b></p> <p>Cadbury India Limited (Chairman) Aptech Limited (Chairman)</p> <p><b>Investors Grievance Committee</b></p> <p>Cadbury India Limited (Chairman)</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 (contd.)

Brief resume	Other Directorships & Committee Memberships
<p><b>Mr. Sunil Kumar Alagh</b></p> <p>Mr. Sunil Kumar Alagh is a graduate in Economics (Hons.) with MBA from IIM Calcutta. He has worked with ITC Limited, Jagatjit Industries Limited and Britannia Industries Limited. He was Managing Director and CEO of Britannia Industries Limited 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' Kashalkar 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). He was a finalist for the Ernst and Young Entrepreneur of the Year Award, 2002. He was the President of the All India Management Association and is on the Board of Governors of I.I.M., Bangalore.</p> <p>Mr. Alagh is on the Board of UBL since April 29, 2005.</p>	<p><b>Other Boards</b></p> <p>GATI Limited Tamara Capital Advisors Private Limited SKA Advisors Private Limited EON Premedia Private Limited Rajasthan State Ganganagar Sugar Mills Limited Indofil Organic Industries Limited IL&amp;FS Investsmart Limited</p> <p><b>Investors Grievance Committee</b></p> <p>Indofil Organic Industries Limited (Chairman)</p>

### PARTICULARS OF NEW DIRECTOR

Brief resume	Other Directorships & Committee Memberships
<p><b>Mr. John Ross Nicolson</b></p> <p>Mr. John Ross Nicolson is a member of the Scottish &amp; Newcastle plc Board and is Managing Director Eastern Europe, Asia and the USA. He is also the Chairman of BBH (Baltic Beverages Holding), which is S&amp;N's Joint Venture in Russia, Uzbekistan, Kazakhstan, Ukraine, Belarus and the Baltics. Until July 2000, he was Corporate Development Director for Scottish &amp; Newcastle, responsible for strategy and acquisitions. Following University he joined ICI Paints Division and then moved to Brooke Bond Oxo. In 1988 he was transferred within Unilever to Sales and Marketing Director of Lipton International. He then became Marketing Director of Ice Cream at Birds Eye Walls Limited, with additional responsibility for one of Unilever's International Ice Cream Groups. In 1993 he joined Courage as Group Executive Director, where he was the Managing Director of its UK Take Home business and also the Groups Marketing Director. With the acquisition of Courage by Scottish &amp; Newcastle plc, Mr. John moved to Edinburgh where he became the Marketing Director of Scottish Courage, S&amp;N's Beer Division and Chairman of its Irish company Beamish &amp; Crawford.</p> <p>Mr. John was appointed as an additional Director on July 20, 2007.</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>

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

### 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. The Board Committees are as follows:

#### AUDIT COMMITTEE

The Audit Committee comprises of Mr. Chugh Yoginder Pal, Mr. Sunil Alagh and Mr. Chhaganlal Jain as members, all of whom are independent Directors. The Chairmanship of the Committee vests with Mr. Chugh Yoginder 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:

- 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;
- 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;
- Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors;

## Report on Corporate Governance (contd.)

- 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 thereon;
- ix) Reviewing the findings of any internal investigations by the Internal Auditors into 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), Debenture-holders and Creditors;
- 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 mandatorily reviews 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, 2007, 5 Audit Committee Meetings were held on April 25, 2006, July 24, 2006, August 24, 2006, October 26, 2006 and January 22, 2007.

### ATTENDANCE AT AUDIT COMMITTEE MEETINGS

Names of the Directors	Category	Number of Audit Committee Meetings held	Number of Audit Committee Meetings attended
Mr. Chugh Yoginder Pal	CHAIRMAN	5	5
Mr. Sunil Alagh	MEMBER	5	5
Mr. Chhaganlal Jain	MEMBER	5	4

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

### SHARE TRANSFER COMMITTEE

The Share Transfer Committee comprises of Mr. A K Ravi Nedungadi, Mr. Kalyan Ganguly and Mrs. Lesley Jackson as Members. Mr. A K Ravi Nedungadi, a non-Executive Director, 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;



## Report on Corporate Governance (contd.)

- Issue of New Share Certificates in lieu of Certificates torn, mutilated, cages for transfer filled up, etcetera;
- 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 Agent;
- To oversee compliance of the norms laid down under the Tripartite Agreement with National Securities Depository Limited/Central Depository Services (India) Limited, and
- 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.

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

During the year ended March 31, 2007 the Committee met 12 times on May 02, 2006, June 01, 2006, June 30, 2006, August 01, 2006, September 01, 2006, October 03, 2006, October 31, 2006, November 04, 2006, December 01, 2006, December 30, 2006, February 28, 2007 and March 31, 2007 for approving the transactions falling within the Terms of reference mentioned above.

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

### INVESTOR'S GRIEVANCE COMMITTEE

The Investors' / Shareholders' Grievance Committee comprises of Mr. Chugh Yoginder Pal, Mr. Sunil Alagh and Mr. Chhaganlal Jain as Members. Mr. Chugh Yoginder 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, etcetera. 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 1-4-2006 to 31-3-2007 (These Complaints pertained mainly to non – receipt of Share Certificates upon transfer, non-receipt of Annual Report, non receipt of Dividend/Interest Warrants/Redemption Warrants, etcetera.)	51
Number of complaints not solved to the satisfaction of the Shareholders	NIL
Number of pending Share transfers	2 Transfer cases for 90 shares (were withheld as on 31-3-2007 – due to notice sent to sellers. These shares were subsequently transferred on expiry of the Notice period)

During the year ended March 31, 2007, 4 Investors' Grievance Committee Meetings were held on April 25, 2006, July 24, 2006, October 26, 2006 and January 22, 2007 in which all the Members of the Committee were present, except Mr. Chhaganlal Jain could not attend the Meeting held on October 26, 2006.

### REMUNERATION/COMPENSATION COMMITTEE (A NON MANDATORY REQUIREMENT)

The Remuneration Committee comprises of Mr. Chugh Yoginder Pal, Mr. Sunil Alagh and Mr. Chhaganlal 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, etcetera, 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.

During the year ended March 31, 2007, a meeting of Remuneration Committee was held on January 22, 2007 which was attended by all the Members.

# Report on Corporate Governance (contd.)

## 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, 2007, Mr. Kalyan Ganguly, Managing Director and Mrs. Lesley Jackson, Director, Chief Financial Officer were paid remuneration as under:

Directors	Salary	Perquisites	Retiral Benefits
Mr. Kalyan Ganguly	Rs.1,62,59,745/-	Rs. 22,59,522/-	Rs. 26,70,206/-
Mrs. Lesley Jackson	Rs. 29,40,420/-	Rs. 22,20,808/-	—

Mr. Ganguly was appointed as a Managing Director effective August 9, 2002 for a period of five years and his term of office expires on August 08, 2007. The terms of appointment have 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. The Board has re-appointed Mr. Ganguly as Managing Director for a period of five years effective August 09, 2007. Mrs. Lesley Jackson was appointed as Chief Financial Officer of the Company with effect from June 13, 2005 for a period of 5 years and her appointment and remuneration have been approved by the central government. No retiral benefits are being paid to Mrs. Lesley Jackson.

## SITTING FEES PAID TO DIRECTORS DURING 2006-2007

Sl. No.	Name of the Directors	Sitting Fees paid
1.	Dr. Vijay Mallya	Rs. 70,000*
2.	Mr. A K Ravi Nedungadi	Rs. 1,50,000
3.	Mr. Chugh Yoginder Pal	Rs. 1,40,000
4.	Mr. Chhaganlal Jain	Rs. 1,35,000
5.	Mr. Sunil Alagh	Rs. 1,60,000
6.	Mr. John Hunt	Rs. 60,000*
7.	Mr. John Dunsmore	Rs. 20,000*

\*(subjected to TDS)

An amount aggregating to Rs. 25,000/- being sitting fees for attending Remuneration Committee and Share Transfer Committee meeting during the financial year ended March 31, 2007 has been paid to the respective members post closing of the financial year.

Effective June 22, 2007, sitting fees is being paid @ Rs.20,000/- for attending Board and Audit Committee Meetings and Rs.10,000/- for attending other Committee Meetings. No stock options are granted to any of the Directors so far.

The particulars of equity shares of the Company held by the Directors are furnished below:

Sl. No.	Names of the Directors	Number of Equity Shares held	
		As on March 31, 2007	As on March 31, 2006
1.	Dr. Vijay Mallya	19218260	19218260
2.	Mr. Kalyan Ganguly	12020	12020
3.	Mr. A K Ravi Nedungadi	NIL	NIL
4.	Mr. John Hunt	NIL	NIL
5.	Mr. John Dunsmore	NIL	NIL
6.	Mrs. Lesley Jackson	NIL	NIL
7.	Mr. Chugh Yoginder Pal	NIL	NIL
8.	Mr. Sunil Alagh	5000	5000
9.	Mr. Chhaganlal Jain	NIL	NIL

## Report on Corporate Governance (contd.)

### 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	Special Resolutions Passed
September 19, 2006	12.00 Noon	Dr. B R Ambedkar Bhavana, Miller's Road, Vasanthanagar, Bangalore – 560 052	None
September 19, 2005	11.30 AM	Dr. B R Ambedkar Bhavana, Miller's Road, Vasanthanagar, Bangalore – 560 052	Two
September 28, 2004	11.00 AM	Dr. B R Ambedkar Bhavana, Miller's Road, Vasanthanagar, Bangalore – 560 052	Two

All the Resolutions set out in respective Notices including Special Resolutions were passed by the Members at the above Annual General Meetings.

An Extraordinary General Meeting of the members was held on May 24, 2006 to approve the sub-division of one equity share of face value of Rs. 10 each into 10 equity shares of Re.1/- each. The Company held two Court Convened Meetings of the Members and Creditors on May 24, 2006 and February 23, 2007 to approve the Composite Scheme of Arrangement between Associated Breweries and Distilleries Limited, Mangalore Breweries & Distilleries Limited and United Breweries Limited and Scheme of Amalgamation between Karnataka Breweries and Distilleries Private Limited, London Pilsner Breweries Private Limited, London Draft Pubs Private Limited and United Breweries Limited respectively. The Hon'ble High Courts have granted the respective Schemes. All the Resolutions were passed in these Meetings.

The following Resolutions were passed by the Members through Postal Ballot during 2006-2007 under Section 192A of the Companies Act, 1956.

Date of Notice of Postal Ballot	Date of Passing	Description	Result
30.10.2006	15.12.2006	To provide Corporate Guarantee to Standard Chartered Bank Limited on behalf of United Millennium Breweries Limited, a Group Company	Carried with requisite majority
30.10.2006	15.12.2006	To provide Corporate Guarantee to Rabo India Finance Private Limited on behalf of Millennium Beer Industries Limited, a Group Company	Carried with requisite majority
30.10.2006	15.12.2006	To provide Corporate Guarantee to BNP Paribas on behalf of Empee Breweries Limited, a Group Company	Carried with requisite majority
* 30.10.2006	*15.12.2006	*To provide Corporate Guarantee to Rabo India Finance Private Limited on behalf of Empee Breweries Limited, a Group Company	Carried with requisite majority
11.05.2007	13.06.2007	To provide Corporate Guarantee to YES Bank Limited on behalf of Empee Breweries Limited, a Group Company	Carried with requisite majority

\*Though Resolution was passed Corporate Guarantee has not been issued to Rabo India Finance Private Limited on behalf of Empee Breweries Limited.

### DISCLOSURES

During the Financial Year ended March 31, 2007, 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. In preparation of financial statements for the year under review, treatment as prescribed in Accounting Standards have been followed.

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.

The Company has complied with the mandatory requirements of Clause 49. The Company has also constituted a Remuneration Committee which is a non-mandatory requirement.

# Report on Corporate Governance (contd.)

## MEANS OF COMMUNICATION

The Company has its own Website and all vital information relating to the Company and its performance involving share holding pattern, quarterly results, official Press release and presentation to analysts is 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).

In line with requirement of clause 47(f) of the Listing Agreement, the Company has designated an exclusive email ID viz, "[ublinvestor@ubmail.com](mailto:ublinvestor@ubmail.com)" for the purpose of registering complaints by the investors. The investors can address their grievances to the said email ID.

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

## GENERAL SHAREHOLDER INFORMATION

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

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

## ANNUAL GENERAL MEETING INFORMATION

Board Meeting for consideration of Accounts	June 22, 2007
Posting of Annual Report	September 03, 2007
Book Closure dates	September 27, 2007 and September 28, 2007
Last date for receiving proxy	September 26, 2007 (12:30 p.m.)
Date of AGM	September 28, 2007

### ANNUAL GENERAL MEETING ON

September 28, 2007

### VENUE

Good Shepherd Auditorium,  
Opp. St. Joseph's Pre-University College,  
Residency Road, Bangalore - 560 025

### TIME

12:30 p.m.

### DATES OF BOOK CLOSURE

September 27, 2007 and September 28, 2007

## Report on Corporate Governance (contd.)

### LISTINGS AT

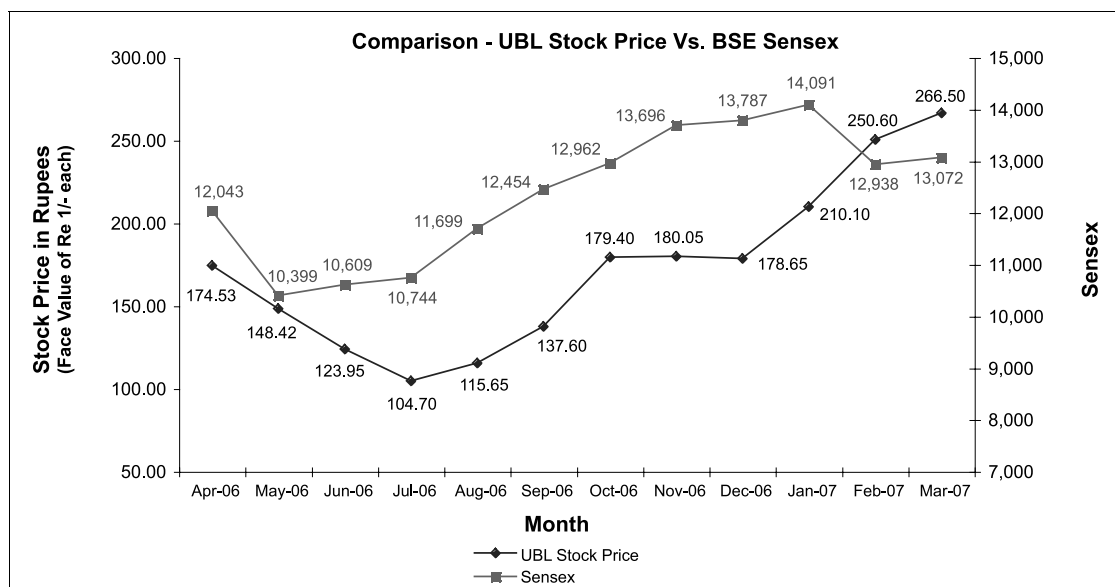
Name of the Stock Exchange	Scrip Code
BANGALORE STOCK EXCHANGE LIMITED	UNITEDBRED
COCHIN STOCK EXCHANGE LIMITED	UBW
CALCUTTA STOCK EXCHANGE ASSN. LIMITED	31195
MADRAS STOCK EXCHANGE LIMITED	UNITEDBREW
THE LUDHIANA STOCK EXCHANGE ASSN LIMITED	—
AHMEDABAD STOCK EXCHANGE LIMITED	62379
BOMBAY STOCK EXCHANGE LIMITED	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 Bombay Stock Exchange, Ltd. (BSE) during the period April 2006 to March 2007:

Month	High (Rs.)	Low (Rs.)	Close (Rs.)	BSE Sensex-close
April 2006	186.70	129.00	174.53	12042.56
May 2006	201.96	126.90	148.42	10398.61
*June 2006	152.40	80.00	123.95	10609.25
July 2006	134.00	92.20	104.70	10743.88
August 2006	135.80	99.00	115.65	11699.05
September 2006	145.10	112.90	137.60	12454.42
October 2006	185.00	135.00	179.40	12961.90
November 2006	215.00	160.00	180.05	13696.31
December 2006	207.40	150.00	178.65	13786.91
January 2007	219.90	175.00	210.10	14090.92
February 2007	288.75	209.00	250.60	12938.09
March 2007	288.00	225.05	266.50	13072.10

\* With effect from June 09, 2007, the equity shares have been sub-divided into equity shares of Re. 1/- each. For proper comparison and understanding, the Share prices for the months of April 2006, and May 2006, have been appropriated to reflect the sub-division of equity shares having face value of Re. 1/-. No trading in the Company's Shares had taken place on the Ahmedabad, Bangalore, Madras, Cochin, Calcutta, Delhi, Hyderabad and Ludhiana Stock Exchanges during the aforesaid period.

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





# Report on Corporate Governance (contd.)

## SHARE TRANSFER SYSTEM

All matters pertaining to Share Transfer are being handled by Alpha Systems Private Limited, the Registrar and Share Transfer Agent 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.

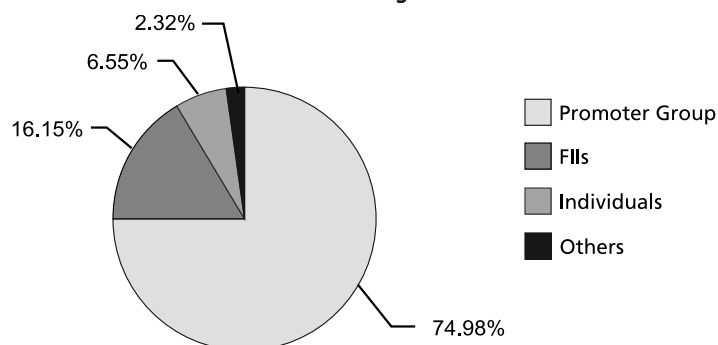
The distribution of shareholding as on March 31, 2007 is furnished below:

CATEGORY (Rupees)	No. of Shareholders	% (Percentage)	No. of Shares held	% (Percentage)
Up to 5000	32682	99.10	10995843	5.09
5001 — 10000	129	0.39	917043	0.42
10001 – 20000	67	0.20	985116	0.46
20001 – 30000	28	0.08	715049	0.33
30001 – 40000	11	0.03	372067	0.17
40001 – 50000	8	0.02	359740	0.17
50001 – 100000	11	0.03	739160	0.34
100001 and Above	43	0.13	200959412	93.02
<b>TOTAL</b>	<b>32979</b>	<b>100.00</b>	<b>216043430</b>	<b>100.00</b>

## Shareholding Pattern as on March 31, 2007

Category	No. of Shares held	Percentage of Shareholding
<b>Promoters</b>		
Indian	80995470	37.49
Foreign	80995470	37.49
<b>Institutional Investors</b>		
Mutual Funds/UTI	411604	0.19
Banks Financial Institutions	51760	0.02
Central/State Governments	660	0.00
Insurance Companies	2458490	1.14
Foreign Institutional Investors	34903971	16.15
<b>Others</b>		
Bodies Corporate	1841068	0.85
Individuals	14133397	6.55
Trust	251540	0.12
<b>Total</b>	<b>216043430</b>	<b>100</b>

Pie chart of Shareholding Pattern



## Report on Corporate Governance (contd.)

### 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, 2007 is as under:

Mode	Shares	% (Percentage)	No. of Shareholders
Physical	50929262	23.57	18094
Electronic	165114168	76.43	14885
TOTAL	216043430	100.00	32979

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

email: [alfint@vsnl.com](mailto:alfint@vsnl.com).

Contact Person: **Mr. VIJAYAGOPAL** or **Mr. RAJARAMAN**  
Investors can also post their queries to '[ublinvestor@ubmail.com](mailto:ublinvestor@ubmail.com)'

### OWN MANUFACTURING NETWORK

ANDHRA PRADESH – HYDERABAD	MAHARASHTRA – TALOJA & NERUL
GOA – PONDA	PUNJAB – LUDHIANA
KERALA – CHERTHALA & PALAKKAD	WEST BENGAL – KALYANI
KARNATAKA – MANGALORE & NELMANGALA	RAJASTHAN- CHOPANKI
ORISSA - KHURDA	

### CONTRACT MANUFACTURING NETWORK

In addition, the Company also has Manufacturing facilities through Associate Companies/Contract Breweries at Daman, Srikakulam, Lucknow, Aurangabad, Dharuhera, Morena, Raisen, Kuthambakkam, Alwar, Thiruvallur, Ranchi, Medak and Ghaziabad.

#### 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

## Report on Corporate Governance (contd.)

### B. NON-MANDATORY REQUIREMENTS

#### a) Chairman of the Board:

The Chairman of the Board is entitled to maintain a Chairman's office at the Company's expense and allowed reimbursements of expenses incurred in performance of his duties.

#### b) Remuneration Committee:

The Company has set up a Remuneration Committee.

#### c) Shareholder Rights:

The Company's half yearly results are published in English and Kannada Newspapers having wide circulation and are also displayed on the Company's website. Press Releases are also issued which are carried by a few newspapers and also displayed on the Company's website. Hence, same are not sent to the shareholders.

#### d) Audit Qualifications:

Auditors' qualifications have been addressed to in the Annual Report.

#### e) Training of Board Members:

Having regard to the seniority and expertise in their respective areas of specialization, their training is not considered necessary for the time being.

#### f) Mechanism for evaluating Non-Executive Directors:

The Board may at its discretion consider such requirement in future.

#### g) Whistle Blower Policy:

Though covered briefly in the code of conduct adopted by the Company, the Board may consider adopting a separate mechanism for Whistle Blower Policy in future.

### COMPLIANCE WITH CODE OF BUSINESS CONDUCT AND ETHICS

In accordance with Clause 49 sub-clause (I) (D) (ii) of the Listing Agreement, it is hereby confirmed that during the year 2006-07, all the Members of the Board of Director and Senior Managerial personnel have affirmed their compliance with the Company's Code of Business Conduct and Ethics.

Place: London

Date: July 20, 2007

**Kalyan Ganguly**

Managing Director

### CERTIFICATE OF COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE AS STIPULATED UNDER CLAUSE 49 OF THE LISTING AGREEMENT

The Members  
of United Breweries Ltd.  
UB Anchorage  
100/1 Richmond Road  
BANGALORE 560 025

We have examined the compliance of conditions of Corporate Governance by United Breweries Limited, for the year ended March 31, 2007, as stipulated in Clause 49 of the Listing Agreement, as amended with effect from December 31, 2005, of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the 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 ended March 31, 2007, no grievances are pending against the Company as per records maintained by the Company and presented to the Shareholders'/Investors' Grievance Committee.

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

**M R GOPINATH**  
COMPANY SECRETARY  
(In practice)  
FCS 3812 CP 1030

Place: Bangalore  
Date: July 20, 2007

## 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, 2007, 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 (Auditors' Report) Order, 2003, as amended by the Companies (Auditors' 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 paragraph 3 above  
*Provision has not been made in the accounts for possible loss arising on account of diminution in the value of long term investments in Joint Venture [having a carrying value of Rs 58.95 crores] which the management has considered temporary in nature, having possible impact on the financial results for the year, the extent of which cannot be currently ascertained.*
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, 2007 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2007 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, 2007;
    - (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

Place: Bangalore

Date: June 22, 2007

## Annexure to Auditors' Report

[Referred to in Paragraph 3 of the Auditors' Report of even date to the members of United Breweries Limited on the financial statements for the year ended March 31, 2007]

- i. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets, except that in the case of assets acquired upon amalgamation of erstwhile Karnataka Breweries and Distilleries Limited, the dates of acquisition of assets in most cases are not readily available.
- 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 the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- 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, 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 the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. a) The company has granted a secured advance 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. 801,310 (000).
- b) In our opinion, the terms and conditions of such advance granted are not prima facie prejudicial to the interest of the company.
- c) In respect of the aforesaid advance, there was no stipulation for payment of interest and principal amount during the year.
- d) There is no overdue amount in respect of above advance.
- e) The Company has not taken any loans secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act and therefore paragraphs iii(f) and iii(g) of the Order, are not applicable.
- 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.



## Annexure to Auditors' Report (contd.)

- 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 generally 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.
- 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, 2007 which have not been deposited on account of a dispute are as follows:

Name of the statute	Rs.	Forum where dispute is pending	Year to which amount relates
Central Excise Act, 1944	159	Commissioner of Central Excise, Goa	2002-03
	2,955	High Court of West Bengal	1998-99
	571	High Court of Andhra Pradesh	1997-98
Customs Act, 1962	3,904	Commissioner of Customs, Ludhiana	1991-92
State Sales Tax Acts	3,827	Deputy Commissioner of Commercial Taxes, Kolkata	1997-98
	628	High Court of Kerala	1983-84 to 1986-87
	124	High Court of Kerala	1988-89
	289	High Court of Kerala	1989-90
	498	High Court of Kerala	1990-91
	130	Deputy Commissioner of Commercial Taxes (Appeals), Kollam	2000-01
	69	Deputy Commissioner of Commercial Taxes (Appeals), Kollam	2001-02
	13	Assistant Commissioner (Assessment), Special Circle, Alappuzha	2002-03
	1,221	Sales Tax Appellate Tribunal, Kerala	1983-84 to 1987-88
	16	Sales Tax Appellate Tribunal, Kerala	1997-98
	290	Sales Tax Appellate Tribunal, Kerala	1999-2000
	1,156	Sales Tax Appellate Tribunal, Kerala	1998-99
	2,255	Sales Tax Appellate Tribunal, Kerala	1975-76 to 1983-84
	254	Sales Tax Appellate Tribunal, Kerala	1991-92
	401	Sales Tax Appellate Tribunal, Andhra Pradesh	1997-98 to 1998-99
	1,088	Sales Tax Appellate Tribunal, Karnataka	2002-03
	2,056	Sales Tax Appellate Tribunal, Karnataka	2004-05
	90	Sales Tax Appellate Tribunal, Mumbai	1991-92
	38	Sales Tax Appellate Tribunal, Kerala	1990-91
	13	Sales Tax Appellate Tribunal, Kerala	1997-98
<b>Total</b>	<b>22,045</b>		

- x. The company has no accumulated losses as at March 31, 2007 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 explanation 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.

## **Annexure to Auditors' Report (contd.)**

- xiv. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- xv. 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 Company has not raised any money by public issues during the year.
- 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.

Place: Bangalore  
Date: June 22, 2007



**J. Majumdar**  
Partner  
Membership Number – F51912  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants

## Balance Sheet as at March 31, 2007

		2007		2006	
		Schedule	Rs.	Rs.	Rs.
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Capital	1		2,685,043	2,685,043	
Reserves and Surplus	2		2,891,310	2,387,081	5,072,124
<b>Loan Funds</b>					
Secured Loans	3		4,340,644	2,504,302	
Unsecured Loans			416,988	3,006	2,507,308
Deferred Credit [Refer Schedule 19 Note 1(c)]			4,044		26,839
Deferred Tax Liability [Refer Schedule 19 Note 16(b)]			60,715		79,213
			10,398,744		7,685,484
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	4		5,090,062	2,596,562	
Less: Accumulated Depreciation and Amortisation			955,018	580,216	
Net Block			4,135,044	2,016,346	
Capital Work in Progress			1,127,308	87,912	2,104,258
<b>Investments</b>					
	5		590,699		590,712
<b>Current Assets, Loans And Advances</b>					
Inventories	6		1,123,643	735,963	
Sundry Debtors	7		2,148,312	1,300,052	
Cash and Bank Balances	8		1,392,732	1,287,171	
Other Current Assets	9		10,202	1,133	
Loans and Advances	10		1,972,175	3,256,930	
			6,647,064	6,581,249	
<b>Less: Current Liabilities And Provisions</b>					
Liabilities	11		2,026,424	1,457,577	
Provisions	12		74,947	133,158	
			2,101,371	1,590,735	
Net Current Assets			4,545,693		4,990,514
			10,398,744		7,685,484
<b>Significant Accounting Policies</b>					
Notes on accounts	18				
	19				

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

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

**J. Majumdar**  
Partner  
Membership Number - F51912  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants  
Bangalore, India, June 22, 2007

**Kalyan Ganguly**  
Managing Director

**Lesley Jackson**  
Director, CFO

**Govind Iyengar**  
Company Secretary  
Saumur, France, June 22, 2007

# Profit and Loss Account for the year ended March 31, 2007

		2007		2006	
		Rs.	Rs.	Rs.	Rs.
<b>INCOME</b>					
Sales and Service	13	14,817,978		9,061,332	
Less: Excise Duty		4,280,190		2,187,871	
		10,537,788		6,873,461	
Other Income	14	210,950	10,748,738	184,527	7,057,988
<b>EXPENDITURE</b>					
Cost of Sales	15	6,596,961		4,106,005	
Other Expenses	16	2,536,711		1,579,853	
Interest and Finance Charges	17	279,788		239,011	
Deferred Revenue Expenses		—		529	
Depreciation and Amortisation		385,352	9,798,812	208,574	6,133,972
Profit before non recurring item			949,926		924,016
Non recurring item			—		(304,654)
Profit before taxation			949,926		619,362
Provision for Taxation [Refer Schedule 19 Note 16]					
- Current Tax		(294,129)		(84,106)	
- Fringe Benefit Tax		(19,880)		(19,826)	
- Deferred Tax (Charge)/Write back		15,001	(299,008)	(321,374)	(425,306)
Profit after taxation			650,918		194,056
Less:					
Dividends [Refer Schedule 19 Note 22]			(146,689)		(148,504)
Transfer to General Reserve			(70,000)		(35,000)
			434,229		10,552
Profit brought forward from previous year			55,156		44,604
Profit carried forward to Balance Sheet			489,385		55,156
Earnings per share (Basic/Diluted)			2.62		0.47
[Refer Schedule 19 Note 14]					
<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 Financial Statements.

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

**J. Majumdar**  
Partner  
Membership Number - F51912  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants  
Bangalore, India, June 22, 2007

**Kalyan Ganguly**  
Managing Director

**Lesley Jackson**  
Director, CFO

**Govind Iyengar**  
Company Secretary  
Saumur, France, June 22, 2007

## Cash Flow Statement for the year ended March 31, 2007

		Rs. in Thousands	
		2007	2006
	Rs.	Rs.	Rs.
<b>A Cash Flow from Operating Activities</b>			
Profit before taxation and non-recurring items.		949,926	924,016
Adjustments for:			
Net Preacquisition loss in Subsidiaries	—	(752,746)	
Depreciation and Amortisation	385,352	208,574	
Interest Expenses (Net)	279,788	239,011	
Deferred Revenue	—	529	
Provision for Doubtful Debts	9,898	—	
Provision for Doubtful Advances	1,207	—	
Bad debts written off	6,556	—	
Bad advances written off	136	—	
(Profit)/Loss on Sale of Assets	2,906	—	(304,632)
<b>Operating profits before Working Capital changes</b>		1,635,769	619,384
<b>Adjustment for Working Capital changes:</b>			
(Increase) / Decrease in Sundry Debtors	(864,714)	(199,501)	
(Increase) / Decrease in Inventories	(387,680)	(144,796)	
Increase / (Decrease) in Current Liabilities and Provisions	576,685	(127,195)	
(Increase) / Decrease in Other Current Assets, Loans and Advances	1,329,000	653,291	(1,041,794)
<b>Cash generated from operations</b>		2,289,060	(422,410)
Direct Taxes paid (including TDS)		387,626	150,069
<b>Cash generated from operations before non-recurring items</b>		1,901,434	(572,479)
Non-recurring items		—	16,076
<b>Net cash generated / (used in) from operating activities.</b>		1,901,434	(588,555)
<b>B Cashflow from Investing Activities</b>			
Purchase of Fixed Assets (including acquisition on amalgamation)		(3,552,009)	(230,944)
Sale of Fixed Assets		5,657	—
Sale of Investments (net)		13	(270)
<b>Net cash used in investing activities</b>		(3,546,339)	(231,214)
<b>C Cashflow from Financing Activities</b>			
Proceeds from allotment of shares		—	4,642,267
Proceeds from/(repayment of) Short term loans (net)		925,445	(1,061,689)
Proceeds from Bank Borrowings (net)		1,287,900	792,648
Loan to / (Repayment from) United Breweries (Holdings) Limited		(3,845)	802,400
Receipts from subsidiary companies/others		—	466,235
Redemption of ROCPS		—	(2,136,908)
Loan to subsidiary companies/others		19,307	—
Advance towards purchase of investment		—	(1,274,444)
Interest Paid		(265,603)	(239,011)
Dividend paid (including distribution tax)		(212,738)	(57,180)
<b>Net cash generated from / (used in) financing activities</b>		1,750,466	1,934,318
<b>Net Increase / (Decrease) in cash and cash equivalents</b>		105,561	1,114,549



# Cash Flow Statement for the year ended March 31, 2007 (contd.)

	Rs. in Thousands			
	2007		2006	
	Rs.	Rs.	Rs.	Rs.
<b>Opening cash and cash equivalents</b>				
Cash on hand including Remittances in Transit	18,177		1,082	
Bank Balances and including cheques on hand	<u>1,268,994</u>	1,287,171	<u>171,540</u>	172,622
<b>Closing cash and cash equivalents</b>				
Cash on hand including Remittances in Transit	7,192		18,177	
Bank Balances and including cheques on hand	<u>1,385,540</u>	1,392,732	<u>1,268,994</u>	1,287,171

## Notes:

1. The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at March 31, 2007 and the relative Profit and Loss Account for the year ended on that date.
2. The above Cash Flow Statement has been prepared in consonance with the requirements of Accounting Standard (AS) - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India and the reallocations required for the purpose are as made by the Company.
3. Cash and cash equivalents include **Rs. 57,344** (2006: Rs. 31,472) which are not available for use by the Company. [Refer Note on Schedule 8].
4. Previous year's figures have been regrouped / reclassified wherever necessary to conform with current year's classification.

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

**J. Majumdar**  
Partner  
Membership Number - F51912  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants  
Bangalore, India, June 22, 2007

**Kalyan Ganguly**  
Managing Director

**Lesley Jackson**  
Director, CFO

**Govind Iyengar**  
Company Secretary  
Saumur, France, June 22, 2007

## Schedules to Balance Sheet

Rs. in Thousands

### SCHEDULE 1

#### Capital

##### Authorised

300,000,000 (2006: 300,000,000) Equity shares of Re.1 each

300,000 300,000

25,000,000 (2006: 25,000,000) Preference Shares of Rs.100 each

2,500,000 2,500,000

2,800,000 2,800,000

##### Issued, Subscribed and Paid-up

216,043,430 (2006: 216,043,430) Equity shares of Re.1 each fully paid  
As per Last Balance Sheet

216,043 178,206

216,043,430 (2006: 178,206,030) Equity shares of Re.1 each fully paid up  
Additions during the year

— 37,837

216,043 216,043

(During the previous year 37,795,220 Equity shares of Re.1 each were allotted to Scottish & Newcastle India Limited and 42,180 equity shares of Re.1 each were allotted to shareholders of erstwhile MBDL as per a Scheme of Arrangement)

The Company's Equity shares of Rs.10 each were subdivided into equity shares of Re.1 each with effect from May 24, 2006.

As per Last Balance Sheet

5% 21,369,077 Redeemable Optionally Convertible Preference shares of Rs.100 each

— 2,136,908

Less: Redeemed during the year

— (2,136,908)

3% 17,283,000 Cumulative Redeemable Preference Shares of Rs.100 each fully paid - Series A

1,728,300 1,728,300

[The above shares are redeemable at par at the earliest on March 31, 2011 and are extendable upto March 31, 2015 based on mutual agreement between the company and Scottish and Newcastle India Limited (the preference shareholder)]

3% 7,407,000 Cumulative Redeemable Preference Shares of Rs.100 each fully paid - Series B

740,700 740,700

[The above shares are redeemable at par at the earliest on March 31, 2015]

2,685,043 2,685,043

### SCHEDULE 2

#### Reserves and Surplus

Securities Premium Account

As per last Balance Sheet

2,296,925 161,495

Add: Premium on equity shares issued during the year

— 2,135,430

2,296,925 2,296,925

General Reserve:

As per Last Balance Sheet

35,000 —

Transfer from Profit and Loss Account

70,000 35,000

105,000 35,000

Profit and Loss Account balance

489,385 55,156

2,891,310 2,387,081

### SCHEDULE 3

#### Secured Loans [Refer Schedule 19 Note 1(a)]

Foreign Currency Loans

External Commercial Borrowing

- From Banks

1,287,900 —

- From Others

479,488 489,885

Other Loans

- From Banks

2,567,202 2,004,895

- From Others (including HP creditors)

6,054 9,522

4,340,644 2,504,302

#### Unsecured Loans [Refer Schedule 19 Note 1(b)]

Short Term Loans From Banks

413,982 —

From Others

3,006 3,006

416,988 3,006

# Schedules to Balance Sheet (contd.)

## SCHEDULE 4 : Fixed Assets (Refer Schedule 19 Note 2)

Rs. in Thousands

Net Value of Assets as at March 31, 2006	Particulars	Gross Value of Assets as at March 31, 2006		Cost		Gross Value of Assets as at March 31, 2007	Depreciation		Net Value of Assets as at March 31, 2007
		Additions on Amalgamation	Deletions Adjustments	Additions	Deletions Adjustments		As at March 31, 2006	for the year	
907	Goodwill [Refer Schedule 19 Note 12]	94,571	—	528,446	—	623,924	—	124,604	499,320
37	Licenses	—	37	—	—	37	—	—	37
333,607	Land - Freehold [Refer Note 1 below]	755,530	—	44,208	—	1,133,345	—	—	1,133,345
153,929	Land - Leasehold	—	—	63,340	—	225,720	8,451	2,013	215,256
363,470	Buildings [Refer Note 1 below]	170,319	—	23,406	—	619,221	62,026	20,224	536,971
1,027,441	Plant and Machinery [Refer Note 1 below]	369,396	4,396	387,035	4,396	2,204,298	424,822	193,889	1,587,702
29,360	Office Equipments	58	1,941	1,903	—	54,012	24,632	8,292	31,427
55,885	Furniture and Fittings	93	2,539	60,861	—	153,195	38,895	29,298	66,219
8,084	Lab Equipments	506	—	4,567	—	14,681	1,524	799	2,323
43,626	Vehicles	—	10,237	8,374	—	61,629	19,866	6,233	40,494
2,016,346		1,390,473	19,113	1,122,140	—	5,090,062	580,216	385,352	4,135,044
87,912	Capital work in Progress [including capital advances Rs. 749,879 (2006: 42,106)] [Refer Note 2 and 3 below]								1,127,308
2,104,258									5,262,352

Notes : 1.Additions on amalgamation includes Rs. 22,713 (2006: Nil) being amount paid towards registration of assets. 2. Includes Rs. 5,219 (2006:Nil) being amount of borrowing cost proposed to be capitalised. 3. Includes capital work in progress acquired on amalgamation Rs.1,144 (2006: Rs.12,451).

## SCHEDULE 5 : Investments (Refer Schedule 19 Note 3)

Rs. in Thousands

Particulars	2007				2006			
	Class of Shares	Number of Shares	Face Value	Cost Rs.	Number of Shares	Face Value	Cost Rs.	
IN GOVERNMENT & TRUSTEE SECURITIES -FULLY PAID (unquoted, long term) : National savings certificate	-	-	70	70	-	133	133	
IN SUBSIDIARY COMPANIES - FULLY PAID SHARES (unquoted, long term) : Associated Breweries & Distilleries Ltd	Equity	10,000	1,000	1,000	10,000	1,000	1,000	
NON TRADE - (unquoted, long term) : Millennium Alcobev Private Limited	Equity	6,140,000	61,400	256,277	6,140,000	61,400	256,277	
Millennium Alcobev Private Limited	Preference	3,000,000	300,000	333,252	3,000,000	300,000	333,252	
United East Bengal Football Team Pvt Ltd	Equity	4,999	50	50	4,999	50	50	
Zorastrian Co-operative Bank Limited*	Equity	2,000	25	50	-	-	-	
TOTAL			Cost	Market Value		Cost	Market Value	
Quoted Investments			-	-		-	-	
Unquoted Investments			590,699	-		590,712	-	

\*Acquired on amalgamation

## Schedules to Balance Sheet (contd.)

Rs. in Thousands

### SCHEDULE 6

#### INVENTORIES

Raw Materials	
Packing Materials, Stores and Spares [Net of provisions Rs.9,766 (2006:Nil)]	
Finished Goods (including work in progress and traded goods)	
Goods in transit	

2007 Rs.	2006 Rs.
257,058	147,555
325,693	181,041
490,161	337,566
50,731	69,801
<b>1,123,643</b>	<b>735,963</b>

### SCHEDULE 7

#### SUNDRY DEBTORS

(Unsecured, considered good unless otherwise stated)

Considered Good

- Over Six Months
- Others [Refer Schedule 19 Note 4]

9,577	1,407
2,138,735	1,298,645

Considered Doubtful

- Over Six Months
- Others

19,492	14,190
--------	--------

Less : Provision for Doubtful Debts

<b>2,167,804</b>	<b>1,314,242</b>
<b>(19,492)</b>	<b>(14,190)</b>
<b>2,148,312</b>	<b>1,300,052</b>

### SCHEDULE 8

#### CASH AND BANK BALANCES

Cash on hand [including remittances in transit Rs.6,171 (2006: Nil)]

7,192	18,177
-------	--------

Balances with Scheduled Banks:

- in Current Account [including cheques on hand Rs. 1,737 (2006: Nil)]
- in Deposit Account [Refer Note below]

674,090	809,736
711,450	459,258
<b>1,392,732</b>	<b>1,287,171</b>

Note: Includes Rs.57,334 (2006: Rs.31,472) kept as margin against Letters of Credit and Bank Guarantees

### SCHEDULE 9

#### OTHER CURRENT ASSETS

(Unsecured, considered good)

Income accrued on Investments and deposits

10,202	1,133
<b>10,202</b>	<b>1,133</b>

### SCHEDULE 10

#### LOANS AND ADVANCES

(Unsecured, considered good unless otherwise stated)

Advances recoverable in cash or in kind or for value to be received

- Considered Good\*
- Considered Doubtful

143,009	82,683
7,976	6,769
<b>150,985</b>	<b>89,452</b>

\*including: Rs.88 (2006: Rs.105) due from Directors of the Company [maximum amount due during the year Rs.105 (2006:Rs.146)]

Less: Provision for Doubtful Advances

<b>(7,976)</b>	<b>(6,769)</b>
<b>143,009</b>	<b>82,683</b>

Advances to United Breweries (Holdings) Limited

<b>801,310</b>	<b>797,465</b>
----------------	----------------

[Secured by second charge / pari passu on immovable properties / investments held by that Company]

Advances to Subsidiary [Refer Note below]

83,446	102,753
—	1,274,444

Advance towards Investment

Balances with Excise Authorities

135,747	52,223
---------	--------

Other Deposits [Refer Schedule 19 Note 4]

702,413	911,232
---------	---------

Taxation [Net of Provisions]

106,250	36,130
---------	--------

<b>1,972,175</b>	<b>3,256,930</b>
------------------	------------------

Note : Represents advances to Associated Breweries and Distilleries Limited [Maximum amount outstanding during the year **Rs. 102,753** (2006: 102,753)]

## Schedules to Balance Sheet (contd.)

### SCHEDULE 11

#### LIABILITIES

	Rs. in Thousands	
	2007 Rs.	2006 Rs.
Acceptances	144,769	82,015
Sundry Creditors		
– Due to Small Scale Industrial Undertakings [Refer Schedule 19 Note 6]	19,795	25,078
– Others	878,584	725,637
Other Liabilities	983,276	624,847
	<u>2,026,424</u>	<u>1,457,577</u>

### SCHEDULE 12

#### PROVISIONS

Proposed Dividend (Final) [Refer Schedule 19 Note 22]	25,276	91,325
Gratuity	18,889	16,270
Leave Encashment	30,782	25,563
	<u>74,947</u>	<u>133,158</u>



## Schedules to Profit and Loss Account

### SCHEDULE 13

#### SALES AND SERVICE

	2007 Rs.	2006 Rs.
Sales	14,264,437	8,071,951
Income from Brand Franchise	553,541	989,381
	<u>14,817,978</u>	<u>9,061,332</u>

### SCHEDULE 14

#### OTHER INCOME

Liabilities no longer required written back	12,971	14,496
Interest Received (Gross) [Tax deducted at source Rs.11,515 (2006:Rs.7,892)]	40,458	41,091
Provision for Doubtful Debts no longer required written back	4,596	1,442
Miscellaneous	152,925	127,498
	<u>210,950</u>	<u>184,527</u>

### SCHEDULE 15

#### COST OF SALES

##### Manufacturing Expenses

Consumption of Raw Materials	1,242,897	753,893
Consumption of Packing Material and Stores and spares	2,766,195	1,691,920
Purchases of finished goods	820,777	249,034
Power and Fuel	496,076	291,274

##### Personnel Expenses

Salaries, Wages and Bonus [including provision for leave encashment Rs.5,219 (2006: Rs.8,463)]	544,923	391,157
Contribution to Provident and Other funds	32,488	27,772
Gratuity [including provision for gratuity Rs.2,619 (2006: Rs.3,947)]	57,534	25,499
Staff Welfare	33,402	27,539

##### Others

Rent (including asset rentals) [Refer Schedule 19 Note 11]	61,137	52,724
Insurance	15,385	9,450
Repairs Building *	10,952	7,161
Repairs to Machinery *	94,076	58,909
Travel and Conveyance	66,181	49,833
Communication Expenses	16,478	23,194
Rates and taxes	109,692	93,276
Legal and Professional fees	32,061	145,900
Miscellaneous	273,911	196,030

\*Includes Materials consumed Rs.60,982 (2006: Rs. 42,402)

##### Change in Inventory

Opening Stock	337,566	272,699
Closing Stock	(490,161)	(337,566)
Excise Duty on Opening Stock	(187,132)	(110,825)
Excise Duty on Closing Stock	262,523	187,132
	<u>6,596,961</u>	<u>4,106,005</u>



## Schedules to Profit and Loss Account (contd.)

Rs. in Thousands

### SCHEDULE 16

#### OTHER EXPENSES

	2007 Rs.	2006 Rs.
Selling and Promotion Expenses	2,508,240	1,569,431
Directors' Sitting fees	760	859
Auditor's Remuneration [Refer Schedule 19 Note 16]	6,935	5,819
Bad Debts Written Off	6,556	2,046
Bad advances written off	136	36
Provision for Doubtful Debts	9,898	—
Provision for Idle Assets	73	474
Loss on sale of Assets (net)	2,906	1,150
Provision for Doubtful Advances	1,207	38
	<b>2,536,711</b>	<b>1,579,853</b>

### SCHEDULE 17

#### INTEREST AND FINANCE CHARGES

Interest on Loans for a fixed period	228,983	177,473
Interest Others	50,805	61,240
Other Finance charges	—	298
	<b>279,788</b>	<b>239,011</b>



# Significant Accounting Policies for the year ended March 31, 2007

## SCHEDULE 18

### 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 contracted rates on sale/production of the branded products by the franchisees. Dividend Income is recognised when the Company's right to receive the payment is established. Royalty from foreign entities (net of tax) is recognised as per the terms of agreement.

### 4. Borrowing Costs:

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

### 5. Fixed Assets:

Fixed assets 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.

The cost of fixed assets acquired on amalgamations have been determined at fair values as on the respective dates of amalgamation and as per the related Schemes of Arrangement and include taxes/duties thereof.

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/subsorption. Diminution in value of investments, if considered permanent, is provided for.

### 7. Inventories:

Inventories are valued at lower of cost and net realisable value. Costs include freight, taxes, duties and appropriate production overheads and are generally ascertained on the First in First out (FIFO) basis. Excise/Customs duty on stocks in bond is added to the cost. Due allowance is made for obsolete and slow moving items.

### 8. Foreign Currency Transactions:

Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of such transactions.

Liabilities/ assets in foreign currencies are reckoned in the accounts as per the following principles:

Foreign currency liabilities contracted for acquiring fixed assets from a country outside India 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 fixed assets.

All other monetary items of foreign currency liabilities/ assets are restated at the rates ruling at the year end and all exchange gains/ losses arising there from are adjusted to the Profit and Loss Account, except those covered by forward contracted rates where the premium or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

Exchange differences on forward contracts are recognised in the Profit and Loss Account in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward contracts is recognised as income or expense for the year.

## Significant Accounting Policies for the year ended March 31, 2006 (contd.)

### 9. Depreciation and Amortisation:

Depreciation on fixed assets is provided on Straight Line Method based on the rates prescribed under Schedule XIV to the Companies Act 1956 except for fixed assets acquired on amalgamation (where original dates of acquisition are not readily available), which are depreciated over the remainder useful life of the assets as certified by an expert.

Cost of Goodwill arising on amalgamation is amortised over a period of 5 years.

Cost of Leasehold Land is amortised over the period of lease.

Assets individually costing less than Rs.5,000 are depreciated fully in the year of purchase.

### 10. Employee Retirement benefits:

The Company contributes to the gratuity fund maintained and administered by an Insurance Company. Contributions paid or payable as determined by the Insurance Company under the Group Gratuity Scheme are charged to the Profit and Loss Account.

Contributions made to Provident Funds, Family Pension Funds and Superannuation Fund are charged to Profit and Loss Account as incurred.

The liability in respect of leave encashment is provided, based on an actuarial valuation carried out by an independent actuary as at the year end.

### 11. Taxes on Income:

Current Tax is determined as per the provisions of the Income Tax Act, 1961.

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.

Fringe Benefit Tax is determined at current applicable rates on expenses falling within the ambit of "Fringe Benefit" as defined under Income Tax Act, 1961.

### 12. Earnings per share:

Annualised earnings/ (Loss) per equity share (basic and diluted) is arrived at based on ratio of profit/ (loss) attributable to equity shareholders to the weighted average number of equity shares.

### 13. Impairment of Assets:

At each Balance Sheet date, the Company assesses whether there is any indication that assets may be impaired. If any such indication exists, the Company estimates the recoverable amount. If the carrying amount of the assets exceeds its recoverable amount, an impairment loss is recognised in the accounts to the extent the carrying amount exceeds the recoverable amount.

### 14. Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognised when the company has a present obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation. When the company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, only when such reimbursement is virtually certain.

A disclosure for contingent liability is made where there is a possible obligation or present obligation that may probably will not, require an outflow of resources. When there is a possible or a present obligation the likelihood of outflow of resources is remote, no provision or disclosure is made.

# Notes on Accounts for the year ended March 31, 2007

## SCHEDULE 19

### Notes on Accounts

#### 1. Loan Funds :

##### (a) Secured Loans

	2007 Rs.	2006 Rs.
(i) Foreign Currency Loans	1,767,388	489,885
Amount repayable within one year - Rs. Nil (2006: Rs .Nil)		
Foreign Currency Loans consist of External Commercial Borrowing (ECB) from Scottish & Newcastle UK Limited (S&N) and BNP Paribas. ECB from S&N is secured by first charge on Talaja plant and pledge of certain investments. ECB from BNP Paribas is secured by first charge on all moveable and immovable properties of the Company except Talaja plant.		
(ii) From Banks	2,567,202	2,004,895
[including interest accrued and due Rs. 14,561 (2006: Rs. 1,756)]		
Amount repayable within one year – Rs. 338,371 (2006: Rs. 101,934)		
Secured by hypothecation of stock in trade, stores, raw materials, book debts and a second charge on all the immovable properties of the Company.		
(iii) From Others		
Hire Purchase Creditors	6,054	9,522
Amount repayable within one year Rs. 3,291 (2006: Rs. 3,468)		
Secured by Assets purchased under Hire Purchase Scheme		

##### (b) Unsecured Loans

(i) Short Term Loans from Banks	413,982	—
[including interest and due Rs. 1,380 (2006: Rs. NIL)]		
Amount repayable within one year – Rs.413,982 (2006: Rs. Nil)		
(ii) From Others	3,006	3,006
Amount repayable within one year – Rs. Nil (2006: Rs. Nil)		

##### (c) Deferred Credits

Amount repayable within one year – Rs. 4,044 (2006:Rs.22,795)	4,044	26,839
Secured by Assets purchased under the Scheme.		

#### 2. Fixed Assets:

- Buildings amounting to Rs. 19,982 and Plant and Machinery amounting to Rs. 97,306 are in premises not owned by the Company.
- The excess of fair valuation of fixed assets over the book value as on April 1, 2006 amounting to Rs. 1,067,094 has been taken to Asset Block as per the Approval of Composite Scheme of Arrangement. The relative depreciation of Rs. 12,180 has been charged to the Profit and Loss Account.

#### 3. Investments:

Millennium Alcobev Private Limited (MAPL), being a Joint Venture (JV) between the Company and Scottish & Newcastle plc., has already made significant inroads into the market by achieving a 10% market share within a period of three years. The subsidiaries of the JV have their manufacturing locations in critical markets and meet almost 30% of the Company's capacity requirement. Considering the turnaround strategy adopted by the company by synergising the operations of the JV with the company, which rationalised the spend profile of the company, and the management's action in restructuring the debt profile of the JV in order to reduce the cost of borrowing, all of which generated positive earnings before interest, depreciation and taxes for the year, and in further enhancing the capacities in all the entities by infusing additional funds to meet the growing demand, and considering that the investments are strategic and long term in nature and substantial benefits are expected to accrue to the JV in terms of market share and capacity utilisation, as mentioned above, the management is of the view that there is no permanent diminution in the value of investments and no provision, therefore, is considered necessary at this stage.

## Notes on Accounts for the year ended March 31, 2007 (contd.)

4. The following amounts are due from a company whose brewing facilities are being utilised by the company for the production of Company's brand of beer under contract brewery arrangements.

	2007 Rs.	2006 Rs.
Included under Sundry Debtors Considered Good – Others	—	12,855
Included in other deposits under Loans and Advances	100,000	50,000

The said company has been declared as a sick industrial undertaking by the Honourable Board for Industrial and Financial Restructuring (BIFR).

5. Consequent to the deferment of the applicability of Accounting Standard (AS) 15 (revised) on "Employee Benefits" by the Institute of Chartered Accountants of India, the Company has reversed the adjustment of Rs. 521 made to the opening balance (i.e. April 1, 2006) in the General Reserve. Further the company continues to recognise retirement benefits in accordance with the AS 15 (old) on "Retirement Benefits".

**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.
- b) List of SSIs:  
Kurian Colour Packs, Universal Print System, Kem Cards, Cartopack, Sai Packaging, D.K. Plastic, Mayank Commercial, Surana Packaging India Private Limited, T. S Packages, Das Hand Gloves, Aapco Industries, Avasas Pack and Print, Paper Pack, Prakash Colour Cartons, Shaha Pack and Print, Venkatesh Packaging, Packaging Industries, Mohinder Packages, A V Packaging, Poornima Packaging, Rainbow Packaging, Sree Raghavendra Industries, Sree Subramanya Industries, Suraj Plastics Private Limited.
- (c) This being the first year of applicability, the Company is in the process of compiling the additional information required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006. The management does not envisage any material impact on the financials in this regard.

The information given above and 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.

**7. Investor Education Protection Fund:**

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

**8. Segmental Reporting:**

The company is engaged in manufacture, purchase and sale of beer including licensing of brands which constitutes a single business segment. The Company operates only in India. Accordingly, primary and secondary reporting disclosures for business and geographical segment as envisaged in AS-17 are not applicable to the company.

**9. Capital Commitments:**

	2007 Rs.	2006 Rs.
Estimated amount of Contracts remaining to be executed (net of capital advances) on capital account and not provided for.	399,197	20,237

## Notes on Accounts for the year ended March 31, 2007 (contd.)

### 10. Contingent Liabilities:

Particulars	2007 Rs.	2006 Rs.
a) Sales Tax/other taxes demands under appeal*	14,456	13,091
b) Demand towards Water charges under appeal*	85,957	—
c) Excise Duty/Customs Duty demands under appeal*	8,890	8,646
d) Claims against the Company not acknowledged as debt*	4,900	27,076
e) Letter of Credit outstanding	150,954	36,181
f) Guarantees given by the company:		
- on behalf of Subsidiaries of Joint Venture to third parties	2,280,000	—
- to third parties	33,656	25,906
g) Letter of undertaking to distributors towards countervailing duty for imports from Nepal	38,500	38,500
h) Balance Consideration payable to promoters of erstwhile Karnataka Breweries and Distilleries Private Limited	—	350,000

\*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.

Contingent Liabilities disclosed above represent possible obligations where probability of cash outflow to settle the obligation is remote.

### 11. Operating Lease:

The Company has entered into leasing arrangements for vehicles, computers, equipments, office premises and residential premises that are renewable on a periodic basis, and cancelable/non-cancelable in nature. Such leases are generally for a period of 11 to 60 months with options of renewal against increased rent and premature termination of agreement through notice period of 2 to 3 months, except in the case of certain leases where there is a lock-in period of 11 to 26 months.

	2007 Rs.	2006 Rs.
Lease payments during the year including Minimum lease payments <b>Rs. 3,291</b> (2006: 3,468) on non-cancelable leases.	61,137	52,724
At the balance sheet date, future minimum lease rentals under non-cancelable operating leases are as under:		
Not later than one year	8,992	—
One to five years	18,357	—
	27,349	—

### 12. Scheme of Amalgamation:

- (a) The Scheme of Amalgamation (the Scheme) of London Draft Pubs Private Limited (LDPPL), London Pilsner Breweries Private Limited (LPBPL) and Karnataka Breweries and Distilleries Private Limited (KBDL) into the Company filed with the Honourable High Courts of Bombay and Karnataka respectively has been pronounced by the respective High Courts on April 27, 2007 and June 11, 2007. Consequently, LDPPL, LPBPL and KBDL have been amalgamated with the Company and all assets and liabilities etc., stands transferred to and vests in the Company from the appointed date mentioned in Scheme i.e., April 01, 2006. Whilst order of the Honourable High Court of Bombay amalgamating LDPPL and LPBPL into the Company has been received and filed with the Registrar of Companies. The order of the Honourable High Court of Karnataka is yet to be received. The Scheme has been given effective pursuant to clause 14 (ii) of the Scheme.

The amalgamation has been accounted under the purchase method as prescribed by the Accounting Standard (AS) 14 issued by the Institute of Chartered Accountants of India, subject to the following adjustments which have been approved by the scheme:

- Assets and liabilities of KBDL and LDBPL were taken over at their fair values as at the appointed date, and the difference between the net assets and the fair value has been accounted in General Reserve.
- The assets and liabilities of LDPPL were taken over at their book values.



## Notes on Accounts for the year ended March 31, 2007 (contd.)

- (b) The details of the treatment in the books of accounts is as under:

Particulars	2007 Rs.
Excess of fair valuation credited to General Reserve	(1,067,094)
Unrecognised Deferred Tax Asset on carried forward business losses and depreciation of KBDL recognised as per Accounting Standard AS-22 Accounting for Taxes on Income - read with Accounting Standard Interpretation 11 issued by The Institute of Chartered Accountants of India.	(3,497)
Goodwill arising on amalgamation	1,693,596
Deferred Revenue	12
Goodwill carried to Balance Sheet for amortisation	623,017

The book values of assets and liabilities transferred to and recognised in the books of the company as per the Scheme are given below:

Particulars	KBDL	LDPPL	LPBPL
Fixed Assets	282,703	391	18,716
Investments	—	50	—
Inventories	163,381	—	—
Sundry Debtors	129,515	—	—
Cash and Bank Balances	74,856	21	6
Other Current Assets	142	—	—
Loans and Advances	30,639	24	—
Deferred revenue	13	—	—
Current Liabilities	(380,047)	(7)	(6)
Provisions	(11,918)	—	—
Loan Liabilities	(281,856)	(1,153)	—

- (c) Amount of goodwill arising on amalgamation which was hitherto being written off in the year of amalgamation is from the current year being amortised over a period of 5 years. As a result of this change in the accounting policy, profit for the year is higher by Rs. 498,414.

### 13. Related party disclosures:

#### A Name of the related parties:

##### (1) Subsidiary:

Associated Breweries & Distilleries Limited (ABDL)

##### (2) Associate:

United East Bengal Football Team Private Limited (UEBFTPL)

##### (3) Joint Venture:

Millennium Alcobev Private Limited (MAPL)

##### (4) Subsidiaries of the Joint Venture :

(a) Empee Breweries Limited (EMPEE)

(b) United Millennium Breweries Limited (UMBL)

(c) Millennium Beer Industries Limited (MBIL)

##### (5) Entity which has significant influence

Scottish & Newcastle India Limited (SNIL)

##### (6) Others

(a) Scottish & Newcastle Plc, (S & N), Holding Company of SNIL

(b) Scottish & Newcastle UK Limited (SNUK), Fellow Subsidiary of SNIL

(c) Scottish & Newcastle India Private Limited (SNIPL), Fellow Subsidiary of SNIL

## Notes on Accounts for the year ended March 31, 2007 (contd.)

(7) **Key Management Personnel(KMP):**

Mr Kalyan Ganguly

Mrs. Lesley Jackson

(8) **Relative of Key Management Personnel:**

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

**B. Transactions with related parties during the year:**

**Transactions with Subsidiary**

Balance due from ABDL – **Rs. 83,446** (2006:Rs. 102,753)

Particulars	MBIL		MAPL		UMBL		EMPEE		UEBFTPL		KMP	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Purchase of goods	513,015	199,961	—	—	4,950	343	310	1,196	—	—	—	—
Sale of goods [including sales taxes / VAT]	61,315	104,658	—	—	25,068	9,160	28,485	9,040	—	—	—	—
Receipts against rendering Services	14,060	2,809	—	—	16,575	—	—	—	—	—	—	—
Brand Fees paid	6,219	4,241	—	—	—	—	—	—	—	—	—	—
Sponsorship and other payments	—	—	—	—	—	—	—	—	25,577	24,635	—	—
Purchase of Assets	—	—	—	—	8,245	—	118,833	867	—	—	—	—
Sale of Assets	104	—	—	—	—	—	36	—	—	—	—	—
Finance (including loan in cash or kind)	(170,234)	(145,587)	(139,566)	128,454	(7,306)	59,667	54,255	(38,365)	45	(47)	—	—
Remuneration to Directors	—	—	—	—	—	—	—	—	—	—	26,350#	22,441
<b>Guarantees and Collaterals</b>	<i>Refer Schedule 19 Note 10(f)</i>				—	—	—	—	—	—	—	—
<b>Amount Due From/(To)</b>	<b>302,474</b>	<b>127,167</b>	<b>11,539</b>	<b>(128,028)</b>	<b>84,848</b>	<b>77,542</b>	<b>(15,971)</b>	<b>38,284</b>	<b>2</b>	<b>47</b>	<b>88</b>	<b>105</b>

\* Figures in brackets indicate Amounts received

# Including payment to relative of KMP amounting to **Rs.1,876** (2006: Rs. 1,681)

**C. Transactions with S & N Group**

(1) **Transaction with S & N**

Management Fees

**Rs. 25,150** (2006: Rs. 18,451)

(2) **Transactions with SNIPL**

Redemption of ROCPS

**Rs. Nil** (2006: Rs. 1,837,756)

Dividend on above

**Rs. Nil** (2006: Rs. 7,552)

(3) **Transactions with SNUK**

Balance amount on account of ECB with SNUK

**Rs. 479,488** (2006: Rs. 489,885)

Interest on ECB

**Rs. 36,293** (2006: Rs. 28,714)

(4) **Transactions with SNIL**

Subscription to Preference Share Capital

**Rs. Nil** (2006: Rs. 2,469,000)

Balance of Preference Share Capital

**Rs. 2,469,000** (2006: Rs. 2,469,000)

Dividend on above

**Rs. 74,070** (2006: Rs. 72,853)

Dividend on equity shares

**Rs. 20,249** (2006: Rs. 18,225)

## Notes on Accounts for the year ended March 31, 2007 (contd.)

### 14. Earnings per Share:

Particulars	2007 Rs.	2006 Rs.
(a) Profit as per profit and loss account	650,918	194,056
(b) Less : Preference Dividend (including dividend distribution tax thereon)	84,460	93,086
(c) Net Profit attributable to equity shareholders	566,459	100,970
(d) Weighted average number of equity shares outstanding (Face value of Re.1 per share)	216,043,430	216,043,430
(e) Earnings per share (Basic/Diluted)	2.62	0.47

### 15. Remuneration to Auditors\*

Particulars	2007 Rs.	2006 Rs.
Fees	3,900	3,925
Tax Audit	560	525
Out of Pocket Expenses	1,385	469
Other Services	1,090	900
<b>Total</b>	<b>6,935</b>	<b>5,819</b>

\*Excluding service tax

### 16. Accounting for Taxes on Income:

- (a) Current Tax is net of **Rs. 84,106** (2006: Nil), being provision for earlier years no longer required written back.
- (b) Deferred Tax - The net deferred tax liability amounting to **Rs. 60,715** (2006: Rs. 79,213) has been arrived as follows:

Particulars	2007 Rs.	2006 Rs.
Deferred Tax Liability arising from:		
Difference between carrying amount of fixed assets in the financial statements and the Income Tax Return	91,253	108,666
<u>Less:</u> Deferred tax asset arising from:		
Expenses charged in the financial statements but allowable as deductions in future years under the Income Tax Act, 1961	23,913	14,081
Carry forward of unabsorbed depreciation / business loss	-	10,956
Provision for Doubtful Debts	6,625	4,776
<b>Net deferred tax liability</b>	<b>60,715</b>	<b>79,213</b>
Movement during the year	18,498	321,274
Less: Deferred tax on unabsorbed losses of KBDL [Refer Note 12 above]	3,497	—
Deferred tax (charged off) / written back in the profit and loss account	15,001	(321,274)

The tax impact for the above purpose has been arrived by applying a tax rate of 33.99% (2006: 33.66%) being the substantively enacted tax rate for Indian Companies under the Income Tax Act, 1961.

### 17. Remuneration to Directors:

Particulars	2007 Rs.	2006 Rs.
Salary and Allowances	19,200	16,009
Contribution to Provident and Other Funds	2,670	2,489
Perquisites	4,480	3,943
<b>Total</b>	<b>26,350</b>	<b>22,441</b>

## Notes on Accounts for the year ended March 31, 2007 (contd.)

Computation of net profits in accordance with Section 198 of the Companies Act, 1956:

Particulars	2007		2006	
	Rs.	Rs.	Rs.	Rs.
Net Profit after taxation		<b>650,918</b>		194,056
Add:				
Depreciation & Amortisation (as per accounts)	385,352		208,574	
Directors' Remuneration	26,350		22,441	
Directors' Fees	760		859	
Provision/(Write back) for doubtful debts and advances (net)	—		11,442	
Book deficit/ (surplus) on fixed assets sold, scrapped, etc. (net)	2,906		1,150	
Loss of a capital nature – Goodwill written off on amalgamation	—		288,578	
Taxation for the year	299,008	714,376	425,306	958,350
		<b>1,365,294</b>		1,152,406
Less:				
Depreciation U/S350		385,353		208,574
Deficit / (Surplus) on disposal of fixed assets (net) U/S 349		(2,859)		(718)
Net Profit for Section 198 of the Companies Act, 1956		<b>982,800</b>		944,550
Remuneration Limit (10%)		98,280		94,455
Remuneration Paid		26,350		22,441

### 18. Quantitative Details:

#### A. Quantitative Particulars

Particulars	2007		2006	
	Beer in Hecto Litres	Value in Rs.	Beer in Hecto Litres	Value in Rs.
Licensed Capacity *	4,608,260		2,428,180	
Installed Capacity per annum *	3,975,000		2,350,000	
Actual Production for the year	2,997,592		1,986,254	
Sales - during the year	2,937,754	13,259,952	1,950,859	7,645,443
Malt Sales in Tonnes during the year	7,434	121,967	6,669	103,283
Opening Stock – Finished Goods	161,913	337,549	111,318	266,135
Closing Stock – Finished Goods	221,751	490,133	161,913	337,549

\*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	2007		2006	
	Quantity in Hecto Litres	Value in Rs.	Quantity in Hecto Litres	Value in Rs.
Opening Stock	4	17	1,495	6,564
Purchases during the period	148,326	820,777	49,076	249,034
Sales during the period	148,321	882,518	50,567	323,225
Closing Stock	9	28	4	17

## Notes on Accounts for the year ended March 31, 2007 (contd.)

### C. Consumption of Raw Materials

Particulars	2007		2006	
	Quantity in Tonnes	Value in Rs.	Quantity in Tonnes	Value in Rs.
Malt	44,165	784,393	30,844	473,542
Brewing Materials	23,289	370,796	14,293	216,329
Other Materials *		87,708		64,022

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

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

Particulars	2007 Rs.	2006 Rs.
Raw Materials	113,150	71,642
Components & Spares	426,471	229,070
Capital Goods	65,429	20,034

### 20. Expenditure in Foreign Currency :

Particulars	2007 Rs.	2006 Rs.
Foreign Travel expenses of employees and others (net of recoveries)	3,249	7,507
Management Fees	25,322	11,516
Legal and Professional Charges	3,247	—
Capital Expenditure	64,905	—
Selling and Distribution expenses	15,784	—
Others	674	—

### 21. Earnings in Foreign Exchange:

Particulars	2007 Rs.	2006 Rs.
Services – Royalty	5,320	6,143

### 22. Details of Dividend:

Particulars	2007 Rs.	2006 Rs.
Dividend on ROCPS @5%	—	8,782
Dividend Distribution tax on above	—	1,232
Dividend on Preference Share Capital @3%	74,070	72,853
Dividend Distribution tax on above	10,390	10,219
Interim Dividend on equity shares @15%	32,407	32,401
Dividend Distribution tax on above	4,546	4,545
Final Dividend on equity shares @ 10%	21,605	16,200
Dividend Distribution tax on above	3,671	2,272
<b>Total</b>	<b>146,689</b>	<b>148,504</b>

## Notes on Accounts for the year ended March 31, 2007 (contd.)

### 23. Details of dividend paid in foreign currency:

Particulars	2007 Rs.	2006 Rs.
Number of non-resident shareholders	2	2
Number of equity shares held on which dividend was due	99,851,330	99,851,330
Amount remitted	22,467	14,978
Number of preference share held on which dividend was due	24,690,000	21,369,077
Amount remitted (Payout pertaining to 2005-06 & 2006-07)	89,048	47,715

### 24. All amounts disclosed in Notes to Account and other Schedules are in Rs. 000 except for:

- (i). Number of Shares in Notes on Schedule 1, Note 14 and Note 23.
- (ii). Basic and Diluted EPS in the Profit and Loss Account and in Note 14.

### 25. Figures for the current year include those of Karnataka Breweries Limited, London Draft Pubs Private Limited and London Pilsner Breweries Private Limited which were amalgamated with the Company effective April 1, 2006. Accordingly, the previous year's figures are not comparable. Further, the previous year's figures have been regrouped to conform to current year's classification.

## STATEMENT PURSUANT TO SECTION 212(1)(e) OF THE COMPANIES ACT, 1956 AS AT MARCH 31, 2007

Rs. in Thousands

Sl. No.	Name of the Subsidiary	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			
						Not dealt with in the Accounts of the Company		Dealt with in the Accounts of the Company	
						(i)	(ii)	(i)	(ii)
		United Breweries Limited	Other Subsidiary Companies	United Breweries Limited	Other Subsidiary Companies	For Subsidiary's Financial year ended 31.3.2007	For previous Financial years of Subsidiary since it became a Subsidiary	For the Subsidiary's Financial year ended 31.3.2007	For previous Financial years of the Subsidiary since it became a Subsidiary
1.	Associated Breweries & Distilleries Ltd.	10,000	—	100%	—	—	—	499	(6)

#### Note:

Karnataka Breweries and Distilleries Private Limited, London Pilsner Breweries Private Limited and London Draft Pubs Private Limited have amalgamated with United Breweries Limited effective April 01, 2006 vide order of the Honorable High Court of Karnataka dated June 11, 2007.

### DISCLOSURE UNDER CLAUSE 32 OF THE LISTING AGREEMENT

Name of the listed Company: United Breweries Limited

Rs. in Thousands

Name of the Company	Amount outstanding as at March 31, 2007	Value of investments as at March 31, 2007	Terms
<b>Subsidiaries:</b> Associated Breweries & Distilleries Ltd.	83,446	1,000	No stipulation towards towards repayment and interest
<b>Joint Venture:</b> Millennium Alcobev Pvt. Ltd.	11,538	589,529	—
<b>Associates:</b> United East Bengal Football Team Pvt.Ltd.	—	50	—



# Balance Sheet Abstract

## COMPANY'S GENERAL BUSINESS PROFILE

Rs. in Thousands

### I. Registration Details

Registration No.	:	25195
State Code	:	08
Balance Sheet Date	:	31.03.2007

### II. Capital Raised during the year

Public Issue	:	—
Right Issue	:	—
Bonus Issue	:	—
Private Placement	:	Nil

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

<b>Total Liabilities</b>	<b>10,398,744</b>	<b>Total Assets</b>	<b>10,398,744</b>
<b>Sources of Funds</b>		<b>Application of Funds</b>	
Paid up Capital	2,685,043	Net Fixed Assets	5,262,352
Reserves & Surplus	2,891,310	Investments	590,699
Secured Loans	4,340,644	Net Current Assets	4,545,693
Unsecured Loans	416,988	Deferred Tax Assets	—
Deferred Credit	4,044	Miscellaneous Expenditure	—
Deferred Tax Liability	60,715		

### IV. Performance of Company

Turnover	10,748,738	Total Expenditure	9,798,812
		(Includes non-recurring items)	
Profit Before Tax	949,926	Profit After Tax	650,918
Earnings per Share	2.62	Dividend Rate	25%

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

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

**SUMMARISED FINANCIALS OF SUBSIDIARY COMPANY AS REQUIRED IN TERMS OF APPROVAL UNDER SECTION 212 (8) OF THE COMPANIES ACT, 1956 GRANTED BY THE GOVERNMENT OF INDIA, MINISTRY OF CORPORATE AFFAIRS VIDE LETTER DATED 05.06.07**

Rupees in Thousands

Sl. No.	Name of Subsidiary	Issued & Subscribed Share Capital	Reserves & Surplus	Total Assets	Total Liabilities	Investments	Profit & Loss A/c	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend
1.	Associated Breweries & Distilleries Ltd.	1,000	—	84,446	84,446	83,880	1,070	508	499	—	499	—

Notes:

1. Karnataka Breweries and Distilleries Private Limited, London Pilsner Breweries Private Limited and London Draft Pubs Private Limited have been amalgamated with United Breweries Limited effective April 01, 2006 by the order of the Hon'ble High Court of Karnataka dated June 11, 2007. The accounts include the figures of these companies. 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. The Annual Report is also available for inspection of investors at the Registered Office of the Company and its Subsidiary.

# Auditors' Report on Consolidated Financial Statements

## AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF UNITED BREWERIES LIMITED

1. We have audited the attached Consolidated Balance Sheet of United Breweries Limited ('the Company') and its subsidiary and joint venture (UB Group) as at March 31, 2007 and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto which we have signed under reference to this report. These consolidated financial statements are the responsibility of the company'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 Standards 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. We did not audit the financial statements of the subsidiary, which reflect total assets of Rs. 83,376(000) as at March 31, 2007 and total revenues of Rs. 508 for the year ended on that date. These financial statements have been audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditors.
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, issued by the Institute of Chartered Accountants of India.
5. 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 state of affairs of UB Group as at March 31, 2007;
  - (b) in the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date; and
  - (c) in the case of the Consolidated Cash Flow Statement of the cash flows for the year ended on that date.

Place: Bangalore  
Date: June 22, 2007

**J. Majumdar**  
Partner  
Membership Number – F51912  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants

## Consolidated Balance Sheet as at March 31, 2007

Rs. in Thousands

		2007		Joint Venture		Total		2006	
	Schedule	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
SOURCES OF FUNDS									
Shareholder's Funds									
Capital	1	2,685,043	—			2,685,043		2,685,043	
Reserves and Surplus	2	2,890,239	5,575,282	629,603	629,603	3,519,842	6,204,885	3,015,603	5,700,646
Loan Funds									
Secured Loans	3	4,340,644		1,325,587		5,666,231		3,911,663	
Unsecured Loans		416,988	4,757,632	178,402	1,503,989	595,390	6,261,621	121,743	4,033,406
Deferred Credit [Refer Schedule 19 Note 4(e)]			4,044		—		4,044		26,839
Deferred Tax Liability (Net) [Refer Schedule 19 Note 14]			60,715		—		60,715		80,496
			10,397,673		2,133,592		12,531,265		9,841,387
APPLICATION OF FUNDS									
Goodwill [Refer Schedule 19 Note 3]			50		1,182,084		1,182,134		1,182,134
Fixed Assets									
Gross Block	4	5,090,063		1,135,189		6,225,252		3,730,495	
Less: Accumulated Depreciation and Amortization		955,018		544,989		1,500,007		1,058,315	
Net Block		4,135,045		590,200		4,725,245		2,672,180	
Capital Work in Progress		1,127,308	5,262,353	59,189	649,389	1,186,497	5,911,742	102,417	2,774,597
Investments	5		673,029		(672,844)		185		8,379
Current Assets, Loans and Advances									
Inventories	6	1,123,643		122,099		1,245,742		838,448	
Sundry Debtors	7	2,148,312		387,559		2,535,871		1,624,817	
Cash and Bank Balances	8	1,392,757		78,055		1,470,812		1,341,153	
Other Current Assets	9	10,202		—		10,202		1,133	
Loans and Advances	10	1,888,728		79,410		1,968,138		3,316,960	
		6,563,642		667,123		7,230,765		7,122,511	
Less: Current Liabilities and Provisions									
Liabilities	11	2,026,454		559,948		2,586,402		1,878,661	
Provisions	12	74,947		388		75,335		134,525	
		2,101,401		560,336		2,661,737		2,013,186	
Net Current Assets			4,462,241		106,787		4,569,028		5,109,325
Miscellaneous Expenditure									
(To the extent not written off) [Refer Schedule 19 Note 13]			—		—		—		63
Profit and Loss Account			—		868,176		868,176		766,889
			10,397,673		2,133,592		12,531,265		9,841,387
Significant Accounting Policies									
Notes on accounts	18								
	19								

The Schedules referred to above and the notes thereon form an integral part of the consolidated financial statements.

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

**J. Majumdar**  
Partner  
Membership Number - F51912  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants  
Bangalore, India, June 22, 2007

**Kalyan Ganguly**  
Managing Director

**Lesley Jackson**  
Director, CFO

**Govind Iyengar**  
Company Secretary  
Saumur, France, June 22, 2007

# Consolidated Profit and Loss Account for the year ended March 31, 2007

*Rs. in Thousands*

	Schedule	2007		Joint Venture		Total		2006	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>INCOME</b>									
Sales and Service	13	14,817,978		1,875,871		16,693,849		10,423,740	
Less: Excise Duty		4,280,190		355,179		4,635,369		2,432,905	
		10,537,788		1,520,692		12,058,480		7,990,835	
Other Income	14	211,458	10,749,246	29,064	1,549,756	240,522	12,299,002	245,681	8,236,516
<b>EXPENDITURE</b>									
Cost of Sales	15	6,596,970		975,760		7,572,730		4,859,772	
Other Expenses	16	2,536,711		452,714		2,989,425		1,957,071	
Interest and Finance Charges	17	279,788		132,226		412,014		384,159	
Deferred Revenue Expenses		—		—		—		28,040	
Depreciation and Amortization		385,352	9,798,821	88,707	1,649,407	474,059	11,448,228	348,762	7,577,804
Profit before non recurring items			950,425		(99,651)		850,774		658,712
Prior period adjustments			—		—		—		(35,317)
Non recurring items			—		—		—		(304,654)
Profit / (Loss) before taxation			950,425		(99,651)		850,774		318,741
Provision for Taxation									
- Current tax		(294,129)		(2,396)		(296,525)		(84,175)	
- Fringe Benefit Tax		(19,880)		(523)		(20,403)		(20,742)	
- Deferred Tax (Charge) / Write back		15,001	(299,008)	1,283	(1,636)	16,284	(300,644)	(321,624)	(426,541)
Profit / (Loss) after taxation			651,417		(101,287)		550,130		(107,800)
Profit / (Loss) brought forward									
from previous year			54,076		(766,889)		(712,813)	(267,076)	
Movements during the year			(489)		—		(489)	(154,433)	(421,509)
			705,004		(868,176)		(163,172)		(529,309)
Less: Appropriations									
Transfer to General Reserve			(70,000)		—		(70,000)		(35,000)
Dividend			(146,689)		—		(146,689)		(148,504)
Balance carried to Balance Sheet			488,315		(868,176)		(379,861)		(712,813)
Earnings per share (Basic/Diluted)							2.16		(0.93)
Significant Accounting Policies	18								
Notes to Accounts	19								

The Schedules referred to above and the notes thereon form an integral part of the consolidated financial statements.

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

**J. Majumdar**  
 Partner  
 Membership Number - F51912  
 For and on behalf of  
**Price Waterhouse**  
 Chartered Accountants  
 Bangalore, India, June 22, 2007

**Kalyan Ganguly**  
 Managing Director

**Lesley Jackson**  
 Director, CFO

**Govind Iyengar**  
 Company Secretary  
 Saumur, France, June 22, 2007

## Consolidated Cash Flow Statement for the year ended March 31, 2007

*Rs. in Thousands*

	2007		2006	
	Rs.	Rs.	Rs.	Rs.
<b>A Cash Flow from operating Activities</b>				
Profit before taxation and non-recurring items		850,774		658,713
Adjustments for:				
Depreciation and Amortisation	474,059		348,762	
Net pre-acquisition loss in subsidiaries	—		(1,041,317)	
(Profit)/Loss on Sale of Assets	1,963		—	
(Profit)/Loss on Sale of Investments	(500)		—	
Bad Debts Written Off	44,500		—	
Bad Advances written off	136		—	
Provision for Doubtful Debts	9,898		—	
Provision for Doubtful advances	1,616		—	
Interest Expenses (Net)	412,014		384,159	
Deferred Revenue	—	943,686	28,040	(280,356)
<b>Operating profits before Working Capital changes</b>		1,794,460		378,357
<b>Adjustment for Working Capital changes:</b>				
(Increase) / Decrease in Sundry Debtors	(864,714)		(199,501)	
(Increase) / Decrease in Inventories	(387,680)		(144,796)	
(Increase) /Decrease in Joint Venture share in working capital	103,315		502,593	
(Increase) /Decrease in Deferred Revenue	—		—	
Increase / (Decrease) in Current Liabilities and Provisions	578,495		(127,195)	
(Increase) / Decrease in Other Current Assets, Loans and Advances	1,327,238	756,654	(1,844,746)	(1,813,645)
<b>Cash generated from operations</b>		2,551,114		(1,435,288)
Adjustment arising out of Amalgamation/ change in Joint Venture		(426)		2,371
Direct Taxes paid (including TDS)		(393,379)		150,069
<b>Cash generated from operations before non-recurring items</b>		2,157,309		(1,582,986)
Non-recurring items		—		(16,076)
<b>Net cash generated / (used in) from operating activities.</b>		2,157,309		(1,599,062)
<b>B Cashflow from Investing Activities</b>				
Purchase of Fixed Assets		(3,544,341)		(230,944)
Purchase of Fixed assets - Share of Joint Venture		(163,433)		(238,030)
Sale of Fixed Assets		94,607		—
Sale of Investments (Net)		8,694		(11,785)
<b>Net cash used in investing activities</b>		(3,604,473)		(480,759)



# Consolidated Cash Flow Statement for the year ended March 31, 2007 (contd.)

		Rs. in Thousands	
		2007	2006
		Rs.	Rs.
<b>C Cashflow from Financing Activities</b>			
Proceeds from allotment of shares	—		4,642,267
Share in Capital of Joint Venture / Subsidiaries	—		(643,818)
Short term loan	916,140		(1,061,689)
Long Term Borrowings including Joint Venture	1,287,900		1,608,737
Loan to United Breweries (Holdings) Ltd	(3,845)		802,400
Advances by subsidiary companies to others	—		446,235
Redemption of ROCPS	—		(2,136,908)
Interest Paid	(410,634)		(384,159)
Dividend paid	(212,738)		(57,180)
<b>Net cash generated from / (used in) financing activities</b>	<b>1,576,823</b>		<b>3,215,885</b>
<b>Net Increase / (Decrease) in cash and cash equivalents</b>	<b>129,659</b>		<b>1,136,064</b>
<b>Opening cash and cash equivalents</b>			
Cash and Cheques on hand including Remittances in Transit	18,630		1,449
Bank Balances	1,322,523	1,341,153	203,640
<b>Closing cash and cash equivalents</b>			
Cash and Cheques on hand including Remittances in Transit	29,684		18,630
Bank Balances	1,441,128	1,470,812	1,322,523

## Notes:

1. The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at March 31, 2007 and the relative Profit and Loss Account for the year ended on that date.
2. The above Cash Flow Statement has been prepared in consonance with the requirements of Accounting Standard (AS) - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India and the reallocations required for the purpose are as made by the Company.
3. Cash and cash equivalents include **Rs. 57,344** (2006: Rs. 31,472) which are not available for use by the Company. [Refer Note on Schedule 8]
4. Previous year's figures have been regrouped / reclassified wherever necessary to conform with current year's classification.

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

**J. Majumdar**  
Partner  
Membership Number - F51912  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants  
Bangalore, India, June 22, 2007

**Kalyan Ganguly**  
Managing Director

**Lesley Jackson**  
Director, CFO

**Govind Iyengar**  
Company Secretary  
Saumur, France, June 22, 2007

## Schedules to Consolidated Balance Sheet as at March 31, 2007

Rs. in Thousands

### SCHEDULE 1

#### Capital

##### Authorised

300,000,000 (2006:30,000,000) Equity shares of Re. 1 each	300,000	—	300,000	300,000
25,000,000 ( 2006: 25,000,000) Preference Shares of Rs. 100 each	2,500,000	—	2,500,000	2,500,000
	<u>2,800,000</u>	<u>—</u>	<u>2,800,000</u>	<u>2,800,000</u>

##### Issued, Subscribed and Paid-up

216,043,430 (2006: 216,043,430) Equity shares of Re.1 each fully paid

As per Last Balance Sheet	216,043	—	216,043	178,206
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216,043,430 (2006: 178,206,030) Equity shares of Re.1 each fully paid up

Additions during the year	—	—	—	37,837
---------------------------	---	---	---	--------

(During the previous year of the total 216,043,430 Equity shares of Re.1 each, 37,795,220 Equity shares of Re.1 each were allotted to Scottish & Newcastle India Limited and 42,180 Equity shares of Re.1 each were allotted to MBDL Shareholders as per a Scheme of Arrangement)

The Company's equity shares of Rs.10 each were subdivided into equity shares of Re.1 each with effect from May 24, 2006

As per Last Balance Sheet

5% 21,369,077 Redeemable Optionally Convertible Preference shares of Rs.100 each	—	—	—	2,136,908
--	---	---	---	-----------

Less: Redeemed during the year	—	—	—	(2,136,908)
--------------------------------	---	---	---	-------------

3%, 17,283,000 Cumulative Redeemable Preference Shares of Rs.100 each - Series A	1,728,300	—	1,728,300	1,728,300
--	-----------	---	-----------	-----------

[The above shares are redeemable at par at the earliest on March 31, 2011 and are extendable upto March 31, 2015 based on mutual agreement between the company and Scottish and Newcastle India Limited (the preference shareholder)]

3%, 7,407,000 Cumulative Redeemable Preference Shares of Rs.100 each - Series B	740,700	—	740,700	740,700
---	---------	---	---------	---------

[The above shares are redeemable at par at the earliest on March 31, 2015]	<u>2,685,043</u>	<u>—</u>	<u>2,685,043</u>	<u>2,685,043</u>
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### SCHEDULE 2

#### Reserves and Surplus

Capital Reserve	—	468,204	468,204	468,204
Securities Premium Account:				
As per last Balance sheet	2,296,925	161,399	2,458,324	322,893
Premium received during the year	—	—	—	2,135,430
General Reserve:				
As per last Balance Sheet	35,000	—	35,000	—
Transfer from Profit and Loss Account	70,000	—	70,000	35,000
Profit and Loss Account balance	488,314	—	488,314	54,076
	<u>2,890,239</u>	<u>629,603</u>	<u>3,519,842</u>	<u>3,015,603</u>

## Schedules to Consolidated Balance Sheet as at March 31, 2007 (contd.)

### SCHEDULE 3

#### Secured Loans

Foreign Currency Loans

[Repayable within a year Rs. Nil (2006: Rs.Nil)]

- From Banks	1,287,900	—	1,287,900	—
- From Others	479,488	—	479,488	489,885

From Banks [Refer Schedule 19 Note 4]

[Repayable within one year Rs.539,870 (2006: Rs.143,599)]

2,567,202	702,690	3,269,892	2,228,565
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From Others ( including HP creditors)

[Refer Schedule 19 Note 4]

6,054	288,618	294,672	136,005
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Repayable within one year Rs.579 (2006: Rs.699)]

From Rabo India Finance Private Limited

—	334,279	334,279	1,057,208
---	---------	---------	-----------

4,340,644	1,325,587	5,666,231	3,911,663
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#### Unsecured Loans

[Refer Schedule 19 Note 4]

Short Term Loan from Banks

[Repayable within one year Rs.416,988 (2006: 121,743)]

412,602	—	412,602	—
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From Others

3,006	—	3,006	3,006
-------	---	-------	-------

Interest accrued and due

1,380	—	1,380	—
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Deferred Sales Tax Loan

—	178,402	178,402	118,737
---	---------	---------	---------

416,988	178,402	595,390	121,743
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## Schedules to Consolidated Balance Sheet as at March 31, 2007 (contd.)

### SCHEDULE 4

#### Consolidated Fixed Assets (Refer Schedule 19 Note 5)

Rs. in Thousands

Net Value of Assets as at March 31, 2006	Particulars	Gross Value of Assets as at March 31, 2006	Additions on Amalgamation	Cost		Gross Value of Assets as at March 31, 2007	Depreciation			Net Value of Assets as at March 31, 2007
				Additions	Deletions Adjustments		As at Mar 31, 2006	Deletions Adjustments	for the year March 31, 2007	
907	Good will	907	94,571	528,446	-	623,924	-	-	124,604	499,320
37	Licenses	37	-	-	-	37	-	-	-	37
344,655	Land - Freehold [Refer Note 3 below]	344,655	755,530	44,208	11,049	1,133,344	-	-	-	1,133,344
153,929	Land - Leasehold	162,380	-	63,340	-	225,720	8,451	-	2,013	215,256
363,471	Buildings [Refer Note 3 below]	425,497	170,319	23,406	-	619,222	62,026	-	20,224	536,972
1,027,834	Plant and Machinery [Refer Note 3 below]	1,454,834	369,396	387,035	6,966	2,204,299	427,000	4,292	193,889	1,587,702
29,360	Office Equipments	53,992	58	1,903	1,941	54,012	24,632	1,497	8,292	22,585
55,885	Furniture and Fittings	94,780	93	60,861	2,539	153,195	38,895	1,974	29,298	86,976
8,083	Lab Equipments	9,607	506	4,567	-	14,680	1,524	-	799	12,357
43,628	Vehicles	63,493	-	8,374	10,237	61,630	19,865	4,964	6,233	40,496
2,027,789		2,610,182	1,390,473	1,122,140	32,732	5,090,063	582,393	12,727	385,352	4,135,045
644,391	Share of Joint Venture	1,120,313	-	111,081	96,205	1,135,189	475,922	19,640	88,707	590,200
2,672,180		3,730,495	1,390,473	1,233,221	128,937	6,225,252	1,058,315	32,367	474,059	4,725,245
95,580	Capital work in Progress [including capital advances Rs. 749,879 (2006: 42,106) [Refer Note 1 and 2 below]									1,127,308
6,837	Share of Joint Venture									59,189
2,774,597										5,911,742

Notes:

1. Includes Rs.5,219 (2006:Nil) being amount of borrowing cost proposed to be capitalised.
2. Includes capital work in progress acquired on amalgamation Rs.1,144 (2006: Rs.12,451)
3. Additions on amalgamation includes Rs.22,713 (2006: Nil) being amount paid towards registration of assets.

## Schedules to Consolidated Balance Sheet as at March 31, 2007 (contd.)

*Rs. in Thousands*

	2007 Rs.	Joint Venture Rs.	Total Rs.	2006 Rs.
<b>SCHEDULE 5</b>				
<b>Investments</b>				
Government Securities:				
National Savings Certificate	70	—	70	133
Long Term, Non trade :(Unquoted)				
Zoroastrian Co-operative Bank Limited	100	—	100	100
United East Bengal Football Team Pvt. Ltd.	50	—	50	50
Millennium Alcobev Private Limited	<u>672,859</u>	<u>(672,859)</u>	<u>—</u>	<u>—</u>
	<u>673,079</u>	<u>(672,859)</u>	<u>220</u>	<u>283</u>
Share in Joint Venture Investments	—	15	15	8,146
Associate Company Goodwill arising on Consolidation	<u>(50)</u>	<u>—</u>	<u>(50)</u>	<u>(50)</u>
	<u>673,029</u>	<u>(672,844)</u>	<u>185</u>	<u>8,379</u>

## SCHEDULE 6

### CURRENT ASSETS, LOANS AND ADVANCES

#### Inventories

Raw Materials	257,058	25,175	282,233	158,753
Stores and Spares [Net of provision Rs.13,542 (2006: Rs. Nil)]	325,693	33,023	358,716	222,393
Finished Goods (including Traded Goods)	490,161	56,828	546,989	385,674
Goods in transit	50,731	7,073	57,804	71,628
	<u>1,123,643</u>	<u>122,099</u>	<u>1,245,742</u>	<u>838,448</u>

## SCHEDULE 7

### Sundry Debtors (Unsecured, unless stated otherwise)

Considered Good [Refer Schedule 19 Note 7]

- Over Six Months	9,577	—	9,577	1,317
- Others	2,138,735	387,559	2,526,294	1,623,500
Considered Doubtful				
- Over Six Months	19,492	25,401	44,893	38,088
- Others	—	—	—	—
	<u>2,167,804</u>	<u>412,960</u>	<u>2,580,764</u>	<u>1,662,905</u>
Less: Provision for Doubtful Debts	<u>(19,492)</u>	<u>(25,401)</u>	<u>(44,893)</u>	<u>(38,088)</u>
	<u>2,148,312</u>	<u>387,559</u>	<u>2,535,871</u>	<u>1,624,817</u>

## SCHEDULE 8

### Cash and Bank Balances

Cash and Cheques on hand [including Remittances - in Transit Rs.12,463 (2006:Rs. Nil)]

	7,192	22,492	29,684	18,630
Balances with Scheduled Banks:				
on Current Account [Including cheques on hand Rs. 1,737 (2006:Rs. Nil)]	674,115	40,978	715,093	844,929
on Deposit account [Refer note below]	711,450	14,585	726,035	477,594
Note-Includes Rs.57,334 (2006: Rs.31,472) kept as margin against letter of credit and bank guarantees				
	<u>1,392,757</u>	<u>78,055</u>	<u>1,470,812</u>	<u>1,341,153</u>

## SCHEDULE 9

### Other Current Assets

Income accrued on Investments and deposits

	10,202	—	10,202	1,133
	<u>10,202</u>	<u>—</u>	<u>10,202</u>	<u>1,133</u>

## Schedules to Consolidated Balance Sheet as at March 31, 2007 (contd.)

*Rs. in Thousands*

2007 Rs.	Joint Venture Rs.	Total Rs.	2006 Rs.
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### SCHEDULE 10

#### Loans and Advances

[Refer Schedule 19 Note 7]

(Unsecured, considered good unless otherwise stated)

Advances recoverable in cash or in kind or for value to be received

Considered Doubtful

143,009	31,000	174,009	2,058,561
7,976	39,272	47,248	44,864
150,985	70,272	221,257	2,103,425
(7,976)	(39,272)	(47,248)	(44,864)
143,009	31,000	174,009	2,058,561

Less: Provision for Doubtful Advances

Including: Rs. 88 (2006: Rs.105) due from Directors of the Company  
[maximum amount due during the year Rs.105 (2006:Rs.146)]

United Breweries (Holdings) Limited

(Secured by second charge on immovable properties /  
investments held by that company)

Balances with Excise Authorities

Other Deposits

Advance Tax / Tax Deducted at Source (net)

801,310	—	801,310	797,465
135,747	13,700	149,447	64,080
702,412	8,868	711,280	337,716
106,250	25,842	132,092	59,138
1,888,728	79,410	1,968,138	3,316,960

### SCHEDULE 11

#### Liabilities

Sundry Creditors

- Due to Small Scale Industrial Undertakings

- Others

- Other Liabilities

Interest accrued but not due

Acceptances

19,795	—	19,795	25,078
878,584	170,669	1,049,253	848,844
983,306	386,894	1,370,200	920,339
—	2,385	2,385	2,385
144,769	—	144,769	82,015
2,026,454	559,948	2,586,402	1,878,661

### SCHEDULE 12

#### Provisions

Dividend payable [Refer Schedule 19 Note 17]

Employee Benefits

Provision for leave encashment

25,276	—	25,276	91,325
18,889	388	19,277	43,200
30,782	—	30,782	—
74,947	388	75,335	134,525

### SCHEDULE 13

#### Sales and Service

Sales

Income from Services

14,264,437	1,813,514	16,077,951	9,355,161
553,541	62,357	615,898	1,068,579
14,817,978	1,875,871	16,693,849	10,423,740

## Schedules to Consolidated Profit and Loss Account

*Rs. in Thousands*

### SCHEDULE 14

#### Other Income

	2007 Rs.	Joint Venture Rs.	Total Rs.	2006 Rs.
Liability no longer required written back	12,971	1,554	14,525	42,961
Miscellaneous Income	152,925	22,934	175,859	145,929
Profit on sale of Assets (net)	—	943	943	12
Profit on sale of Investment (net)	500	—	500	—
Dividend Income	8	800	808	—
Interest Received [Gross] {Tax deducted at source Rs.11,725 (2006:Rs.7,976)}	39,958	1,711	41,669	42,505
Provision for Doubtful Debts no longer required written back	5,096	1,048	6,144	1,916
Provision for Doubtful Advances no longer required written back	—	74	74	12,358
	<u>211,458</u>	<u>29,064</u>	<u>240,522</u>	<u>245,681</u>

### SCHEDULE 15

#### Cost of Sales

#### Manufacturing Expenses

Consumption of Raw Materials	1,242,897	246,337	1,489,234	893,821
Consumption of Stores and spares	2,766,195	466,891	3,233,086	2,051,128
Purchases of finished goods	820,777	30,960	851,737	276,142
Power and Fuel	496,076	103,622	599,698	370,952

#### Personnel Expenses

Salaries, wages and Bonus [including provision for leave encashment Rs.5,337 (2006: Rs.8,478)]	544,923	37,419	582,342	441,430
Gratuity [including provision for gratuity Rs.Nil (2006: Rs.3,947)]	57,534	1,510	59,044	26,393
Contribution to Provident and Other funds	32,488	1,442	33,930	30,291
Welfare Expenses	33,402	2,060	35,462	30,909

#### Others

Rent including Lease rent	61,137	994	62,131	57,153
Insurance	15,385	2,138	17,523	12,064
Repairs Building*	10,952	1,123	12,075	7,848
Repairs to Machinery*	94,076	19,230	113,306	78,990
Travel and Conveyance	66,181	4,708	70,889	55,278
Communication Expenses	16,478	636	17,114	24,320
Rates and taxes	109,692	30,497	140,189	119,773
Legal and Professional fees	32,069	4,981	37,050	145,900
Miscellaneous expenses	273,912	15,346	289,258	224,521

[\* includes material consumed Rs.76,076 (2006:58,997)]

#### Change in Inventory

Opening Stock	337,566	48,108	385,674	324,208
Closing Stock	(490,161)	(57,086)	(547,247)	(385,674)
Excise Duty on Opening Stock	(187,132)	(5,189)	(192,321)	(117,996)
Excise Duty on Closing Stock	262,523	20,033	282,556	192,321
	<u>6,596,970</u>	<u>975,760</u>	<u>7,572,730</u>	<u>4,859,772</u>



## Schedules to Consolidated Profit and Loss Account (contd.)

*Rs. in Thousands*

	2007 Rs.	Joint Venture Rs.	Total Rs.	2006 Rs.
<b>SCHEDULE 16</b>				
<b>Other Expenses</b>				
Selling and Promotion Expenses	2,508,240	406,738	2,914,978	1,878,271
Directors Sitting fees	760	355	1,115	1,044
Auditors Remuneration	6,935	1,727	8,662	7,302
Bad debts written off	6,556	37,944	44,500	15,590
Bad Advances written off	136	—	136	1,743
Provision for Doubtful Debts	9,898	—	9,898	5,639
Provision for Idle assets / Fixed Assets written off	73	2,348	2,421	30,717
Inventory written off including provisions	—	3,193	3,193	—
Loss on sale of Assets (net)	2,906	—	2,906	3,595
Provision for Doubtful advances	1,207	409	1,616	13,170
	<u>2,536,711</u>	<u>452,714</u>	<u>2,989,425</u>	<u>1,957,071</u>

## SCHEDULE 17

### Interest and Finance Charges

Interest-ECB including exchange cover	36,293	—	36,293	28,714
Interest on Loans for a fixed period	192,690	124,214	316,904	293,597
Interest on Working capital borrowing	48,142	—	48,142	47,505
Interest Others	2,663	355	3,018	13,814
Other Finance charges	—	7,657	7,657	529
	<u>279,788</u>	<u>132,226</u>	<u>412,014</u>	<u>384,159</u>

UNITED BREWERIES LIMITED

# Schedules to Consolidated Accounts

## Significant Accounting Policies

### SCHEDULE 18

#### 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, 2007.

#### 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.
- iii) The financial statement of the Joint Venture has been consolidated using proportionate consolidation on the basis of control exercised in the Joint Venture.
- iv) Goodwill represents the difference between the Company's share in the net-worth and the cost of acquisition of subsidiary and Joint Venture at each stage of acquisition of investment. Goodwill arising on consolidation is not amortized. Negative goodwill is recognized as capital reserve on consolidation.

#### 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 contracted rates on sale/production of the branded products by the franchisees. Dividend Income is recognised when the Company's right to receive the payment is established. Royalty from foreign entities (net of tax) is recognised as per the terms of agreement.

#### 4. Borrowing Costs:

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

#### 5. Fixed Assets:

Fixed assets 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.

The cost of fixed assets acquired on amalgamations have been determined at fair values as on the respective dates of amalgamation and as per the related Schemes of Arrangement and include taxes/duties thereof.

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:

Inventories are valued at lower of cost and net realisable value. Costs include freight, taxes, duties and appropriate production overheads and are generally ascertained on the First in First out (FIFO) basis. Excise/Customs duty on stocks in bond is added to the cost. Due allowance is made for obsolete and slow moving items.

### 8. Foreign Currency Transactions:

Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of such transactions. Liabilities/ assets in foreign currencies are reckoned in the accounts as per the following principles:

Foreign currency liabilities contracted for acquiring fixed assets from a country outside India 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 fixed assets.

All other monetary items of foreign currency liabilities/ assets are restated at the rates ruling at the year end and all exchange gains/ losses arising there from are adjusted to the Profit and Loss Account, except those covered by forward contracted rates where the premium or discount arising at the inception of such forward exchange contract is amortised as expense or income over the life of the contract.

Exchange differences on forward contracts are recognised in the Profit and Loss Account in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward contracts is recognised as income or expense for the year.

### 9. Depreciation and amortization:

Depreciation on fixed assets is provided on Straight Line Method based on the rates prescribed under Schedule XIV to the Companies Act 1956 except for fixed assets acquired on amalgamation (where original dates of acquisition are not readily available), which are depreciated over the remainder useful life of the assets as certified by an expert.

Cost of Goodwill arising on amalgamation is amortised over a period of 5 years,

Cost of Leasehold Land is amortised over the period of lease.

Assets individually costing less than Rs.5,000 are depreciated fully in the year of purchase.

### 10. Employee Retirement benefits:

The Company contributes to the gratuity fund maintained and administered by an Insurance Company. Contributions paid or payable as determined by the Insurance Company under the Group Gratuity Scheme are charged to the Profit and Loss Account.

Contributions made to Provident Funds, Family Pension Funds and Superannuation Fund are charged to Profit and Loss Account as incurred.

The liability in respect of leave encashment is provided, based on an actuarial valuation carried out by an independent actuary as at the year end.

### 11. 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.

Fringe Benefit Tax is determined at current applicable rates on expenses falling within the ambit of "Fringe Benefit" as defined under Income Tax Act, 1961.

### 12. Earnings per share:

Annualised earnings/ (Loss) per equity share (basic and diluted) is arrived at based on ratio of profit/ (loss) attributable to equity shareholders to the weighted average number of equity shares.

### 13. Impairment of Assets:

At each Balance Sheet date, the Company assesses whether there is any indication that assets may be impaired. If any such indication exists, the Company estimates the recoverable amount. If the carrying amount of the assets exceeds its recoverable amount, an impairment loss is recognized in the accounts to the extent the carrying amount exceeds the recoverable amount.

### 14. Provisions, Contingent Liabilities and Contingent Assets:

Provisions are recognized when the company has a present obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation. When the company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset, only when such reimbursement is virtually certain.

A disclosure for contingent liability is made where there is a possible obligation or present obligation that may probably will not, require an outflow of resources. When there is a possible or a present obligation the likelihood of outflow of resources is remote, no provision or disclosure is made.

# Notes on Consolidated Accounts for the year ended March 31, 2007

## SCHEDULE 19

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

Particulars	Ownership Percentage		Country of Incorporation
	2007	2006	
<b>Name of the Subsidiary</b>			
Associated Breweries & Distilleries Limited (ABDL)	100.00	100.00	India
London Draft Pubs Private Limited (LDPL)(Subsidiary of ABDL)	—	100.00	India
London Pilsner Breweries Private Limited (LPBPL)(Subsidiary of ABDL)	—	100.00	India
<b>Name of the Associate</b>			
United East Bengal Football Team Private Limited (UEBFTPL)	50.00	50.00	India
<b>Name of the Joint Venture (JV)</b>			
Millennium Alcobev Private Limited (MAPL)*	50.00	50.00	India

\*The increment of 10% represents control exercised through the subsidiary ABDL

2. The audited consolidated financial statements of Millennium Alcobev Private Limited (MAPL), represents consolidation of MAPL and its subsidiaries Empee Breweries Limited (EBL), United Millennium Breweries Limited (UMBL) and Millennium Beer Industries Limited (MBIL) as per Accounting Standard (AS) – 21.
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 hence goodwill is not impaired.

## 4. Loan Funds:

Particulars	2007 Rs.	2006 Rs.
<b>Secured Loans</b>		
(a) Foreign Currency Loans Loan repayable within one year - Rs. Nil (2006: Rs.Nil) Foreign Currency Loans consist of External Commercial Borrowing (ECB) from Scottish & Newcastle UK Limited (S&N) and BNP Paribas. ECB from S&N is secured by first charge on Talaja plant and pledge of certain investments. ECB from BNP Paribas is secured by first charge on all moveable and immovable properties of the Company except Talaja plant.	1,767,388	489,885
(b) From Banks [including interest accrued and due Rs.14,751 (2006: 7,446)] Loans repayable within one year – Rs. 539,870 (2006: Rs. 143,599) Secured by hypothecation of stock in trade, stores, raw materials, book debts and a second charge on all the immovable properties of the Company.	3,269,892	2,228,565
(c) From Others [including interest accrued and due Rs.15,984 (2006: 3,983)] Hire Purchase Creditors - Secured by Assets purchased under Hire Purchase Scheme From Rabo India Finance Private Limited (including interest accrued and due)	286,884 7,788 334,279	126,483 9,522 1,057,208
<b>Unsecured Loans</b>		
(d) Loans repayable within one year – Rs. 416,988 (2006: Rs.121,743)	595,390	121,743
(e) Deferred Credits Secured by Assets purchased under the Scheme Repayable within one year – Rs.4,044 (2006: Rs.24,267)	4,044	26,839

## Notes on Consolidated Accounts for the year ended March 31, 2007 (contd.)

### 5. Fixed Assets:

- a) Buildings amounting to Rs. 19,982 and Plant & Machinery amounting to Rs. 97,306 are in premises not owned by the Company.
  - b) The excess of fair valuation of fixed assets over the book value as on April 1, 2006 amounting to Rs. 1,067,094 has been taken to Asset Block as per the Approval of Composite Scheme of Arrangement. The relative depreciation of Rs. 12,180 has been charged to the Profit and Loss Account.
6. MBIL has been consolidated line by line under AS (21) effective previous year as it became a subsidiary of MAPL. MBIL has been declared as Sick Company by Board for Industrial and Financial Restructuring (BIFR) and the scheme has been submitted to BIFR for which final sanction is awaited.
7. The following amounts are due from a company whose brewing facilities are being utilised by the company for the production of Company's brand of beer under contract brewery arrangements.

	2007 Rs.	2006 Rs.
Included under Sundry Debtors Considered Good – Others	—	12,855
Included in other deposits under Loans and Advances	100,000	50,000

The said company has been declared as a sick industrial undertaking by the Honourable Board for Industrial and Financial Restructuring (BIFR).

8. Consequent to the deferment of the applicability of Accounting Standard (AS) 15 (revised) on "Employee Benefits" by the Institute of Chartered Accountants of India, the Company has reversed the adjustment of Rs. 521 made to the opening balance (i.e. April 1, 2006) in the General Reserve. Further the company continues to recognise retirement benefits in accordance with the AS 15 (old) on "Retirement Benefits".

### 9. Scheme of Amalgamation :

- (a) The Scheme of Amalgamation (the Scheme) of London Draft Pubs Private Limited (LDPPL), London Pilsner Breweries Private Limited (LPBPL) and Karnataka Breweries and Distilleries Private Limited (KBDL) into the Company filed with the Honourable High Courts of Bombay and Karnataka respectively has been pronounced by the respective High Courts on April 27, 2007 and June 11, 2007. Consequently, LDPPL, LPBPL and KBDL have been amalgamated with the Company and all assets and liabilities etc., stands transferred to and vests in the Company from the appointed date mentioned in Scheme i.e., April 01, 2006. Whilst order of the Honourable High Court of Bombay amalgamating LDPPL and LPBPL into the Company has been received and filed with the Registrar of Companies. The order of the Honourable High Court of Karnataka is yet to be received. The Scheme has been given effective pursuant to clause 14 (ii) of the Scheme.

The amalgamation has been accounted under the purchase method as prescribed by the Accounting Standard (AS) 14 issued by the Institute of Chartered Accountants of India, subject to the following adjustments which have been approved by the scheme:

- i) Assets and liabilities of KBDL and LDBPL were taken over at their fair values as at the appointed date, and the difference between the net assets and the fair value has been accounted in General Reserve.
  - ii) The assets and liabilities of LDPPL was taken over at their book values.
- (b) The details of the treatment in the books of accounts is as under:

Particulars	2007 Rs.
Excess of fair valuation credited to General Reserve	(1,067,094)
Unrecognised Deferred Tax Asset on carried forward business losses and depreciation of KBDL recognised as per Accounting Standard AS-22 Accounting for Taxes on Income - read with Accounting Standard Interpretation 11 issued by The Institute of Chartered Accountants of India.	(3,497)
Goodwill arising on amalgamation	1,693,596
Deferred Revenue	12
Goodwill carried to Balance Sheet for amortisation	623,017

## Notes on Consolidated Accounts for the year ended March 31, 2007 (contd.)

The book values of assets and liabilities transferred to and recognised in the books of the company as per the scheme are given below:

Particulars	KBDL	LDPPL	LPBPL
Fixed Assets	282,703	391	18,716
Investments	—	50	—
Inventories	163,381	—	—
Sundry Debtors	129,515	—	—
Cash and Bank Balances	74,856	21	6
Other Current Assets	142	—	—
Loans and Advances	30,639	24	—
Deferred revenue	13	—	—
Current Liabilities	(380,047)	(7)	(6)
Provisions	(11,918)	—	—
Loan Liabilities	(281,856)	(1,153)	—

Amount of goodwill arising on amalgamation which was hitherto being written off in the year of amalgamation is from the current year being amortised over a period of 5 years. As a result of this change in the accounting policy, profit for the year is higher by Rs. 498,414

### 10. Capital Commitments

Estimated amount of Contracts remaining to be executed on capital account and not provided for.

2007 Rs.	2006 Rs.
399,197	20,237

#### Share of joint venture

Estimated amount of Contracts remaining to be executed on capital account and not provided for.

117,096	8,313
---------	-------

### 11. Contingent Liabilities:

Particulars	2007 Rs.	2006 Rs.
a) Sales Tax/other taxes demands under appeal*	14,456	13,091
b) Excise Duty/Customs Duty demands under appeal*	85,957	—
c) Claims against the Company not acknowledged as debt*	8,890	8,646
d) Letter of Credit outstanding	4,900	27,076
e) Future commitments for Interest/lease rental payable on deferred credits/lease	150,954	36,181
f) Guarantees given by the Company; - on behalf of Subsidiaries of Joint Venture to third parties - to third parties	2,280,000 33,656	25,906 —
g) Letter of undertaking to distributors towards countervailing duty for imports from Nepal	38,500	38,500
h) Balance Consideration payable to erstwhile promoters of Karnataka Breweries and Distilleries Private Limited	—	350,000

#### Share of Joint Venture

a) Sales Tax/other taxes demands under appeal*	6,260	6,488
b) ESIC / PF demands under appeal	211	—
c) Bank Guarantee given to Commissioner of Excise for Export of beer	10,800	—
d) Demand towards Water charges under appeal *	18,713	—
e) Interest for delayed payment of Interest Free Loans *	9,658	—
f) Income Tax	25,082#	50,935

# Net of deposit under appeal – Rs. 2,036 (2006 Rs. 1,222)

\* (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)

Contingent Liabilities disclosed above represent possible obligations where probability of cash outflow to settle the obligation is remote



## Notes on Consolidated Accounts for the year ended March 31, 2007 (contd.)

### 12. Operating Lease:

The Company has entered into leasing arrangements for vehicles, computer, equipments, office premises and residential premises that are renewable on a periodic basis, and cancelable/non-cancelable in nature. Such leases are generally for a period of 11 to 60 months with options of renewal against increased rent and premature termination of agreement through notice period of 2 to 3 months, except in the case of certain leases where there is a lock-in period of 11 to 26 months.

	2007 Rs.	2006 Rs.
Lease payments during the year including Minimum lease payments Rs.3,291 (2006: Rs. Nil) on non-cancelable leases.	61,137	52,724
At the balance sheet date, future minimum lease rentals under non-cancelable operating leases are as under:		
- Not later than one year	8,992	—
- One to five years	18,357	—
	27,349	—

### 13. Details of Deferred Revenue Expenditure:

Nature of Expenditure	2007 Rs.	2006 Rs.
Preliminary Expense	—	63
Share of Joint Venture	—	—
<b>Total</b>	<b>—</b>	<b>63</b>

### 14. Accounting for Taxes on Income:

#### (a) Current Tax includes

- (i) credit of Rs. 84,106 (2006: Rs.Nil), being provision for earlier years no longer required written back.
- (ii) capital gains tax of Rs.1,000 (2006: Rs.Nil) paid on sale of assets in Millennium Beer Industries Limited.

#### (b) Deferred Tax

- (i) The net deferred tax liability amounting to **Rs. 60,715** (2006: Rs. 79,213) has been arrived as follows:

	2007 Rs.	2006 Rs.
Deferred Tax Liability arising from:		
Difference between carrying amount of fixed assets in the financial statements and the Income Tax Return	91,253	108,666
Less: Deferred tax asset arising from:		
Expenses charged in the financial statements but allowable as deductions in future years under the Income Tax Act, 1961	23,913	14,081
Carry forward of unabsorbed depreciation/business loss	—	10,956
Provision for Doubtful Debts	6,625	4,776
<b>Net deferred tax liability</b>	<b>60,715</b>	<b>79,213</b>
Movement during the year	18,498	321,274
Less: Deferred tax on unabsorbed losses of KBDL [Refer Note 12 above]	3,497	—
Deferred tax (charged off) / written back in the profit and loss account	15,001	(321,274)

The tax impact for the above purpose has been arrived by applying a tax rate of 33.99% (2006: 33.66%) being the substantively enacted tax rate for Indian Companies under the Income Tax Act, 1961.

- (ii) No deferred tax asset has been recognized, in case of joint venture / subsidiaries, in the absence of virtual certainty of future profits as per the interpretation in Accounting Standard Interpretation - 9.



## Notes on Consolidated Accounts for the year ended March 31, 2007 (contd.)

### 15. Related Party Disclosures:

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

##### (1) Entity which has significant influence

Scottish & Newcastle India Limited (SNIL)

##### (2) Others

(a) Scottish & Newcastle Plc, (S & N), Holding Company of SNIL

(b) Scottish & Newcastle UK Limited (SNUK), Fellow Subsidiary of SNIL

(c) Scottish & Newcastle India Private Limited (SNIPL), Fellow Subsidiary of SNIL

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

Mr Kalyan Ganguly

Mrs. Lesley Jackson

##### (4) Relative of Key Management Personnel:

Mrs. Suparna Bakshi Ganguly

(Wife of Mr. Kalyan Ganguly)

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

Particulars	UEBTFL		KMP	
	2007	2006	2007	2006
Purchase of goods	—	—	—	—
Sale of goods	—	—	—	—
Receipts against rendering Services	—	—	—	—
Payment against rendering Services	25,577	24,635	—	—
Sale of Brands	—	—	—	—
Purchase of Investments	—	—	—	—
Sale of Investments	—	—	—	—
Purchase of Assets	—	—	—	—
Sale of Assets	—	—	—	—
Finance (including loan in cash or kind)	45	(47)	—	—
Remuneration to Directors (#)	—	—	26,351	22,441
<b>Guarantees and Collaterals</b>				
<b>Amount Due From/(To)</b>	<b>2</b>	<b>47</b>	<b>—</b>	<b>—</b>

(\*) Figures in brackets indicate Amounts received

(#) Includes payment to relative of KMP amounting to Rs. 1,876 (2006: Rs. 1,681).

#### c. Transactions with S & N Group

##### i. Transaction with S & N

Management Fees Rs. 25,150 (2006: Rs. 18,451)

##### ii. Transactions with SNIPL

Redemption of ROCPS Rs. Nil (2006: Rs. 1,837,756)

Dividend on above Rs. Nil (2006: Rs. 7,552)

##### iii. Transactions with SNUK

Balance amount on account of ECB with SNUK Rs. 479,488 (2006: Rs. 489,885)

Interest on ECB Rs. 36,293 (2006: Rs. 28,714)

##### iv. Transactions with SNIL

Subscription to Preference Share Capital Rs. Nil (2006: Rs. 2,469,000)

Balance of Preference Share Capital Rs. 2,469,000 (2006: Rs. 2,469,000)

Dividend on above Rs. 74,070 (2006: Rs. 72,853)

Dividend on equity shares Rs. 20,249 (2006: Rs. 18,225)

## Notes on Consolidated Accounts for the year ended March 31, 2007 (contd.)

### 16. Earnings Per Share:

For the purpose of computing earnings per share, the profit/(loss) after tax (net of preference dividend) for the year has been used as the numerator and 216,043,430 shares as denominator.

The earnings per share have been calculated as below:

Particulars	2007 Rs.	2006 Rs.
a) Profit/(Loss) as per profit and loss account	550,134	(107,800)
b) Less : Preference Dividend	84,460	93,086
c) Net Profit attributable to equity shareholders	465,674	(200,886)
d) Outstanding number of equity shares (Face value of Re.1 per share)	216,043,430	216,043,430
e) Earnings per share – Basic/Diluted	2.16	(0.93)

### 17. Details of Dividend:

Particulars	2007 Rs.	2006 Rs.
Dividend on ROCPS @5%	—	8,782
Tax on above	—	1,232
Dividend on Preference Share Capital @3%	74,070	72,853
Tax on above	10,390	10,219
Interim Dividend on equity shares @15%	32,407	32,401
Tax on above	4,546	4,545
Final Dividend on equity shares @ 10%	21,605	16,200
Tax on above	3,671	2,272
<b>Total</b>	<b>146,689</b>	<b>148,504</b>

### 18. Segmental Reporting :

The company is engaged in manufacture, purchase and sale of beer including licensing of brands which constitutes a single business segment. The Company operates only in India. Accordingly, primary and secondary reporting disclosures for business and geographical segment as envisaged in AS-17 are not applicable to the company.

### 19. All amounts disclosed in Notes to Account and other Schedules are in Rs. 000 except for:

- Number of Shares in Notes on Schedule 1 and in Note 16.
- Basic and Diluted EPS in the Profit and Loss Account and in Note 16.

### 20. Figures for the current year include those of Karnataka Breweries & Distilleries Limited, London Draft Pubs Private Limited and London Pilsner Breweries Private Limited, which were amalgamated with the Company effective April 1, 2006. Accordingly, the previous year's figures are not comparable. Further, the previous year's figures have been regrouped to conform to current year's classification.