

# Report of the Directors

Your Directors have pleasure in presenting this Annual Report on the business and operations with audited accounts of your Company for the year ended March 31, 2008.

## FINANCIAL RESULTS

Your Company's financial performance for the year ended March 31, 2008 is summarised below:

(Rupees in Million)

Particulars	2007-2008	2006-2007
Net Turnover.....	<b>13948.6</b>	10748.7
Profit before Interest & Depreciation.....	<b>1972.7</b>	1615.1
Interest.....	<b>428.2</b>	279.8
Depreciation.....	<b>612.3</b>	385.4
Profit before non recurring items.....	<b>932.1</b>	949.9
Non recurring items.....	—	—
Profit before Taxation.....	<b>932.1</b>	949.9
Provision for Taxation.....	<b>(307.4)</b>	(299.0)
Profit after Tax available for appropriations.....	<b>624.7</b>	650.9
<b>Appropriation</b>		
Dividend on Equity Shares (including Taxes thereon)		
Interim dividend paid.....	—	36.9
Final dividend proposed.....	—	25.3
Dividend on preference shares paid (including Taxes thereon).....	<b>86.7</b>	84.5
Balance your Directors propose to carry to the Balance Sheet.....	<b>538.1</b>	434.2

## DIVIDEND

Your Company paid a dividend on the Cumulative Redeemable Preference Shares (CRPS) at the rate of 3% under the terms of the issue of the 24.69 million CRPS held by Scottish & Newcastle.

In order to utilise available Profits during the year under review for creating additional capacities and technology up-gradation, your Directors consider it prudent to skip Equity dividend for the year.

## "RIGHTS" ISSUE OF EQUITY SHARES

In the recently concluded "Rights" issue, your Company offered 24004825 Equity Shares of Re.1 each at a price of Rs.177 aggregating to Rs. 4,248.85 million. The Issue received a satisfactory response from investors and was over subscribed by 7%. Your Directors appreciate the confidence reaffirmed by the investors in the Company.

## 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, 2008 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.

Consequent upon issue of Equity Shares on "Rights" basis, the Issued, Subscribed and Paid-up Equity Share Capital of your Company stands increased to Rs.240 million comprising of 24004825 Equity Shares of Re.1 each effective June 13, 2008.

## CHANGE IN CONTROL OVER SCOTTISH & NEWCASTLE PLC.

Upon the Scheme of Arrangement for acquisition of Scottish & Newcastle Plc. (S&N) by Sunrise Acquisitions Limited (SAL), a Company jointly owned by Carlsberg A/S and Heineken, becoming effective in accordance with its terms, the entire Equity Shares of S&N were acquired by SAL. Through Scottish & Newcastle India Limited, SAL now exercises control over 37.5% Equity stake in your Company.

## Report of the Directors (contd.)

### MANAGEMENT DISCUSSION AND ANALYSIS

#### INDUSTRY OVERVIEW

The Indian Beer Industry is estimated to be around 155 million cases this year growing at a Compound Annual Growth Rate (CAGR) of 19% (3 Year CAGR). Exceptionally, in 2006-2007 the Beer industry witnessed an unprecedented growth of 30%. During the year under review, the industry grew 12% on account of some policy reversals and increase in end consumer prices. The Strong Beer segment continues to dominate the market with a salience of 70%.

The growth of the Industry is driven by a progressive economy with favourable demographics, higher disposable incomes, increasing exposure to Western lifestyles and higher consumer spends. The social habits among people in India are undergoing a transformation with a relaxed attitude towards consumption of alcohol, especially beer. Canned Beer in social gatherings is becoming more popular. Also, liberalisation in some States, including deregulation and increased retailing opportunities through supermarkets, malls, etc. has increased access to beer and resulted in higher sales volumes. Despite impressive growth over past few years, the per capita consumption of Beer in India remains much lower when compared to other countries and provides a huge opportunity in coming years.

Each State has its own Excise & tax structures, levies, rules & regulations regarding licensing fees and labelling requirements. This restricts the manufacturers from free inter State trade with consequential higher cost of production and transportation. For instance, Tamil Nadu does not allow sale of alcoholic beverages manufactured in other states, while there is prohibition in various other States like Gujarat, Mizoram and Nagaland. Further, restrictions on advertising of alcoholic products, manufacturing capacities, distribution, retail and pricing make it a complex operating environment and a challenge to the industry.

Encouraged by high growth potential in the market and progressive liberalisation of policies by the Government of India, allowing 100% FDI in the activities relating to manufacturing of alcoholic beverages, a number of International Breweries have made substantial investments in the Indian Beer industry.

#### OPERATIONS

Despite structural changes in North Indian markets, price control in key Southern markets of Kerala and Andhra Pradesh, challenges in the form of increased input cost and increasing competition from foreign brands, all of which have impacted the industry, your company has managed to maintain both its dominant leadership position as well as profit margin.

Over the past 3 years your Company has grown at an average of about 18% (3 year CAGR) and in 2007-08 has grown in line with the industry. This growth has been largely driven by the Strong segment which grew at an average of 26% (3 Year CAGR) and 19% in 2007-08. The combined sales of all brands of your Company during 2007-2008 crossed over 75 million cases.

The flagship brands of the company, "Kingfisher Strong" recorded an excellent growth of 24% over previous year while "Kingfisher Lager" grew by 5%. Canned Beer continues to grow its popularity amongst consumers as the volumes grew 50% over the previous year.

Your company launched an innovative new product, Kingfisher Draught beer in 500 ml can in the key markets of the Country. The Kingfisher Draught 500 ml can has been well received by the consumers and is in much demand.

Innovative promotions continue in your Company's brand building effort. Your company partnered with NDTV to launch the NDTV Good times channel to reinforce the Lifestyle platform and leverage competitive advantage. Your Company also continues its association with sponsoring events like the Kingfisher Derby, Corporate Football, Hockey and Fashion shows.

Structural changes in Uttar Pradesh from an auction market to a Government regulated market has resulted in increase in consumer price and reduction in volumes. Both these factors i.e., fall in volumes and the need to pass on the effect of price increase with a significant portion of our existing margin to the State Government have impacted your Company's performance in this market.

#### SALES

Your Company continues its leadership of the Indian beer industry. Your Company and its Associates control around 48% share of the Indian beer market. Your Company and its Associates control over 64% of the Mild beer segment and over 40% of the Strong beer segment, thereby dominating both the segments in the country.

The sales volume of Kingfisher Strong beer exceeded 32 million cases and Kingfisher Premium Lager beer exceeded 25 million cases during the period under review. The stand alone sales volumes of your Company crossed 63 million Cases (75.4 million

## Report of the Directors (contd.)

cases combined) recording a turnover of Rs.13,948.6 million as compared to a volume of 54.2 million Cases (66.1 million cases combined) and a turnover of Rs.10,748.7 million as on March 31, 2008 reflecting a growth of 30%.

Having regard to consumer choice and variety of products in demand your Company launched a new range of value added products in key performing markets. Kingfisher Draught 500 ml can was launched in Mumbai, Pune and Bangalore. Kingfisher Strong 330ml bottle Beer was launched in Bangalore.

### MANUFACTURING EXPENSES

The manufacturing expenses during the period under review stood at 50.70% of the net sales as compared to 49.81% of the net sales in the previous year. The increase in prices of key input materials, in particular malt, which is the key raw material and bottles, which is a predominant packaging material have been contributing to the increase in manufacturing cost and have adversely affected the profit margin of your Company by 3% over the previous year. The shortage of hops is affecting Beer manufacturers worldwide. UBL has forward-contracted for the next 3 years a large proportion of its Hops requirement, to ensure that this does not affect production. In addition, an increase in the salience of strong Beer and Can SKUs has further added to the cost base. The impact of such increases in raw materials is expected to continue in the short term, due to high barley and furnace oil costs. Your Company is making efforts to contain the abnormal price rise of barley and bottles. Several breweries are also planning to install solid-fuel boilers to replace use of furnace oil. The endeavour of your Company is to minimise the manufacturing expenses thereby increasing the profitability and shareholders return. Increased input cost particularly in respect of barley, hops, glass and energy has been neutralised through improved manufacturing efficiencies and technology up-gradation such as change over from oil fired boilers to biomass boilers in six breweries.

### PERSONNEL AND OTHER OPERATING EXPENSES

Personnel expenses of your Company stood at Rs.774 million as compared to Rs.668 million in the previous year. This constituted 5.55% of the net sales as against 6.21% of the net sales in the previous year. Other operating expenses amounted to Rs.1,019.23 million constituting 7.30% of the net sales. Personnel and other operating expenses were contained despite increased volumes during the year.

### SELLING AND BRAND PROMOTION EXPENSES

During the period under review, your Company has spent 23.2% of net sales on selling and brand promotion exercise when compared to 23.33% of net sales in the previous year. Innovative promotion has not only enhanced the Brand image, but has also ensured recall of your Company's brands. Kingfisher continues to remain the favoured brand among consumers.

As an innovative brand promotion initiative, your Company has entered into a relationship with NDTV. The "NDTV Good Times Channel" was launched in September last year and is already a top ranked Channel in its category. Your Company continues to build all its brands especially, brand Kingfisher, to strengthen its favoured position amongst the consumers.

Through a partnership with a world leading company that operates food & beverage outlets at airports around the world, your Company has opened an exclusive Kingfisher Sports Bar at the recently opened Bangalore International Airport. We are in advanced stage of discussions with another leading group that operates such outlets in India to open more Kingfisher Sports Bars across the country.

Your Company's association with sports continues. In addition to the Mumbai Marathon and the Delhi Half Marathon, Kingfisher was also associated with the inaugural Bangalore 10K Race. All these events were hugely popular and received tremendous media coverage and Kingfisher was able to extract substantial benefits.

Through our association with the inaugural Indian Premier League of cricket which caught the imagination of the entire nation, your Company has leveraged Kingfisher in a huge manner. Kingfisher was the only brand that had an exclusive relationship with five IPL teams, viz. Bangalore Royal Challengers, Delhi Dare Devils, Mumbai Indians, Deccan Chargers & Rajasthan Royals which was the eventual winner of the first edition of the Indian Premier League.

Kingfisher continues its association with music events which resonate with the youth of this country. Voice of Goa, Bangla Rock and Kerala Rocks are the leading talent hunt competitions that have been started by Kingfisher and over the years have grown from strength to strength. Your Company also organised the Great Indian Oktober Fest in Bangalore for the third consecutive year. This time, more than 40,000 people visited the venue.

This year's edition of the eagerly awaited Kingfisher Swimsuit Calendar did not disappoint either. As in the past, your Company received wide media coverage during the launch of the Swimsuit Calendar. Your Company recognises that the youth of this country spend more and more time on the internet and keeping this trend in mind, the Kingfisherworld.com web site has been completely redesigned to reflect the style, glamour and fun values of the Kingfisher brand.

## Report of the Directors (contd.)

Moreover, your Company has significantly benefitted by its association with Kingfisher Airlines which has established itself as Indian's premier airline.

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

PBITD for the year under review stood at Rs.1,972 million as compared to Rs.1,615 million in the previous year reflecting an increase of 22.1%. This increase in PBITD is on account of increased volumes from creation of capacities in critical markets.

### INTEREST AND DEPRECIATION

Interest paid during the year amounted to Rs. 428.2 million as against Rs.279.8 million in the previous year. Long term funding to support expansion programme over a period of 2 years has resulted in the increase in interest costs. Depreciation for the year was Rs.612.3 million as compared to Rs.385.4 million in the previous year, the increase due to the investment in new capacity at existing breweries, and the depreciation on amalgamation of Karnataka Breweries and Distilleries Private Limited (KBDL) and Greenfield Projects at Rajasthan and Orissa. Goodwill arising out of amalgamation of KBDL, London Pilsner Breweries Private Limited and London Draft Pubs Private Limited amounting Rs.623.9 million is amortised over a period of 5 years. The amortisation charge for the year is Rs.124.6 million which is included in this block.

### PROFIT BEFORE AND AFTER TAXATION

The Profit Before Taxation for the year stood at Rs.932.1 million as compared to Rs.950 million in the previous year. Higher depreciation & amortisation, and increase in interest cost have resulted in lower profits. The Profit After Taxation stood at Rs.624.7 million as against Rs.650.9 million in the previous year.

### PROSPECTS

The industry having crossed the 155 Million Cases mark, it is expected that the growth for 2008-2009 will be in line with the growth of the preceding years. The current dominance of Strong beer segment is expected to continue.

With the Global markets experiencing stagnation, the focus of Global majors is now on India which has attractive demographic landscape, sound economic growth with a consequent rise in GDP, and a young population with more liberal views towards alcohol.

Your Company sees bright prospects in low alcohol, flavoured Beer segment in addition to a balanced portfolio of Mild and Strong Beer. The demand for premium Beer is expected to increase on the back of further deregulation in terms of retailing and growth of super market where Beer is allowed to be sold.

Harmonisation of tax structure across States and change in the present system of taxation wherein tax incidences based on alcohol content rather than on the advalorem basis will go a long way in improving the Beer market.

Having regard to the need for increased capacity commensurate with growth, your Company has embarked upon capacity expansion at 8 manufacturing locations. Capacity expansion across the country covering the key markets will enhance the capacity of these units by 14.75 lac HL beer per annum.

Your Company is also setting up two new Greenfield breweries, located at Mallepally in Andhra Pradesh and Nanjangud in Karnataka, the cost of which will be met out of the proceeds of the "Rights" Issue.

### ENVIRONMENT & SOCIAL INITIATIVE

Community Development and Environmental Safety form an integral part of your Company's corporate philosophy. It has thus been included in the organisation's Balanced Scorecard. With this overall objective, your Company has identified Primary Health, Primary Education and Water as the focus areas as it believes these are the building blocks that will enable us to build a better tomorrow.

Your Company has undertaken the Green House Abatement Project at various locations under the Clean Development Mechanism. In the light of increased fuel oil prices your Company has been making investments in biomass boilers which use agricultural waste for fuel, in order to generate steam. In addition to reducing energy costs, this also reduces greenhouse emissions. Biomass boilers have been commissioned in six breweries, with six more planned for installation in 2008-09.

Rain water harvesting has been implemented at 2 more locations, Rajasthan and Mangalore. Your Company's Palakkad Unit has been awarded the first prize in "Environment Protection and Pollution control" by the Kerala State Pollution Control Board consecutively for the second year. The rain water harvesting project initiated by Palakkad Unit at a nearby village has addressed the perpetual problem of scarcity in drinking water to the farming community. This has ensured the open well is adequately recharged and addresses the drinking water needs of 50 families in the village.

Further, the waste water recycling system and R O Plants installed at Taloja and Hyderabad Units have reduced water consumption by 15%. The water consumption in process has reduced from 9 KL / KL of Beer to 7 KL / KL of Beer.

## Report of the Directors (contd.)

All the Factory Heads of our Breweries liaise with the local authorities and communities where we operate and have initiated activities in the area of Community Development. The initiatives include adoption of primary schools in Ludhiana, Dharuhera and Kalyani, setting up of Primary health centre in Goa, weekly and fortnightly medical camps at Chopanki and Kalyani units as well as conducting eye camps across units. These activities have been conducted in order to address the primary healthcare and education needs of the villages in the vicinity of breweries. The Breweries have also provided drinking water facilities in Bangalore and Srikakulam.

Your Company's team regularly interact with the local communities to monitor the progress of the initiatives and also customise the initiatives to serve their needs better.

### INTERNAL CONTROL SYSTEM

Your Company has in place an established system of internal controls to ensure that 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, control self assessment and legal compliance management. 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 minimise 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 in operating and monitoring practices are in place.

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

### OPPORTUNITIES & THREATS

The demographic opportunity in India having a population of over 1.2 billion people with a high proportion of youth provides a major attraction to Beer manufacturers. The Indian Beer market is very small with an annual per capita consumption of only 1 litre and is one of the most promising growth markets in the World.

Whilst the entry of new players and the subsequent investment in the Beer industry will help to sustain the growth of the Industry, and provide the consumer with more choice, their entry presents itself as a challenge to the indigenous players. Entry of internationally acclaimed Beer brands may pose a challenge before your Company to maintain its market share and also to increase its market share.

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. Further, the strong presence that your Company has in the industry through its brewing and distribution network and brand equity your Company enjoys will leverage in containing competition. The unique advantage of Brand Equity from Kingfisher Airlines and the lock on distribution along with United Spirits Limited with whom the Company shares network cannot be replicated.

Your company has launched Wine under the brand "Kingfisher Bohemia" in the current year. With a per capita Wine consumption of 9 ml. only there is enormous potential in this segment to be tapped and we have introduced the brand timely. We also have in pipeline innovative new products to be launched during the current financial year. This will ensure we continue to provide the consumer with exciting product variants.

In order to ensure sustainable growth in line with Industry growth continuous Capital investment is being made in a phased manner to expand our manufacturing facilities, modernise, improve efficiencies and introduce new technologies to ensure our products are of the highest international standard.

### RISKS AND CONCERNS

Though some markets are opening up, excessive regulation in licensing, extensions of Government intervention in the areas of distribution, price restriction and stringent rules of advertising remain. A significant change in the Government liberalisation and deregulation policies could affect business and economic conditions in India and the business of your company in particular.

## Report of the Directors (contd.)

Beer continues to be taxed at higher levels than comparable forms of alcohol, which is irrational. In most parts of the World, levy on spirits is higher but the reverse is true in India. Alcohol specific taxes constitute about 50% of the end consumer price which is among the highest in the World. This continues to be a key concern for the industry.

Higher prices of key raw materials like Malt, Hops and Barley and short supply of the materials have a significant impact on the profitability. Your Company has been containing this risk of increase in raw material cost by entering into long term arrangements for sourcing of vital inputs. 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 a few Companies. As a step towards backward integration, your Company has acquired 51% Equity stake in Maltex Malsters Limited, which is engaged in manufacture of Malt.

Distribution infrastructure is inadequate in India which is another cause of concern.

With multinational Beer majors introducing their brands in the market, competition is increasing. This coupled with the value eroding posture of new players by way of heavy discounts, etc., have reduced the profitability of the overall industry. Your Company has a dynamic marketing strategy to continue to enhance brand equity and sustain leadership.

### HUMAN RESOURCES

Your Company's Human Resource Strategy is centered on the belief that it is the people who are the core of the organisation and provide the competitive strength required to maintain its market leadership. Your Company is committed to build an organisation that is proactive, customer centric and market driven and its endeavour has been to attract, develop and retain the best talent available. The human resources systems and processes are aligned to meet this objective. Over the years the organisation has been able to build an open, transparent and supportive culture that motivates employees to deliver superior level of performance. Compensation surveys and competency assessment exercises have been undertaken in order to mitigate people-related risks. As a result of these initiatives, the compensation levels have now been benchmarked with comparable organisations in the industry and the competency assessment has enabled us to promote people from within to take on higher responsibilities. Training and Development continues to be an important area of focus for increasing the competency levels in the organisation to strengthen its functional and leadership foundations.

The Industrial Relations climate remained cordial during the year and this has resulted in higher productivity and better quality. Your Company is committed to maintaining harmonious relations through collaboration and partnership.

Your Company employee strength stands at 2006 permanent employees. Your Directors record their sincere appreciation for their commitment, dedication and efforts.

### SUBSIDIARY COMPANIES

During the year under review, your Company has acquired 51% shareholding in Maltex Malsters Limited and consequently Maltex Malsters Limited became a Subsidiary of your Company.

Associated Breweries & Distilleries Limited remains a wholly owned Subsidiary of your Company.

Pursuant to Section 212 of the Companies Act, 1956, the Balance Sheet, Profit and Loss Account, Report of the Directors and Auditors are attached.

Statement pursuant to Section 212 (1) (e) also 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

There has been no change in the Directors of your Company during the year under review. Mr. A K Ravi Nedungadi and Mr. C L Jain retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Mrs. Lesley Jackson resigned from the Board effective June 22, 2008.

## Report of the Directors (contd.)

### AUDITORS

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

### AUDITORS' REPORT

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

The investment in Millennium Alcobev Private Limited, the Joint Venture is strategic in nature and its diminution in value is temporary in nature.

### LISTING REQUIREMENTS

Your Company's Equity Shares are listed at Bangalore, Mumbai, Ahmedabad, Cochin, Hyderabad, Kolkata, Ludhiana, Madras and New Delhi Stock Exchanges. The listing fees have been paid to all the Stock Exchanges for the year 2008-2009. The enhanced Capital arising out of the "Rights" Issue is also listed and the Company has complied with all requirements of the Listing Agreements. For trading convenience of investors, your Company has got its Equity Shares listed at the National Stock Exchange of India Limited (NSE) also.

In view of negligible / no trading on other Exchanges where listed and availability of nation wide trading through terminals of Bombay Stock Exchange Limited & NSE, your Company has decided to opt out of all Exchanges except Bombay, Bangalore and NSE subject to regulatory compliance.

### CASH FLOW STATEMENT

A Cash Flow Statement for the year ended March 31, 2008 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 judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual accounts have been prepared on a going concern basis.

### ACKNOWLEDGEMENT

Your directors wish to place on record their appreciation for the continued support received from shareholders, banks, 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,

Bangalore  
July 25, 2008

**A K Ravi Nedungadi**  
Director

**Kalyan Ganguly**  
Managing Director

## Annexure to Directors' Report

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

#### A. Conservation of Energy:

Energy conservation measures taken by the Company:

##### (a) Electrical Energy:

Focus on optimal work in process during the off season has reduced refrigeration load and consequently saved on energy consumption.

The Company has installed and successfully commissioned Vapor Absorption machines at Kalyani, and Ludhiana units of the Company which will ensure savings of 7 to 8 units of power per KL of beer production.

Reynolds two stage chilling system commissioned in Mangalore has ensured further reduction in refrigeration load.

Soft starters for all new purchases of over 100 HP motors & compressors in refrigeration in Mangalore, Goa, Nelamangala, Palakkad and Mumbai units has reduced the peak demand load in the brewery.

##### (b) Fuel Oil Consumption:

The Company has installed Hot water generator from ETP gas at Mangalore to supply hot feed water to Boiler.

After successful implementation of alternate fuel boiler at Ludhiana, West Bengal and Andhra Pradesh – alternate fuel boilers installation are under progress at Palakkad, Mangalore, Khurda, Nelamangala, Chennai and Mumbai units.

##### (c) Water Conservation:

Recycling of effluent treated water with programmable logic control operated reverse osmosis plant successfully commissioned at Hyderabad unit. Similar equipment is being installed at Nelamangala unit to ensure water conservation.

Washing machine water recycling has also been successfully commissioned in our Taloja, Chopanki, Chennai, Nelamangala and Mangalore units and shall be implemented in due course at other units.

Rainwater harvesting initiative is being undertaken at other units in a phased manner to save the natural resource water and enhance ground water table.

#### B. Technology Absorption

Latest technology in fillers for beer filling has been implemented at Palakkad unit. This replaces the mechanical filling valves by electro pneumatic filling valves resulting in improved quality, reduced wastages and higher productivities on the line. Such filler is also being installed at Taloja unit.

#### 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. The Company will also be launching shortly a flavoured beer in the market by utilising the technology developed by our R&D department.

#### D. Foreign Exchange Inflow and Outflow

Foreign Exchange earned : Rs. 5.53 million

Foreign Exchange used : Rs. 771.78 million

### STATEMENT UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 (EMPLOYED FOR FULL YEAR)

Sl. No.	Name	Age	Date of Joining	Total Remuneration	Designation	Educational Qualifications	Experience in Years	Previous Employment
1	Kalyan Ganguly	57	1-Feb-79	23861911	Managing Director	B.A. (Hons.) PGDBM(XLRI)	35	EVP - Marketing & Sales McDowell & Co., Ltd.,
2	Shekhar Ramamurthy	47	15-May-89	11537513	Dy. President	B. Tech. (Civil); PGDM (IIM - Kolkata)	21	General Manager – Marketing, Herbertsons Ltd., Mumbai
3	Cedric Vaz	50	15-May-06	6629305	EVP – Manufacturing	B.Tech. (Mech) (IIT - KANPUR)	26	General Manager – Operations, Cadbury India Ltd
4	Lesley Jackson*	44	13-Jun-05	5641590	C F O	BA ( Hons) ACA, MBA, FCA	23	Finance Director & Systems Director Scottish & New Castle PLC (UK Business)

## Annexure to Directors' Report (contd.)

Sl. No.	Name	Age	Date of Joining	Total Remuneration	Designation	Educational Qualifications	Experience in Years	Previous Employment
5	J Noronha	53	15-Jul-91	5670021	SVP – Human Resources Development	B.Com. (Hons.); PGDPM & IR (XLRI)	28	Personnel Manager - The Oberoi Bogmalo Beach, Goa
6	Perry Goes	43	14-Jun-04	5088632	DVP – Strategic Planning & Business Analysis	B.E. (Mech), PGDBM (Marktg-Fin & HR) (Goa Inst. of Mgmt.)	21	Group Leader for Business Analytics - Honeywell Technologies Solutions Labs
7	Sudhir Jain	48	15-Jan-04	2996303	DVP – Operations – South & West	B.E. (Mech)-(University of Roorkee)	22	G M Plant Operations – Pepsico India Holdings P Ltd
8	Kiran Kumar	40	28-Apr-97	4778744	DVP – Sales	B.Com.; PGDM (IIM-Ahmedabad)	17	Marketing Manager – Herbertsons Limited
9	Ravikant Sabnavis	39	12-Mar-07	3631415	DVP – Marketing	B.E. (Computer Science), MMS (SP Jain Inst. of Mgmt.)	16	Marketing Manager, Heinz India Pvt Ltd.,
10	Umesh Hingorani	39	2-Feb-93	2878165	DVP – Business Development	BBA (University of Southern California)	15	Marketing Manager – Castle Breweries Limited
11	R K Jindal	47	19-Mar-85	3443264	DVP – Operations North & East and Malting	B. Com., CA	23	First Employment
12	Govind Iyengar	41	5-Feb-01	2816515	Company Secretary	B. Com., L.L.B (Gujarat University); ACS (ICSI)	18	Company Secretary – Citurgia Biochemicals Ltd.,
13	Govind Tiwari	57	12-Feb-75	3648321	DVP – UBL – Goa & Contract Units	B.Sc.; P.G.D.I.F.A.T.; DBA, PGDM&IR	38	Asst. Brewer – Indo Lowenbrau Breweries Limited, Faridabad
14	Sharad Dalmia	43	1-Feb-01	2670772	AVP – UBL – Mumbai	B.E. (Mech); P G D M (Mech & Elec Engg) (Jamshedpur Tech. Inst.)	21	General Manager – McDowell & Co., Ltd.,
15	George Paul	44	6-Jan-03	2900126	AVP – UBL – Rajasthan & Winsome Breweries Ltd.	B. Tech (Mech); M B M (Asian Inst. of Mgmt.)	20	General Manager – A W Faber Castel (I) Pvt. Ltd.,
16	R Santosh Kumar	43	1-Jul-98	3062494	AVP - Commercial	B E., PGDCA	20	Manufacturing Manager – Pepsico India Holdings
17	Samrat Chadha	35	2-May-97	2634745	General Sales Manager - West	B.Sc.; P.G.D.M (T.A. Pai Mgmt. Inst.)	11	First Employment
18	Gurpreet Singh	33	20-Apr-98	2478865	General Marketing Manager	B.Com; P.G.D.M (T.A. Pai Mgmt.Inst.)	10	First Employment
19	M R Srinivasan	57	15-Jul-89	2504004	General Manager	B.Sc., M S W (University of Mysore)	34	Personnel Executive – Indl Relations & Welfare, Cipla Ltd

All the employees mentioned above are in full time employment with the Company.

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

\*Mrs. Lesley Jackson has resigned with effect from June 22, 2008.

**Employed for part of the year and in receipt of remuneration in aggregate of not less than the prescribed limit: Nil**

### NOTES:

- 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.
- The above list includes employees transferred upon demerger of brewing business of erstwhile United Breweries Limited into this Company, effective August 1, 2001.

By Authority of the Board,

Bangalore  
July 25, 2008

**A K Ravi Nedungadi**  
Director

**Kalyan Ganguly**  
Managing Director

# Report on Corporate Governance

## 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 Board comprises of a balanced combination of non-Executive and independent Directors in addition to the Managing Director. 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 organisation. 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 management and updates thereof are regularly placed before the board.

During the financial year ended on March 31, 2008, 7 Board Meetings were held on June 22, 2007, July 20, 2007, September 28, 2007, October 31, 2007, December 19, 2007 January 22, 2008 and March 26, 2008

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

Names of the Directors	Category	Number of Board Meetings held	Number of Board Meetings attended	Attendance at the last AGM held on 28.09.2007
Dr. Vijay Mallya	Chairman (NE)	7	6	YES
Mr. Kalyan Ganguly	Managing Director	7	7	YES
Mr. A K Ravi Nedungadi	Director (NE)	7	7	YES
Mr. John Hunt	Director (NE)	7	6	YES
Mr. John Nicolson	Director (NE)	7	3	NO
Mrs. Lesley Jackson*	Director (CFO)	7	7	YES
Mr. Chugh Yoginder Pal	Director (NE, Ind)	7	7	YES
Mr. Sunil Alagh	Director (NE, Ind)	7	6	YES
Mr. Chhaganlal Jain	Director (NE, Ind)	7	7	YES

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

\* Mrs. Lesley Jackson has resigned from the Board with effect from June 22, 2008

## Report on Corporate Governance (contd.)

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

Names of the Directors	Membership in Boards other than UBL	Membership in Board Committees other than UBL	
		Prescribed for reckoning the limits under Clause 49 of the Listing agreement**	Other Committees not so prescribed***
Dr. Vijay Mallya	23	NIL	1 (Chairman of 1 Committee)
Mr. Kalyan Ganguly	6	2	2
Mr. A K Ravi Nedungadi	11	6 (Chairman of 1 Committee)	1
Mr. John Hunt	2	1 (Chairman of 1 Committee)	1
Mr. John Nicolson	1	1	NIL
Mr. Chugh Yoginder Pal	4	3 (Chairman of 3 Committees)	2
Mr. Sunil Alagh	7	1 (Chairman of 1 Committee)	1
Mr. Chhaganlal Jain	9	7 (Chairman of 3 Committees)	7

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

#### NOTES:

- Out of 23 other Companies in India in which Dr. Vijay Mallya is a Director, 8 are Private Limited Companies, and 2 are Section 25 Companies. Dr. Vijay Mallya is also on the Board of 33 Overseas Companies.
- Out of 6 other Companies in which Mr. Kalyan Ganguly is a Director, 1 is a Private Limited Company. Mr. Kalyan Ganguly is also on the Board of 1 Overseas Company.
- Out of 11 other Companies 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.
- Mr. John Nicolson is a Director in 1 Private Limited Company.
- Out of 4 other Companies in which Mr. Chugh Yoginder Pal is a Director, 1 is a Private Limited Company.
- Out of 7 other Companies in which Mr. Sunil Alagh is a Director, 3 are Private Limited Companies.
- Out of 9 other Companies in which Mr. Chhaganlal Jain is a Director, 1 is a Private Limited Company. Mr. Jain is also on the Board of 1 Overseas Company.

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

Mr. A K Ravi Nedungadi and Mr. Chhaganlal Jain 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. A K Ravi Nedungadi</b></p> <p>A trained Chartered and Cost Accountant, Mr. Nedungadi set early academic records by qualifying in the final of the Chartered Accountancy Exam at age 20. Early positions at Macneill &amp; Magor Ltd., a diversified conglomerate and Pentagon Fasteners Ltd. Delhi set the stage for an outstanding track record with his current employer.</p> <p>He joined the UB Group in 1990 as the Corporate Treasurer. Within two years, he was transferred to London as Group Finance Director of the Group's international business managing the businesses of UB International, which included the paint giant Berger Jenson and Nicholson, spanning 27 countries. He was instrumental in listing the Berger group companies on London and Singapore bourses.</p> <p>Since his appointment as the President and Group CFO in 1998, the youngest to have been elevated to such a position in the Group, he led the way to sharpening the focus of the Group, which</p>	<p><b>Other Boards</b></p> <ol style="list-style-type: none"> <li>Aventis Pharma Limited</li> <li>Bayer CropScience Limited</li> <li>Deccan Aviation Limited</li> <li>Idea Streamz Consultants Private Limited</li> <li>Kingfisher Airlines Limited</li> <li>Millenea Vision Advertising (P) Limited</li> <li>Millennium Alcobev Private Limited</li> <li>Pie Education Limited</li> <li>Shaw Wallace &amp; Company Limited</li> <li>Shaw Wallace Breweries Limited</li> <li>Shaw Wallace Executives' Welfare and Benefit Company</li> </ol>

## Report on Corporate Governance (contd.)

had a conglomerate approach, on areas of core competence and global reach. This saw the group focus on three verticals - Brewing, Distilling & Aviation, each area presenting clear leadership within India and global significance too. He was also responsible for opening up the beverage alcohol sector to Global Best Practices and Transparency, enabling the entry of institutional investors and rerating of the industry itself.

Under his leadership the market capitalisation of the 3 principal Group Companies has crossed US \$ 7.7 billion, [as against \$ 145 mio 3 years ago] which bears testimony to the successful accomplishment of business restructuring, consolidation and enhanced shareholder value. As the principle leadership resource of UB Group, Mr. Nedungadi was key to concluding the acquisition of Shaw Wallace & Co. India, Bouvet Ladubay, France, Whyte & Mackay, Scotland, Air Deccan in India, etc., each of which has contributed to the value creation for all stake holders.

Mr. Nedungadi was deeply engaged with the creation of Kingfisher Airlines Ltd -Voted Best Airline of India (TOI / IMRB) and which continues to set new benchmarks of customer delight. In 24 months Kingfisher has won 11% market share in a highly competitive arena, & has won many an international and national awards for excellence.

Mr. Nedungadi is the recipient of many awards of excellence including the Udyog Ratan Award; CNBC TV18's - CFO of the Year - M & A (2006), the CNBC Award for India's best CFO in the FMCG & Retail Sector (2007), the IMA Award for CFO of the year (2007), etc. Memberships in esteemed organisations like Who's Who of Professionals only reinforce the above testimonials. Further, he is on the Board of Directors of several companies, both in India and overseas.

His interests in social work and the arts engage his free time. He is an active Rotarian and is a Trustee of India Foundation for the Arts, a leading Grant Making Art Philanthropy.

Mr. Nedungadi joined the Board on August 9, 2002.

### Audit Committee

1. Aventis Pharma Limited
2. Bayer CropScience Limited
3. Kingfisher Airlines Limited
4. Millennium Alcobev Private Limited

### Investors Grievance Committee

1. Aventis Pharma Limited;
2. Bayer CropScience Limited (Chairman)

Brief resume	Other Directorships & Committee Memberships
<p><b>Mr. Chhaganlal Jain</b></p> <p>Mr. Chhaganlal Jain is a Chartered Accountant and a Company Secretary by profession, having more than 40 years of corporate experience in various organisations including ICI and Hindustan Lever Ltd. He was also Finance Director of Hoechst India Ltd. And later the President of Ceat Asset Management Ltd. Apart from Directorships he holds in esteemed public Companies, he is also a trustee of Nayana Parekh Charitable Trust and Sangeeta Jain Charitable Trust.</p> <p>Mr. Jain joined the Board on January 27, 2003</p>	<p><b>Other Boards</b></p> <ol style="list-style-type: none"> <li>1. Shasun Chemicals and Drugs Limited</li> <li>2. RPG Life Sciences Limited</li> <li>3. Brescon Corporate Advisors Limited</li> <li>4. Practical Financial Services Pvt. Limited</li> <li>5. Millennium Beer Industries Limited</li> <li>6. Asit C. Mehta Investment Intermediaries Limited</li> <li>7. Shaw Wallace &amp; Company Limited</li> <li>8. Shaw Wallace Breweries Limited</li> <li>9. NOCIL Limited</li> </ol> <p><b>Audit Committee</b></p> <ol style="list-style-type: none"> <li>1. Shasun Chemicals and Drugs Limited (Chairman)</li> <li>2. RPG Life Sciences Limited (Chairman)</li> <li>3. Shaw Wallace &amp; Company Limited (Chairman)</li> <li>4. Millennium Beer Industries Limited</li> <li>5. Brescon Corporate Advisors Limited</li> <li>6. NOCIL Limited</li> </ol> <p><b>Investors Grievance Committee</b></p> <ol style="list-style-type: none"> <li>1. Shasun Chemicals and Drugs Limited</li> </ol>

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.)

### 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:

- i) Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- ii) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of Audit fee;
- iii) Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- iv) Reviewing, with the Management, the Annual Financial Statements before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Directors Responsibility Statement to be included in the Board's report in terms of Clause 2AA of Section 217 of the Companies Act, 1956;
  - Changes, if any, in accounting policies and practices and reasons for the same;
  - Major accounting entries involving estimates based on the exercise of judgment by the Management;
  - Significant adjustments made in the financial statements arising out of Audit findings;
  - Compliance with listing and other legal requirements relating to financial statements;
  - Disclosure of any related party transactions;
  - Qualifications in the draft audit report;
- v) Reviewing with the Management the quarterly financial statements before submission to the Board for approval;
- vi) Reviewing with the Management, performance of Statutory and Internal Auditors, adequacy of Internal Control Systems;
- vii) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;
- viii) Discussing with Internal Auditors any significant findings and follow up there on;
- ix) Reviewing the findings of any internal investigations by the Internal Auditors in to matters where there is suspected fraud or irregularity or failure of Internal Control Systems of a material nature and reporting the matter to the Board;
- x) Discussing with Statutory Auditors before the audit commences, about the nature and scope of Audit as well as post-audit discussion to ascertain any area of concern;
- xi) To look into the reasons for substantial defaults in the payment to Depositors, Shareholders (in case of non-payment of declared Dividends), 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, 2008, 5 Audit Committee Meetings were held on April 19, 2007, June 21, 2007, July 19, 2007, October 31, 2007 and January 22, 2008.

## Report on Corporate Governance (contd.)

### 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	5

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 are as under:

- To monitor Transfer, Transmission and Transposition of the Shares of the Company;
- Issue of Duplicate Share Certificates, in lieu of Certificates lost or misplaced;
- Issue of New Share Certificates in lieu of Certificates torn, mutilated, cages for transfer filled up 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 Agents;
- 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, etc., have been entrusted to Alpha Systems Private Limited, Registrars and Transfer Agents and the same are being processed and approved on fortnightly basis.

During the year ended March 31, 2008 the Committee met 12 times on April 30, 2007, May 31, 2007, June 30, 2007, July 31, 2007, August 31, 2007, September 26, 2007, October 31, 2007, November 30, 2007, December 31, 2007, January 31, 2008, March 01, 2008 and March 31, 2008 for approving the transactions falling within the Terms of reference mentioned above.

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

### INVESTORS' 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 etc. The Committee is empowered to operate in terms of the provisions of the Listing Agreement and/or the provisions as prescribed under the Companies Act, 1956 and other related Regulations.

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

Number of Shareholders' complaints received from 1-4-2007 to 31-3-2008 (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, etc.)	59
Number of complaints not solved to the satisfaction of the Shareholders	NIL

## Report on Corporate Governance (contd.)

Number of pending Share transfers	One Transfer case for 60 shares (were kept pending as on 31.03.2008 as the process of transfer of share was in progress. These shares were subsequently transferred after completion of due procedures)
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During the year ended March 31, 2008 Investors' Grievance Committee Meetings were held on June 22, 2007, July 20, 2007 and October 31, 2007

### 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, etc., to the Managing Director/Executive/ Wholetime 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, 2008, a meeting of Remuneration Committee was held on July 19, 2007 which was attended by all the Members.

### 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, 2008, Mr. Kalyan Ganguly, Managing Director and Mrs. Lesley Jackson, Director, CFO were paid remuneration as under:

	Salary	Perquisites	Retiral Benefits
Mr. Kalyan Ganguly	Rs. 1,86,65,730/-	Rs. 28,39,626/-	Rs. 30,56,272/-
Mrs. Lesley Jackson	Rs. 30,13,500/-	Rs. 26,28,090/-	—

Mr. Ganguly was appointed as a Managing Director effective August 9, 2002 for a period of five year and his term of office expired 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 have been approved by the Central Government also. The Board has reappointed Mr. Kalyan 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 and her appointment and remuneration were approved by the Central Government. No retrial benefits were being paid to Mrs. Lesley Jackson. Mrs. Lesley Jackson has resigned from the Board effective June 22, 2008.

### SITTING FEES PAID TO DIRECTORS DURING 2007-2008

Sl. No.	Name of the Director	Sitting Fees paid
1.	Dr. Vijay Mallya	Rs. 82,920/- *
2.	Mr. A K Ravi Nedungadi	Rs. 2,20,000/-
3.	Mr. Chugh Yoginder Pal	Rs. 2,50,000/-
4.	Mr. Chhaganlal Jain	Rs. 2,70,000/-
5.	Mr. Sunil Alagh	Rs. 2,50,000/-
6.	Mr. John Hunt	Rs. 82,920/- *
7.	Mr. John Nicolson	Rs. 41,460/- *

\* (net of TDS).

Effective June 22, 2007, the sitting fees are 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.

## Report on Corporate Governance (contd.)

The particulars of Equity Shares of the Company held by the Directors are furnished below:

Sl. No.	Name	Number of Equity Shares held	
		As on date of this report*	As on March 2008
1.	Dr. Vijay Mallya	21353620	19218260
2.	Mr. Kalyan Ganguly	14690	12020
3.	Mr. A K Ravi Nedungadi	—	—
4.	Mr. John Hunt	—	—
5.	Mr. John Nicolson	—	—
6.	Mr. Chugh Yoginder Pal	—	—
7.	Mr. Sunil Alagh	6800	6000
8.	Mr. Chhaganlal Jain	—	—

\*Holdings Post Rights Issue

### 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 28, 2007	12.30 p.m.	Good Shepherd Auditorium, Opp. St. Joseph's Pre-University College, Residency Road, Bangalore - 560 025.	Three
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

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

The following Resolution was passed by the Members through Postal Ballot during 2007-2008 under Section 192A of the Companies Act, 1956.

Date of Notice of Postal Ballot	Date of Passing	Description	Result
08.05.2008	02.07.2008	To provide Corporate Guarantee to AXIS Bank Limited on behalf of United Millennium Breweries Limited, a group Company	Carried with requisite majority

### DISCLOSURES

During the financial year ended March 31, 2008, 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 has 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 mandatory requirements of Clause 49. The Company has also constituted a Remuneration Committee which is a non-mandatory requirement.

### MEANS OF COMMUNICATION

The Company has its own Web-site and all vital information relating to the Company and its performance involving quarterly results, official Press release and presentation to analysts shall be posted on the Company's Web-site "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.

## Report on Corporate Governance (contd.)

In line with requirement of clause 47 (f) of the Listing Agreement, the Company has designated an exclusive email id viz, 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 forms part of the Directors' Report.

### GENERAL SHAREHOLDER INFORMATION

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

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

### ANNUAL GENERAL MEETING INFORMATION

Board Meeting for Consideration of Accounts	June 23, 2008
Posting of Annual Report	August 14, 2008
Book Closure dates	September 9, 2008 and September 10, 2008
Last date for receiving proxy	September 8, 2008
Date of AGM	September 10, 2008

#### ANNUAL GENERAL MEETING ON

September 10, 2008

#### VENUE

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

#### TIME

11:00 a.m.

#### DATES OF BOOK CLOSURE

September 9, 2008 and September 10, 2008

### LISTINGS AT

STOCK EXCHANGE	SCRIP CODE
BANGALORE STOCK EXCHANGE LIMITED	UNITEDBRED
COCHIN STOCK EXCHANGE LIMITED	UBW
THE CALCUTTA STOCK EXCHANGE ASSN. LIMITED	31195
MADRAS STOCK EXCHANGE LIMITED	UNITEDBREW
LUDHIANA STOCK EXCHANGE LIMITED	UNIT
AHMEDABAD STOCK EXCHANGE LIMITED	62379
BOMBAY STOCK EXCHANGE LIMITED	532478
THE HYDERABAD STOCK EXCHANGE LIMITED*	6498
DELHI STOCK EXCHANGE LIMITED	121113
NATIONAL STOCK EXCHANGE OF INDIA LIMITED	UBL

\*Derecognised by SEBI, effective August 29, 2007. The name has changed to The Hyderabad Securities and Enterprises Limited.

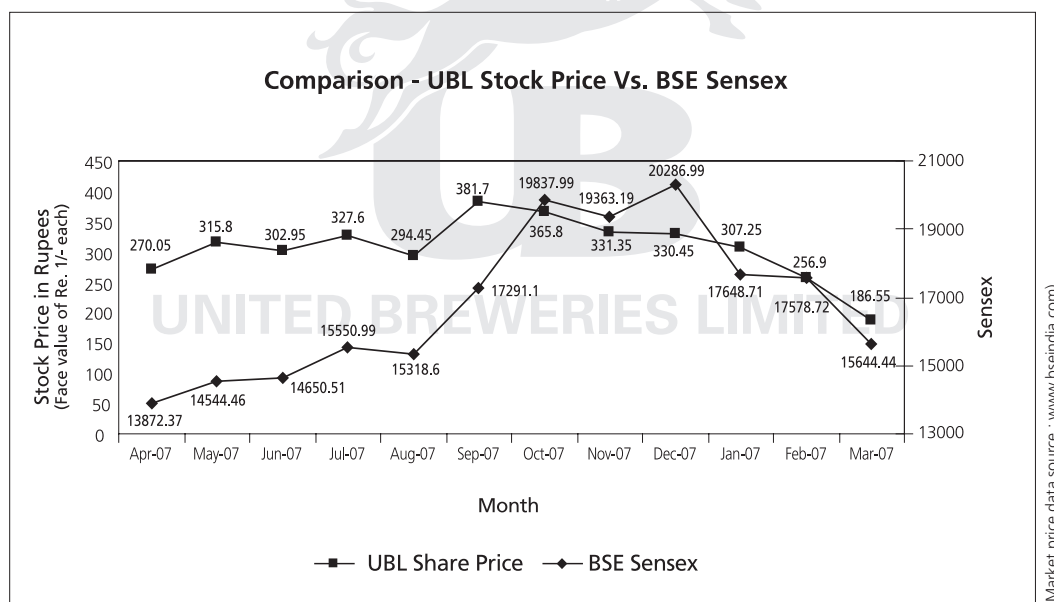
## Report on Corporate Governance (contd.)

Market price data of the Company's Equity Shares traded on The Stock Exchange, Mumbai (BSE) during the period April 2007 to March 2008:

Month	High	Low	Close	BSE SENSEX-CLOSE
April 2007	287.00	252.20	270.05	13872.37
May 2007	385.00	265.50	315.80	14544.46
June 2007	325.00	220.00	302.95	14650.51
July 2007	335.00	289.00	327.60	15550.99
August 2007	331.40	264.05	294.45	15318.60
September 2007	415.00	295.00	381.70	17291.10
October 2007	413.40	300.00	365.80	19837.99
November 2007	374.95	310.00	331.35	19363.19
December 2007	360.00	306.00	330.45	20286.99
January 2008	385.00	240.00	307.25	17648.71
February 2008	319.00	229.00	256.90	17578.72
March 2008	258.50	150.00	186.55	15644.44

No trading in the Company's Shares had taken place on the Ahmedabad, Bangalore, Chennai, 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:



### SHARE TRANSFER SYSTEM

All matters pertaining to Share Transfer are being handled by Alpha Systems Private Limited, the Registrars and Share Transfer Agents of the Company. The Share Transfer requests received are processed by them and a Memorandum of Transfer is sent to the Company for approval by the Committee. The average time taken for processing Share Transfer requests including despatch of Share Certificates is 15 days, while it takes a minimum of 10-12 days for processing dematerialisation 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.

## Report on Corporate Governance (contd.)

The distribution of shareholding as on March 31, 2008 is furnished below:

Category (Rs.)	No. of Shareholders	% (Percentage)	No. of Shares held	% (Percentage)
Up to 5000	33448	99.15	10659888	4.93
5001 -- 10000	131	0.39	938018	0.43
10001 – 20000	60	0.18	882846	0.41
20001 – 30000	29	0.09	745315	0.34
30001 – 40000	12	0.04	404681	0.19
40001 – 50000	8	0.02	358121	0.17
50001 – 100000	11	0.03	847803	0.39
100001 and Above	37	0.11	201206758	93.13
<b>TOTAL</b>	<b>33736</b>	<b>100.00</b>	<b>216043430</b>	<b>100.00</b>

### Shareholding Pattern as on March 31, 2008

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	546289	0.25
Banks Financial Institutions	50160	0.02
Central/State Governments	660	0.00
Insurance Companies	1858360	0.86
Foreign Institutional Investors	35123139	16.26
<b>Others</b>		
Bodies Corporate	2387063	1.11
Individuals	13836079	6.40
Trust	250740	0.12
<b>Total</b>	<b>216043430</b>	<b>100</b>

### RIGHTS ISSUE

The Rights Issue of 24004825 equity shares of Re.1 each aggregating to Rs.424.88 crores, closed for subscription on May 29, 2008. The issue was oversubscribed by 7% and the allotment was completed on June 13, 2008. Share certificates/demat credit and refund orders were dispatched on June 16, 2008. Consequently, the issued and paid-up equity capital of the Company stands at Rs.240048255 an increase of 11.11 % over the previous equity capital.

The distribution of shareholding Post Rights Issue is furnished below:

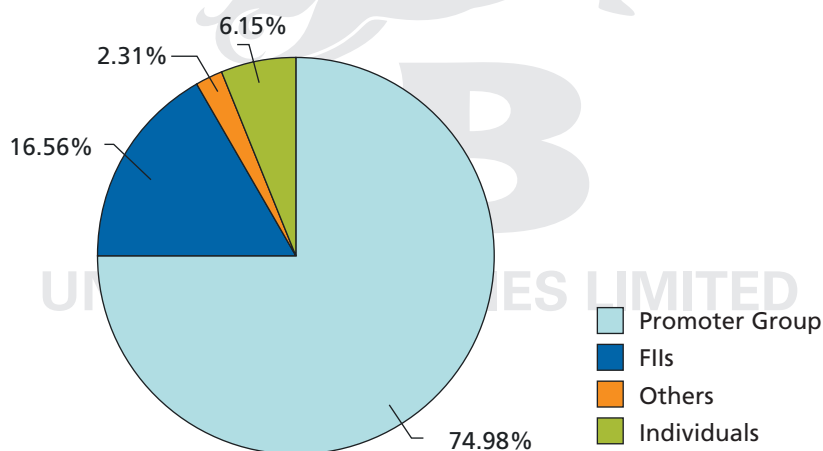
Category (Rs.)	No. of Shareholders	% (Percentage)	No. of Shares held	% (Percentage)
Up to 5000	35200	99.14	11332710	4.72
5001 – 10000	136	0.38	958625	0.40
10001 – 20000	65	0.18	914694	0.38
20001 – 30000	31	0.09	783338	0.33
30001 – 40000	15	0.04	520459	0.22
40001 – 50000	9	0.03	403221	0.17
50001 – 100000	9	0.03	636967	0.27
100001 and Above	39	0.11	224498241	93.52
<b>TOTAL</b>	<b>35504</b>	<b>100.00</b>	<b>240048255</b>	<b>100.00</b>

## Report on Corporate Governance (contd.)

### Shareholding Pattern (Post Rights Issue)

Category	No. of Shares held	Percentage of Shareholding
<b>Promoters</b>		
Indian	89994960	37.49
Foreign	89994960	37.49
<b>Institutional Investors</b>		
Mutual Funds/UTI	602425	0.25
Banks Financial Institutions	50160	0.02
Central/State Governments	660	0.00
Insurance Companies	2064844	0.86
Foreign Institutional Investors	39759979	16.56
<b>Others</b>		
Bodies Corporate	2563981	1.07
Individuals	14765525	6.15
Trust	250761	0.11
<b>Total</b>	<b>240048255</b>	<b>100</b>

Pie-chart of Shareholding Pattern (Post Rights Issue)



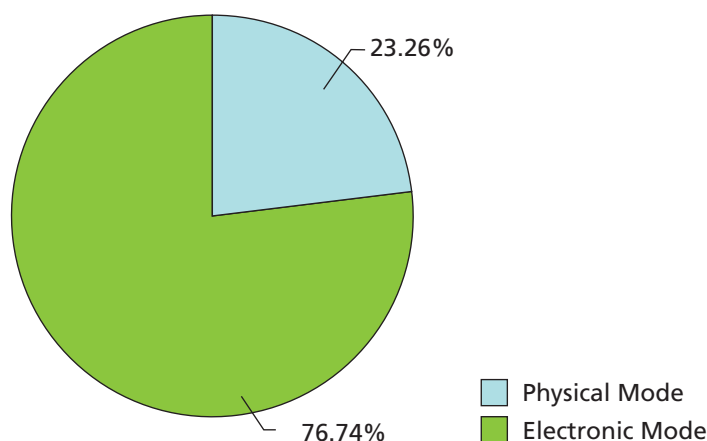
### DEMATERIALISATION OF SHARES

The Company has set up requisite facilities for dematerialisation 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 Dematerialisation of the Company's Shares as on March 31, 2008 is as under:

Mode	No. of Shares	% age	No. of Shareholders
Physical mode	50261335	23.26	16527
Electronic mode	165782095	76.74	17209
<b>Total</b>	<b>216043430</b>	<b>100.00</b>	<b>33736</b>

## Report on Corporate Governance (contd.)

Shares held in physical & demat mode as on March 31, 2008



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

**ALPHA SYSTEMS PRIVATE LIMITED**

30, RAMANA RESIDENCY  
 4TH CROSS, SAMPIGE ROAD, MALLESWARAM  
 BANGALORE – 560 003.

Tel. No. : (080) 2346 0815 to 2346 0818 Fax No.: 080 – 2346 0819  
 e.mail: [alfint@vsnl.com](mailto:alfint@vsnl.com)

Contact Persons: Mr. 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
GOA – PONDA	PUNJAB – LUDHIANA
KERALA – CHERTHALA & PALAKKAD	WEST BENGAL – KALYANI
KARNATAKA – MANGALORE & NELAMANGALA	RAJASTHAN – CHOPANKI
ORISSA – KHURDA	

**CONTRACT MANUFACTURING NETWORK**

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

**REGISTERED OFFICE**

"UB TOWER", UB CITY, 24, VITTAL MALLYA ROAD,  
 BANGALORE - 560 001

Phone: (91-80) 22272806 & 22272807

Fax No. (91-80) 22211964 - 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 reimbursement 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:

Auditor's 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 specialisation, 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 2007-08, all the members of the Board of Directors and Senior Managerial personnel have affirmed their Compliance with the Company's Code of Business Conduct and Ethics.

Place: Bangalore  
Date: July 25, 2008

**Kalyan Ganguly**  
Managing Director

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

The Members,  
UNITED BREWERIES LIMITED  
"UB TOWER", UB City  
No.24, Vittal Mallya Road  
BANGALORE 560 001.

We have examined the compliance of conditions of Corporate Governance by United Breweries Limited, for the year ended on March 31, 2008, as stipulated in Clause 49 of the Listing Agreement, as amended, 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 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 on March 31, 2008, 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

Date: July 25, 2008

# Auditors' Report

## 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, 2008, 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, we report that:  
*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, 2008 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2008 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, 2008;
    - (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

Place: Paris, France  
Date: June 23, 2008

For and on behalf of  
**Price Waterhouse**  
Chartered Accountants

## 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, 2008]

- 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) In our opinion, and according to the information and explanations given to us, the Company is maintaining proper records of inventory. The discrepancies between the physical inventory and the book records as noticed on physical verification are not material and have been properly dealt with in the books of accounts.
- iii.
  - a) The company had 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 amounts to Rs. 801,310 (000). The amount has been repaid during the year.
  - 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) 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.
- 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, 2008 which have not been deposited on account of a dispute are given in Appendix 1.
- x. The company has no accumulated losses as at March 31, 2008 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.
- xiv. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.

## Annexure to Auditors' Report (contd.)

- 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 and there are no debentures outstanding as at the year-end.
- 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.

**J. Majumdar**

Partner

Membership Number - F51912

For and on behalf of

**Price Waterhouse**

Chartered Accountants

Place: Paris, France  
Date: June 23, 2008

### Appendix 1 to the Auditors' Report

Referred to in paragraph IX(b) of the Annexure to the Auditors' report of even date to the members of United Breweries Limited on the financial statements for the year ended March 31, 2008.

Name of the statute	Rs. in Thousands	Forum where dispute is pending	Year to which amount relates
Customs Act, 1962	4,148	Commissioner of Customs, Ludhiana	1991-92
Central Excise Act, 1944	4,253	High Court of Calcutta	1998-99
	571	High Court of Andhra Pradesh	1992-98
	1,866	High Court, Calcutta	1987-88
	8,076	High Court of Karnataka	2000-2001 to 2003-2004, 2005-06
Sales Tax Acts	401	High Court of Andhra Pradesh	1997-98 to 1998-99
	628	High Court of Kerala	1983-84 to 1986-87
	38	High Court of Kerala	1990-91
	4,007	High Court, Calcutta	1997-98
	1,088	Sales tax Appellate Tribunal, Karnataka	2002-03
	90	Sales tax Appellate Tribunal, Mumbai	1990-91
	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
	12	Sales tax Appellate Tribunal, Kerala	1997-98
	2,255	Sales tax Appellate Tribunal, Kerala	1975-76 to 1983-84
	13	Assistant Commissioner (Assessment), Special Circle, Alappuzha	2002-03
	69	Deputy Commissioner of Commercial Taxes (Appeals) Kollam	2001-02
	130	Deputy Commissioner of Commercial Taxes (Appeals) Kollam	2000-01
	107	Deputy Commissioner Appeals	1991-92
	124	High Court of Kerala	1988-89
	289	High Court of Kerala	1989-90
	498	High Court of Kerala	1990-91
Income Tax Act	35,825	Commissioner of Income Tax (Appeals)	2003-04
	10,726	Commissioner of Income Tax (Appeals)	1997-98
	2,968	Commissioner of Income Tax (Appeals)	1997-98
	1,375	Commissioner of Income Tax (Appeals)	2000-01
	5,853	Commissioner of Income Tax (Appeals)	2000-01
Employee State Insurance Act	265	High Court of Kerala	1991-92

## Balance Sheet as at March 31, 2008

		2008		2007	
		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		3,427,554	6,112,597	5,576,353
<b>Loan Funds</b>					
Secured Loans	3		4,442,195	4,340,644	
Unsecured Loans			809,985	5,252,180	4,757,632
Deferred Credit [Refer Schedule 19 Note 1(c)]				—	4,044
Deferred Tax Liability [Refer Schedule 19 Note 17(b)]				90,302	60,715
			<b>11,455,079</b>		<b>10,398,744</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	4		7,149,646	5,090,062	
Less: Accumulated Depreciation and Amortisation			1,547,755	955,018	
Net Block			5,601,891	4,135,044	
Capital Work in Progress			1,576,089	7,177,980	5,262,352
<b>Investments</b>	5		<b>1,040,709</b>		<b>590,699</b>
<b>Current Assets, Loans and Advances</b>					
Inventories	6		1,169,167	1,123,643	
Sundry Debtors	7		3,224,040	2,148,312	
Cash and Bank Balances	8		78,855	1,392,732	
Other Current Assets	9		2,282	10,202	
Loans and Advances	10		1,171,620	1,972,175	
			<b>5,645,964</b>	<b>6,647,064</b>	
<b>Less: Current Liabilities and Provisions</b>					
Liabilities	11		2,285,431	2,026,424	
Provisions	12		124,143	74,947	
			<b>2,409,574</b>	<b>2,101,371</b>	
Net Current Assets			<b>3,236,390</b>		<b>4,545,693</b>
			<b>11,455,079</b>		<b>10,398,744</b>
<b>Significant Accounting Policies</b>					
<b>Notes on accounts</b>					

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

For and on behalf of  
**Price Waterhouse**  
Chartered Accountants

Paris, France, June 23, 2008

**Kalyan Ganguly**  
Managing Director

**Govind Iyengar**  
Company Secretary

Paris, France, June 23, 2008

**A K Ravi Nedungadi**  
Director

# Profit and Loss Account for the year ended March 31, 2008

Rs. in Thousands

		2008		2007	
	Schedule	Rs.	Rs.	Rs.	Rs.
<b>INCOME</b>					
Sales and Service	13	<b>19,802,844</b>		14,817,978	
Less: Excise Duty		<b>6,112,233</b>		4,280,190	
		<b>13,690,611</b>		10,537,788	
Other Income	14	<b>257,948</b>	<b>13,948,559</b>	210,950	10,748,738
<b>EXPENDITURE</b>					
Cost of Sales	15	<b>8,672,344</b>		6,596,961	
Other Expenses	16	<b>3,303,517</b>		2,536,711	
Interest and Finance Charges	17	<b>428,282</b>		279,788	
Depreciation and Amortisation		<b>612,276</b>	<b>13,016,419</b>	385,352	9,798,812
Profit before taxation			<b>932,140</b>		949,926
Provision for Taxation [Refer Schedule 19 Note 17]					
- Current Tax		<b>(264,889)</b>		(294,129)	
- Fringe Benefit Tax		<b>(12,000)</b>		(19,880)	
- Deferred Tax (Charge)/Write back		<b>(30,526)</b>	<b>(307,415)</b>	15,001	(299,009)
Profit after taxation			<b>624,725</b>		650,918
Less:					
Dividends [Refer Schedule 19 Note 23]			<b>(86,658)</b>		(146,689)
Transfer to General Reserve			—		(70,000)
			<b>538,067</b>		434,229
Profit brought forward from previous year			<b>489,385</b>		55,156
Profit carried forward to Balance Sheet			<b>1,027,452</b>		489,385
Earnings per share (Basic/Diluted)			<b>2.49</b>		2.62
[Refer Schedule 19 Note 15]					
<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

For and on behalf of  
**Price Waterhouse**  
Chartered Accountants

Paris, France, June 23, 2008

**Kalyan Ganguly**  
Managing Director

**Govind Iyengar**  
Company Secretary

Paris, France, June 23, 2008

**A K Ravi Nedungadi**  
Director

## Cash Flow Statement for the year ended March 31, 2008

		Rs. in Thousands	
	2008	2007	
	Rs.	Rs.	Rs.
<b>A Cash Flow from Operating Activities</b>			
Profit before taxation		932,140	949,926
Adjustments for:			
Depreciation and Amortisation	612,276		385,352
Interest Expenses (Net)	428,282		279,788
Provision for Doubtful Debts	34,008		9,898
Provision for Doubtful Advances	8,220		1,207
Bad debts written off	2,700		6,556
Bad advances written off	543		136
(Profit)/Loss on Sale of Assets	5,926	1,091,955	2,906
<b>Operating profits before Working Capital changes</b>		<b>2,024,095</b>	<b>1,635,769</b>
<b>Adjustment for Working Capital Changes:</b>			
(Increase) / Decrease in Sundry Debtors	(1,112,436)		(864,714)
(Increase) / Decrease in Inventories	(45,524)		(387,680)
Increase / (Decrease) in Current Liabilities and Provisions	244,999		576,685
(Increase) / Decrease in Other Current Assets, Loans and Advances	16,182	(896,779)	1,329,000
<b>Cash generated from operations</b>		<b>1,127,316</b>	<b>2,289,060</b>
Direct Taxes paid (including TDS)		(295,386)	(387,626)
<b>Net cash generated from operating activities.</b>		<b>831,930</b>	<b>1,901,434</b>
<b>B Cash Flow from Investing Activities</b>			
Purchase of Fixed Assets (including acquisition on amalgamation)		(2,566,939)	(3,552,009)
Sale of Fixed Assets		33,109	5,657
Sale of Investments (net)		—	13
Purchase of Investments		(450,010)	—
<b>Net cash used in investing activities</b>		<b>(2,983,840)</b>	<b>(3,546,339)</b>
<b>C Cash Flow from Financing Activities</b>			
Proceeds from Short term loans (net)		392,997	925,445
Proceeds from Bank Borrowings (net)		86,725	1,287,900
Loan / (Repayment) from United Breweries (Holdings) Limited		801,310	(3,845)
Loan to subsidiary companies/others		(223)	19,307
Interest Paid		(417,500)	(265,603)
Dividend paid (including distribution tax)		(25,276)	(212,738)
<b>Net cash generated from financing activities</b>		<b>838,033</b>	<b>1,750,466</b>
<b>Net Increase / (Decrease) in cash and cash equivalents</b>		<b>(1,313,877)</b>	<b>105,561</b>

## Cash Flow Statement for the year ended March 31, 2008 (contd.)

Rs. in Thousands

	2008		2007	
	Rs.	Rs.	Rs.	Rs.
<b>Opening cash and cash equivalents</b>				
Cash on hand including Remittances in Transit	7,192		18,177	
Bank Balances including cheques on hand	<u>1,385,540</u>	<u>1,392,732</u>	<u>1,268,994</u>	<u>1,287,171</u>
<b>Closing cash and cash equivalents</b>				
Cash on hand including Remittances in Transit	8,037		7,192	
Bank Balances including cheques on hand	<u>70,818</u>	<u>78,855</u>	<u>1,385,540</u>	<u>1,392,732</u>

### Notes:

1. The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at March 31, 2008 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 as notified under Companies (Accounting Standards) Rules, 2006 and the reallocations required for the purpose are as made by the Company.
3. Cash and cash equivalents include Rs. 11,350 (2007: Rs. 57,334) 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

For and on behalf of  
**Price Waterhouse**  
Chartered Accountants

Place: Paris, France  
Date: June 23, 2008

**Kalyan Ganguly**  
Managing Director

**Govind Iyengar**  
Company Secretary

Place: Paris, France  
Date: June 23, 2008

**A K Ravi Nedungadi**  
Director

## Schedules to Balance Sheet

Rs. in Thousands

	2008 Rs.	2007 Rs.
<b>SCHEDULE 1</b>		
<b>Capital</b>		
<b>AUTHORISED</b>		
300,000,000 (2007: 300,000,000) Equity shares of Re.1 each	300,000	300,000
25,000,000 (2007: 25,000,000) Preference Shares of Rs. 100 each	2,500,000	2,500,000
	<b>2,800,000</b>	<b>2,800,000</b>
<b>Issued, Subscribed and Paid-up</b>		
216,043,430 (2007: 216,043,430) Equity shares of Re.1 each fully paid	216,043	216,043
3% 17,283,000 Cumulative Redeemable Preference Shares of Rs.100 each fully paid - Series A [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)]	1,728,300	1,728,300
3% 7,407,000 Cumulative Redeemable Preference Shares of Rs.100 each fully paid - Series B [The above shares are redeemable at par at the earliest on March 31, 2015]	740,700	740,700
	<b>2,685,043</b>	<b>2,685,043</b>
<b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS</b>		
Securities Premium Account	2,296,925	2,296,925
General Reserve:		
As per Last Balance Sheet	105,000	35,000
Transfer from Profit and Loss Account	—	70,000
	<b>2,401,925</b>	<b>2,401,925</b>
Profit and Loss Account balance	1,027,452	489,385
Less : Adjustment on account of adoption of Accounting Standard 15 'Employee Benefits' [net of deferred tax credit of Rs.939 (2007: Rs.Nil)] [Schedule 19 Note 25 (i)]	(1,823)	—
	<b>3,427,554</b>	<b>2,891,310</b>
<b>SCHEDULE 3</b>		
<b>SECURED LOANS</b> [Refer Schedule 19 Note 1(a)]		
Foreign Currency Loans		
- Working Capital Loan from Banks	510,843	—
- External Commercial Borrowing		
- From Banks	1,394,835	1,287,900
- From Others	440,242	479,488
Other Loans		
- Working Capital Loan / Cash Credit from Banks	2,068,588	2,552,641
- From Others (including HP creditors)	2,344	6,054
Interest accrued and due	25,343	14,561
	<b>4,442,195</b>	<b>4,340,644</b>
<b>UNSECURED LOANS</b> [Refer Schedule 19 Note 1(b)]		
Short Term Loans From Banks	806,979	413,982
Other Loans	3,006	3,006
	<b>809,985</b>	<b>416,988</b>

## Schedules to Balance Sheet (contd.)

Rs. in Thousands

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

Net Value of Assets as at March 31, 2007	Particulars	Gross Value of Assets as at March 31, 2007	Cost		Gross Value of Assets as at March 31, 2008	Depreciation		As at March 31, 2008	Net Value of Assets as at March 31, 2008
			Additions	Deletions / Adjustments		on Deletions	for the year		
499,320	Goodwill [Refer Schedule 19 Note 6]	623,924	—	—	623,924	—	124,604	249,208	374,716
37	Licenses	37	400,000	—	400,037	—	40,000	40,000	360,037
1,130,778	Land - Freehold	1,130,778	—	—	1,130,778	—	—	—	1,130,778
217,823	Land - Leasehold	228,287	9,401	—	237,688	—	3,092	13,556	224,132
536,971	Buildings	619,221	336,361	—	955,582	—	32,514	114,764	840,818
1,586,206	Plant and Machinery	2,201,464	1,287,918	40,469	3,448,913	10,767	352,256	956,747	2,492,166
24,591	Office Equipments	57,066	6,470	3,513	60,023	2,092	7,428	37,811	22,212
84,751	Furniture and Fittings	149,855	68,218	1,194	216,879	606	45,732	110,230	106,649
14,073	Laboratory Equipments	17,801	9,790	—	27,591	—	1,476	5,204	22,387
40,494	Vehicles	61,629	—	13,398	48,231	6,074	5,174	20,235	27,996
4,135,044		5,090,062	2,118,158	58,574	7,149,646	19,539	612,276	1,547,755	5,601,891
	2007	2,596,562	2,512,673	19,113	5,090,062	10,550	385,352	955,018	
1,127,308	Capital work in Progress [including capital advances Rs. 1,071,551 (2007: 749,879)]								1,576,089
5,262,352									7,177,980

Rs. in Thousands

**SCHEDULE 5: Investments** [Refer Schedule 19 Notes 3 and 4]

Particulars	2008				2007			
	Class of Shares	Number of Shares	Face Value Rs.	Cost Rs.	Number of Shares	Face Value Rs.	Cost Rs.	
<b>IN GOVERNMENT AND TRUSTEE SECURITIES – FULLY PAID (UNQUOTED, LONG TERM):</b> National savings certificate		—	80	80	—	70	70	
<b>IN SUBSIDIARY COMPANIES – FULLY PAID SHARES (UNQUOTED, LONG TERM)</b> Associated Breweries & Distilleries Ltd Maltex Malsters Limited	Equity Equity	10,000 22,950	1,000 2,295	1,000 450,000	10,000 —	1,000 —	1,000 —	
<b>NON TRADE (UNQUOTED, LONG TERM)</b> <b>IN JOINT VENTURE</b> Millennium Alcobev Private Limited Millennium Alcobev Private Limited	Equity Preference	6,140,000 3,000,000	61,400 300,000	256,277 333,252	6,140,000 3,000,000	61,400 300,000	256,277 333,252	
<b>IN ASSOCIATES</b> United East Bengal Football Team Pvt Ltd Zorastrian Co-operative Bank Limited*	Equity Equity	4,999 2,000	50 25	50 50	4,999 2,000	50 25	50 50	
<b>TOTAL</b>			<b>Cost</b>	<b>1,040,709</b>			<b>590,699</b>	
<b>Quoted Investments</b>			<b>Cost</b>	<b>Market Value</b>		<b>Cost</b>	<b>Market Value</b>	
<b>Unquoted Investments</b>			— 1,040,709	— —		— 590,699	— —	

\* Acquired on amalgamation

## Schedules to Balance Sheet (contd.)

Rs. in Thousands

	2008	2007
	Rs.	Rs.
<b>SCHEDULE 6</b>		
<b>INVENTORIES</b>		
Raw Materials	250,061	257,058
Packing Materials, Stores and Spares [Net of provisions Rs.14,897 (2007:9,766)]	318,800	325,693
Work in Progress / Finished Goods (including Traded Goods)	529,462	490,161
Goods in transit	70,844	50,731
	<u>1,169,167</u>	<u>1,123,643</u>

### SCHEDULE 7

#### SUNDRY DEBTORS

(Unsecured, considered good unless otherwise stated)

Considered Good

- Over Six Months [Refer Schedule 19 Note 5]	8,395	9,577
- Others	3,215,645	2,138,735

Considered Doubtful

- Over Six Months	51,762	19,492
- Others	—	—

Less: Provision for Doubtful Debts

	3,275,802	2,167,804
	(51,762)	(19,492)
	<u>3,224,040</u>	<u>2,148,312</u>

### SCHEDULE 8

#### CASH AND BANK BALANCES

Cash on hand (including remittances in transit Rs.7,521 (2007: 6,171))	8,037	7,192
--	-------	-------

Balances with Scheduled Banks:

- in Current Account (including cheques on hand Rs. 2,093 (2007: 1,737))	58,954	674,090
- in Deposit Account [Refer Note below]	11,864	711,450
	<u>78,855</u>	<u>1,392,732</u>

Note: includes Rs.11,350 (2007: Rs.57,334) kept as margin against Letters of Credit and Bank Guarantees

### SCHEDULE 9

#### OTHER CURRENT ASSETS

(Unsecured, considered good)

Income accrued on Investments and Deposits	2,282	10,202
	<u>2,282</u>	<u>10,202</u>

## Schedules to Balance Sheet (contd.)

Rs. in Thousands

	2008	2007
	Rs.	Rs.

### 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*	148,766	143,009
- Considered Doubtful	15,654	7,976
	<u>164,420</u>	<u>150,985</u>

\*[including: Rs.62 (2007: Rs.88) due from Directors of the Company

- maximum amount due during the year Rs.88 (2007:Rs. 105)

Less: Provision for Doubtful Advances	(15,654)	(7,976)
	<u>148,766</u>	<u>143,009</u>
Advances to United Breweries (Holdings) Limited	—	801,310

(Secured by second charge / pari passu on immovable properties / investments held by that Company)

Advances to Subsidiary [Refer note below]	83,669	83,446
Balances with Excise Authorities	180,218	135,747
Other Deposits [Refer Schedule 19 Note 5]	634,220	702,413
Taxation [Net of Provisions]	124,747	106,250
	<u>1,171,620</u>	<u>1,972,175</u>

Note: Represents advances to Associated Breweries and Distilleries Limited

[Maximum amount outstanding during the year Rs 83,669 (2007: 102,753)]

### SCHEDULE 11

#### LIABILITIES

Acceptances	63,132	144,769
Sundry Creditors		
- Due to Micro, Small and Medium Enterprises [Refer Schedule 19 Note 8]	18,236	7,202
- Others	1,187,426	891,177
Other Liabilities	1,016,637	983,276
	<u>2,285,431</u>	<u>2,026,424</u>

### SCHEDULE 12

#### PROVISIONS

Dividend Payable on Preference Shares	86,658	25,276
[including dividend distribution tax Rs.12,588 (2007: 2,754)]		
Gratuity	6,138	18,889
Leave Entitlements	31,347	30,782
	<u>124,143</u>	<u>74,947</u>

## Schedules to Profit and Loss Account

Rs. in Thousands

	2008	2007
	Rs.	Rs.
<b>SCHEDULE 13</b>		
<b>SALES AND SERVICE</b>		
Sales	18,934,825	14,264,437
Income from Brand Franchise and Technical fees	868,019	553,541
	<b>19,802,844</b>	<b>14,817,978</b>
<b>SCHEDULE 14</b>		
<b>OTHER INCOME</b>		
Guarantee Commission	31,524	—
Liabilities no longer required written back	24,442	12,971
Interest Received (Gross) [Tax deducted at source Rs.4,773 (2007:Rs.11,515)]	29,692	40,458
Provision for Doubtful Debts no longer required written back	1,682	4,596
Provision for Doubtful Advances no longer required written back	543	—
Miscellaneous	170,065	152,925
	<b>257,948</b>	<b>210,950</b>
<b>SCHEDULE 15</b>		
<b>COST OF SALES</b>		
<b>Manufacturing Expenses</b>		
Consumption of Raw Materials	1,562,011	1,242,897
Consumption of Packing Material and Stores and spares	3,303,025	2,766,195
Purchases of Finished Goods	1,539,757	820,777
Power and Fuel	558,143	496,076
<b>Personnel Expenses</b>		
Salaries, Wages and Bonus [including provision for leave encashment Rs.565 (2007: Rs.5,219)]	662,377	544,923
Contribution to Provident and Other funds [including provision for gratuity Rs. (12,751) (2007: Rs.2,619)]	73,414	90,022
Staff Welfare	38,590	33,402
<b>Others</b>		
Rent (including asset rentals) [Refer Schedule 19 Note 13]	83,238	61,137
Insurance	15,064	15,385
Repairs Building*	6,351	10,952
Repairs to Machinery*	105,775	94,076
Travel and Conveyance	84,107	66,181
Communication Expenses	21,675	16,478
Rates and taxes	282,562	109,692
Legal and Professional fees	49,637	32,061
Miscellaneous	308,472	273,911

\* Includes Materials consumed Rs.62,028 (2007: Rs. 60,982)

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

Rs. in Thousands

	2008	2007
	Rs.	Rs.

### Change in Inventory

Opening Stock	490,161	337,566
Closing Stock	(529,462)	(490,161)
Excise Duty on Opening Stock	(262,523)	(187,132)
Excise Duty on Closing Stock	279,970	262,523
	<b>8,672,344</b>	<b>6,596,961</b>

### SCHEDULE 16

#### OTHER EXPENSES

Selling and Promotion Expenses	3,239,058	2,508,240
Directors' Sitting fees	1,309	760
Auditor's Remuneration [Refer Schedule 19 Note 16]	11,753	6,935
Bad Debts Written Off	2,700	6,556
Bad Advances Written Off	543	136
Provision for Doubtful Debts	34,008	9,898
Provision for Idle Assets	—	73
Loss on sale of Assets (net)	5,926	2,906
Provision for Doubtful Advances	8,220	1,207
	<b>3,303,517</b>	<b>2,536,711</b>

### SCHEDULE 17

#### INTEREST AND FINANCE CHARGES

Interest on Loans for a fixed period	284,153	228,983
Interest Others	133,286	50,805
Exchange Loss on translation of Foreign Currency Loans	10,843	—
	<b>428,282</b>	<b>279,788</b>

## Significant Accounting Policies for the year ended March 31, 2008

### 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 applicable accounting principles in India, the applicable accounting standards notified under Section 211(3C) of the Companies Act, 1956 and to relevant provisions of the Companies Act, 1956.

#### 2. Use of Estimates:

The preparation of the Financial Statements in conformity with Generally Accepted Accounting Policies (GAAP) in India 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 dispatch 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), technical advisory and management fees 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 amalgamation 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:

Long term investments are carried at cost less provision made to recognise any decline, other than temporary in the values of such investments. Current investments are carried at cost or net realisable value, whichever is lower.

#### 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.

All 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.

Exchange difference 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 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 assets acquired on amalgamation (where original dates of acquisition are not readily available), which are depreciated over the remaining useful life of the assets as certified by an expert.

## Significant Accounting Policies for the year ended March 31, 2008 (contd.)

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.

Accelerated depreciation is provided for wherever needed.

### 10. Employee Retirement benefits:

#### (i) Defined-contribution plans

Contributions to the Employees' Provident Fund, Superannuation Fund, Employees' State Insurance and Employees' Pension Scheme are as per statute and are recognised as expenses during the period in which the employees perform the services.

#### (ii) Defined-benefit plans

Liability towards gratuity is determined on actuarial valuation using the Projected Unit Credit Method at the balance sheet date. Actuarial Gains and Losses are recognised immediately in the Profit and Loss Account.

#### (iii) Other long term employee benefits:

Liability towards leave encashment and compensated absences are recognised at the present value based on actuarial valuation at each balance sheet date.

#### (iv) Short term employee benefits:

Liability of earned leave, compensated absences, performance incentives etc. are recognised during the period when the employee renders the services.

### 11. Taxation:

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 not require an outflow of resources.

# Notes on Accounts for the year ended March 31, 2008

## SCHEDULE 19 Notes on Accounts

Rs. in Thousands

	2008 Rs.	2007 Rs.
<b>1. Loan Funds :</b>		
<b>(a) Secured Loans</b>		
(i) Foreign Currency Loans [including interest accrued and due Rs. 17,689 (2007: Nil)]	<b>2,363,609</b>	1,767,388
Amount repayable within one year - Rs. 817,004 (2007: Rs. Nil)		
Foreign Currency Loans consist of External Commercial Borrowing (ECB) from Scottish & Newcastle UK Limited (S&N) and BNP Paribas and demand loan from Axis Bank. ECB from S&N is secured by first charge on Taloja 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 Taloja plant. Foreign currency demand loan from Axis Bank is secured by first charge on the current assets namely, stock of raw material, work in progress and finished goods, stores and spares, bills receivable and book debts.		
(ii) From Banks [including interest accrued and due Rs. 7,654 (2007: Rs. 14,561)]	<b>2,076,242</b>	2,567,202
Amount repayable within one year – Rs. 238,815 (2007: Rs. 338,371)		
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	<b>2,344</b>	6,054
Amount repayable within one year Rs. 2,344 (2007: Rs. 3,291)		
Secured by Assets purchased under Hire Purchase Scheme		
<b>(b) Unsecured Loans</b>		
(i) Short Term Loans from Banks [including interest accrued and due Rs. 6,979 (2007: Rs. 1,380)]	<b>806,979</b>	413,982
Amount repayable within one year – Rs. 806,979 (2007: Rs. 413,982)		
(ii) From Others	<b>3,006</b>	3,006
Amount repayable within one year – Rs. Nil (2007: Rs. Nil)		
<b>(c) Deferred Credits</b>	—	4,044
Amount repayable within one year – Rs. Nil (2007: Rs. 4,044)		
Secured by Assets purchased under the Scheme		

## 2. Fixed Assets:

Buildings amounting to Rs. 19,982 and Plant and Machinery amounting to Rs. 169,729 are in premises not owned by the Company.

## 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

## Notes on Accounts for the year ended March 31, 2008 (contd.)

that there is no permanent diminution in the value of investments and no provision, therefore, is considered necessary at this stage.

4. The company has acquired 51% stake by purchasing 22,950 equity shares of Rs.10 each in Maltex Malsters Limited (MML) for a consideration of Rs.450,000 paid in cash based on valuation done by an independent consultant. These shares were purchased during March 2008. The net worth of MML based on the audited accounts as of March 31, 2008 is Rs.23,505. MML is engaged in the manufacturing of certain raw materials used by the company. This is considered to be a strategic investment by the company and provides an important move to manage the supply of malt. Further MML owns freehold land worth Rs.200,000 (Fair value based on valuation by an independent valuer). The management is of the view that currently there is no diminution in the value of the investments.
5. 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.

	2008 Rs.	2007 Rs.
Included under Sundry Debtors Considered Good – Others	78,973	14,843
Included in other deposits under Loans and Advances	72,500	100,000

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

### 6. Amalgamation:

During the previous year, the company has amalgamated London Draft Pubs Private Limited (LDPPL), London Pilsner Breweries Private Limited (LPBPL) and Karnataka Breweries and Distilleries Private Limited (KBDL) with effect from April 1, 2006. Accordingly, goodwill arising on amalgamation amounting to Rs.623,017 was capitalised in the previous year and amortised over a period of five years.

### 7. Investor Education Protection Fund:

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

### 8. Disclosure of dues/ payments to micro and small enterprises to the extent such enterprises are identified by the company.

	2008 Rs.
(i) The principal amount remaining unpaid as at March 31, 2008.	17,407
(ii) Interest due thereon remaining unpaid on March 31, 2008.	145
(iii) The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year.	—
(iv) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	—
(v) The amount of interest accrued and remaining unpaid on March 31, 2008.	684
(vi) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	829

The information given above and in Schedule 11 has been determined to the extent such parties have been identified by the Company, on the basis of information disclosed by the creditors, which has been relied upon by the auditors.

As this is the first year in which the disclosure requirements are applicable, the corresponding figures for the previous year have not been furnished.

### 9. 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.

## Notes on Accounts for the year ended March 31, 2008 (contd.)

### 10. Capital Commitments:

Particulars	2008 Rs.	2007 Rs.
Estimated amount of Contracts remaining to be executed (net of capital advances) on capital account and not provided for	960,615	399,197

### 11. Contingent Liabilities:

Particulars	2008 Rs.	2007 Rs.
a) Sales Tax/other taxes demands under appeal *	12,434	14,191
b) Employees State Insurance Demand*	265	265
c) Demand towards Water charges under appeal *	114,326	85,957
d) Excise Duty/Customs Duty demands under appeal *	18,915	8,890
e) Income Tax demands under appeal*	56,747	-
f) Claims against the Company not acknowledged as debt *	1,158	4,900
g) Letter of Credit outstanding	64,680	150,954
h) Guarantees given by the company: - on behalf of Subsidiaries of Joint Venture to third parties - to third parties	2,130,000 24,027	2,280,000 33,656
i) Letter of undertaking to distributors towards countervailing duty for imports from Nepal	38,500	38,500

\*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

### 12. Discontinuance of Operations:

- Pursuant to the approval of the Board of Directors in their meeting held on January 22, 2008, and approval accorded by the Commissioner of Labor, Maharashtra State, Mumbai dated April 2, 2008, the Company has discontinued its operations in the Nerul unit. Accordingly, compensation payable to the workmen amounting to Rs.21,500 have been accrued in these financial statements.
- The fixed assets of the Nerul unit amount to approximately Rs.73,317 (Net Book Value), and the management expects most of the assets to be usable in other locations of the Company.
- The net sales of the Nerul unit is Rs.29,018 (2007: 302,559) which does not represent a major line of business or operations of the company. Therefore, detailed disclosure as envisaged by Accounting Standard 24 on Discontinuing Operation as notified under Companies (Accounting Standards) Rules, 2006, have not been made in these financial statements.

### 13. 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 cancellable/ non-cancellable 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.

Particulars	2008 Rs.	2007 Rs.
Lease payments during the year including Minimum lease payments Rs. 5,000 (2007: 5,000) on non-cancellable leases.	83,238	61,137
At the balance sheet date, future minimum lease rentals under non-cancellable operating leases are as under:		
Not later than one year	22,439	8,992
One to five years	23,301	18,357
<b>Total</b>	<b>45,740</b>	<b>27,349</b>

## Notes on Accounts for the year ended March 31, 2008 (contd.)

### 14. Related party disclosures:

#### A Name of the related parties:

##### (1) **Subsidiary:**

Associated Breweries & Distilleries Limited (ABDL)

Maltex Malsters Limited (MML)

##### (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 (EBL)

(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

##### (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. (i) Transactions with related parties during the year:

Particulars	MBIL		MAPL		UMBL		EMPEE		UEBFTPL		KMP	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Purchase of goods	1,780,716	513,015	—	—	2,800	4,950	6,480	310	—	—	—	—
Sale of goods [including sales taxes / VAT]	97,384	61,315	—	—	57,499	25,068	59,559	28,485	—	—	—	—
Receipts/(Payments) against rendering Services*	20,380	14,060	—	—	124,381	16,575	40,000	—	—	—	—	—
Brand Fees paid	12,164	6,219	—	—	—	—	—	—	—	—	—	—
Sponsorship and other payments	—	—	—	—	—	—	—	—	6,500	25,577	—	—
Guarantee Commission received	10,345	—	—	—	11,379	—	9,799	—	—	—	—	—
Purchase of Assets	—	—	—	—	51	8,245	—	118,833	—	—	—	—
Sale of Assets/Spares	—	104	—	—	27,368	—	—	36	—	—	—	—
Recharge of employees salaries	—	—	—	—	5,339	—	5,560	—	—	—	—	—
Finance(including loan in cash or kind)	(1,163,322)	(170,234)	19,486	(139,566)	(50,875)	(7,306)	39,445	54,255	13,000	45	—	—
Remuneration to Directors	—	—	—	—	—	—	—	—	—	—	30,203#	26,350#
Guarantees and Collaterals	Refer Schedule 19 Note 10(f)											
Amount Due From/(To)	198,975	302,474	31,025	11,539	257,088	84,848	131,912	(15,971)	6,502	2	—	88

\* Including management services and technical advisory fee of Rs.80,000 (2007: Nil)

Figures in bracket indicate amounts received

# Including payment to relative of KMP amounting to Rs. 2,064 ( 2007:1,876)

MML, a related party with whom there was no transactions during the year.

(ii) Transactions with Subsidiaries

Balance due from ABDL – Rs. 83,669 (2007:83,446)

Maltex Malsters Limited – Rs.12,713

## Notes on Accounts for the year ended March 31, 2008 (contd.)

### C. Transactions with S & N Group

(1) Transaction with S & N Management Fees	<b>Rs. 32,599</b>	(2007: Rs.25,150)
(2) Transactions with SNUK Balance amount on account of ECB with SNUK	<b>Rs. 440,242</b>	(2007: Rs.479,488)
Interest on ECB	<b>Rs. 32,095</b>	(2007: Rs.36,293)
Purchase of Fixed Assets	<b>Rs. 4,526</b>	(2007: Rs. Nil)
Purchase of Raw Material	<b>Rs. 127</b>	(2007: Rs. Nil)
(3) Transactions with SNIL Balance of Preference Share Capital	<b>Rs. 2,469,000</b>	(2007: Rs. 2,469,000)
Dividend on above	<b>Rs. 74,070</b>	(2007: Rs.74,070)
Dividend on Equity Share	—	(2007: Rs. 20,249)

### 15. Earnings per Share:

Particulars	2008 Rs.	2007 Rs.
a) Profit after taxation as per profit and loss account	<b>624,725</b>	650,918
b) Less :Preference Dividend (including dividend distribution tax thereon)	<b>86,658</b>	84,460
c) Net Profit attributable to equity shareholders	<b>538,067</b>	566,459
d) Weighted average number of equity shares outstanding (Face value of Re.1 per share)	<b>216,043,430</b>	216,043,430
e) Earnings per share (Basic/Diluted)	<b>2.49</b>	2.62

### 16. Remuneration to Auditors\*

Particulars	2008 Rs.	2007 Rs.
Fees	<b>3,900</b>	3,900
Tax Audit	<b>560</b>	560
Out of Pocket Expenses	<b>910</b>	1,385
Other Services	<b>5,190</b>	1,090
<b>Total</b>	<b>10,560</b>	6,935

\*Excluding service tax

### 17. Accounting for Taxes on Income:

- (a) Current Tax is net of Rs. Nil (2007:84,106), being provision for earlier years no longer required written back.  
(b) Deferred Tax - The net deferred tax liability amounting to Rs. 90,302 (2007: Rs. 60,715) has been arrived as follows:

Particulars	2008 Rs.	2007 Rs.
Deferred Tax Liability arising from: Difference between carrying amount of fixed assets in the financial statements and the Income Tax Return	<b>121,488</b>	91,253
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	<b>12,741</b>	23,913
Provision for Doubtful Debts	<b>18,445</b>	6,625
Net deferred tax liability	<b>90,302</b>	60,715
Movement during the year	<b>(29,587)</b>	18,498
Less: Deferred tax on unabsorbed losses of KBDL	—	3,497
Deferred tax (charged off) / written back in the profit and loss account	<b>(29,587)</b>	15,001
Deferred Tax debit on account of leave encashment adjustment (Refer Schedule 19 Note 25(i) )	<b>(939)</b>	—
Net Deferred tax charged off / (written back) in the profit and loss account	<b>(30,526)</b>	15,001

The tax impact for the above purpose has been arrived by applying a tax rate of 33.99% (2007: 33.99%) being the enacted tax rate for Indian Companies under the Income Tax Act, 1961.

## Notes on Accounts for the year ended March 31, 2008 (contd.)

### 18. Remuneration to Directors:

Particulars	2008 Rs.	2007 Rs.
Salary and Allowances	21,679	19,200
Contribution to Provident and Other Funds	3,056	2,670
Perquisites	5,468	4,480
<b>Total</b>	<b>30,203</b>	<b>26,350</b>

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

Particulars	2008		2007	
Net Profit after taxation		624,725		650,918
Add: Depreciation and Amortisation (as per accounts)	612,276		385,352	
Directors' Remuneration	30,203		26,350	
Directors' Fees	1,309		760	
Provision/(Write back) for doubtful debts and advances (net)	42,228		-	
Book deficit/ (surplus) on fixed assets sold, scrapped, etc. (net)	5,926		2,906	
Taxation for the year	307,415	999,357	299,008	714,376
		1,624,082		1,365,294
Less: Depreciation U/S350		612,276		385,353
Deficit / (Surplus) on disposal of fixed assets (net) U/S 349		5,926		(2,859)
Net Profit for Section 198 of the Companies Act, 1956		1,005,880		982,800
Remuneration Limit (10%)		100,588		98,280
Remuneration Paid		30,203		26,350

### 19. Quantitative Details:

#### A. Quantitative Particulars

Particulars	2008		2007	
	Beer in Hecto Litres	Value in Rs.	Beer in Hecto Litres	Value in Rs.
Licensed Capacity*	5,233,260		4,608,260	
Installed Capacity per annum*	6,025,000		3,975,000	
Actual Production for the year	3,133,684		2,997,592	
Sales – during the year	3,284,662	16,595,442	2,937,754	13,259,952
Malt Sales in Tonnes during the year	13,522	232,033	7,434	121,967
Opening Stock – Finished Goods	221,751	319,133	161,913	199,399
Closing Stock – Finished Goods	57,251	183,385	221,751	319,133

\*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	2008		2007	
	Quantity in Hecto Litres	Value in Rs.	Quantity in Hecto Litres	Value in Rs.
Opening Stock	9	28	4	17
Purchases during the year	332,956	2,107,328	148,326	820,777
Sales during the year	332,964	2,107,350	148,321	882,518
Closing Stock	1	6	9	28

## Notes on Accounts for the year ended March 31, 2008 (contd.)

### C. Consumption of Raw Materials

Particulars	2008		2007	
	Quantity in Tonnes	Value in Rs.	Quantity in Tonnes	Value in Rs.
Malt	41,059	819,856	44,165	784,393
Brewing Materials	26,579	608,336	23,289	370,796
Other Materials *		133,819		87,708

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

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

Particulars	2008 Rs.	2007 Rs.
Raw Materials	127,378	113,150
Components and Spares	523,554	426,471
Capital Goods	71,614	65,429

### 21. Expenditure in Foreign Currency:

Particulars	2008 Rs.	2007 Rs.
Foreign Travel expenses of employees and others (net of recoveries)	6,681	3,249
Management Fees	32,599	25,322
Legal and Professional Charges	2,513	3,247
Selling and Distribution expenses	6,784	15,784
Interest and Finance charges	145,524	36,292
Others	653	674

### 22. Earnings in Foreign Exchange:

Particulars	2008 Rs.	2007 Rs.
Services – Royalty	5,526	5,320

### 23. Details of Dividend:

Particulars	2008 Rs.	2007 Rs.
Dividend on Preference Share Capital @3%	74,070	74,070
Dividend Distribution tax on above	12,588	10,390
Interim Dividend on Equity Shares @15%	—	32,407
Dividend Distribution tax on above	—	4,546
Final Dividend on Equity Shares @ 10%	—	21,605
Dividend Distribution tax on above	—	3,671
<b>Total</b>	<b>86,658</b>	<b>146,689</b>

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

Particulars	2008	2007
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	9,985	22,467
Number of preference share held on which dividend was due	24,690,000	24,690,000
Amount remitted	—	89,048

## Notes on Accounts for the year ended March 31, 2008 (contd.)

25. (i) For the financial year ended March 31, 2008, the Company has adopted Accounting Standard 15 (AS 15) on Employee Benefits as notified under Companies (Accounting Standards) Rules, 2006, and accordingly determined the incremental liability for leave entitlements as at April 1, 2007 aggregating to Rs.1,823 (net of deferred tax credit of Rs.939) and accounted for it by adjusting the opening balance of the profit and loss account, as required by the said standard. Disclosures envisaged in AS 15 in respect of gratuity are given below:

Particulars	2008 Rs.
<b>A) Reconciliation of opening and closing balances of the present value of the defined benefit obligation:</b>	
Obligations at period beginning	116,056
Service Cost	43,502
Interest cost	9,284
Benefits settled	(25,964)
Actuarial (gain)/loss	(285)
<b>Obligations at the year end</b>	<b>142,593</b>
Defined benefit obligation liability as at the balance sheet is wholly funded by the company	
<b>B) Change in plan assets</b>	
Plans assets at period beginning, at fair value	116,056
Expected return on plan assets	9,284
Actuarial gain/(loss)	10,799
Contributions	26,280
Benefits settled	(25,964)
<b>Plans assets at the year end, at fair value</b>	<b>136,455</b>
<b>C) Reconciliation of present value of the obligation and the fair value of the plan assets:</b>	
Fair value of plan assets at the end of the year	136,455
Present value of the defined benefit obligations at the end of the period	142,593
<b>Liability recognised in the balance sheet</b>	<b>6,138</b>
<b>D) Details of Gratuity cost</b>	
Service cost	43,502
Interest cost	9,284
Expected return on plan assets	(9,284)
Prior period adjustment	(23,739)
Actuarial (gain)/loss	6,243
<b>Net gratuity cost</b>	<b>26,006</b>
<b>E) Investment details of plan assets</b>	
100% of the plan assets are invested in debt instruments.	
<b>F) Description of the basis used to determine the overall expected rate of return on assets including major categories of plan assets.</b>	
The expected return is calculated on the average fund balance based on the Mix of investments and the expected yield on them.	
Actual return on plan assets (Value)	23,997
Actual return on plan assets	20,083
<b>G) Assumptions</b>	
Interest rate	8.00%
Discount factor	8.00%
Estimated rate of return on plan assets	8.00%
Salary Increase	5.00%
Attrition rate	1.00%
Retirement age	58
The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in The employment market.	

## Notes on Accounts for the year ended March 31, 2008 (contd.)

- (ii) Contribution to Provident and Other Funds under Manufacturing and Other Expenses (Schedule 15) includes Rs.73,414 being expenses debited under the following defined contribution plans:

Provident Fund	8,812
Family Pension Fund	20,003
Superannuation	9,352
Gratuity	35,247

### 26. Disclosure Under Accounting Standard 21 and 27

- a. The disclosure required with respect to the holdings in subsidiaries are given below:

Name	Country of Incorporation	Percentage of ownership interest at March 31, 2008	Percentage of ownership interest at March 31, 2007
Associated Breweries & Distilleries Limited (ABDL)	India	100	100
Maltex Malsters Limited (MML)	India	51	--

The reporting date of the subsidiaries and the accounting policies of the subsidiaries are same as that of the holding company.

- b. The disclosure required with respect to the holdings in associates are given below:

Name	Country of Incorporation	Percentage of ownership interest at March 31, 2008	Percentage of ownership interest at March 31, 2007
United East Bengal Football Team Private Limited (UEBFTPL)	India	50	50

- c. The Company's interests, as a venturer, in jointly controlled entity (Incorporated Joint Venture) are:

Name	Country of Incorporation	Percentage of ownership interest at March 31, 2008	Percentage of ownership interest at March 31, 2007
Millennium Alcobev Private Limited [formerly known as McDowell Alcobev Limited]	India	50*	50*

\* of the 50% of ownership interest, 10% represents control exercised through the subsidiary Associated Breweries & Distilleries Limited (ABDL)

## Notes on Accounts for the year ended March 31, 2008 (contd.)

The aggregate amounts of each of the assets, liabilities, income and expenses related to the Company's interests in the jointly controlled entity is as follows:

Particulars	2008 Rs.	2007 Rs.
<b>Assets</b>		
Fixed Assets	843,179	649,389
Current Assets, Loans and Advances		
- Inventories	138,023	122,099
- Sundry Debtors	344,476	387,559
- Cash and Bank Balances	33,466	78,055
- Loans and Advances	79,990	79,410
<b>Liabilities</b>		
Secured Loans	1,311,548	1,325,587
Unsecured Loans	223,489	178,402
Current Liabilities and Provisions		
- Liabilities	685,395	559,948
- Provisions	573	388
<b>Income</b>		
Sales less excise duty	1,917,102	1,520,692
Other Income	41,890	29,064
<b>Expenditure</b>		
Cost of Sales	1,240,030	975,760
Other Expenses	534,558	452,714
Interest and Finance Charges	147,480	132,226
Depreciation and Amortisation	119,360	88,707
<b>Other Matters</b>		
Capital Commitments		
- Estimated amount of Contracts remaining to be executed on capital account and not provided for.	132,488	117,096
<b>Contingent Liabilities</b>		
- Sales Tax/other taxes demands under appeal	3,281	6,260
- ESIC / PF demands under appeal	53	211
- Bank Guarantee given to Commissioner of Excise for Export of Beer	750	10,800
- Demand towards Water charges under appeal	15,950	18,713
- Interest for delayed payment of Interest Free Loans	4,829	9,658
- Dividend on 1% Non Convertible Cumulative Redeemable Preference Shares	9,250	—
- Income Tax *	12,541	25,082

\*Net of Deposit under appeal -Rs. 2,036 (2007 Rs. 2,036)

27. Subsequent to the balance sheet date, the company has issued 24,004,825 equity shares of Re.1 each at a price of Rs.177 per share, aggregating to Rs.4,248,854 on right basis. No effect of this has been given in these financial statements.
28. 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, Schedule 5, Note 4, Note 15, Note 24, and Note 27.
  - (ii). Basic and Diluted EPS in the Profit and Loss Account and in Note 15.
  - (iii). Quantitative data in Note 19.
29. The previous year's figures have been regrouped to conform to current year's classification.

**Kalyan Ganguly**  
Managing Director

**A K Ravi Nedungadi**  
Director

**Govind Iyengar**  
Company Secretary

Place: Paris, France.  
Date: June 23, 2008

## Notes on Accounts for the year ended March 31, 2008 (contd.)

### STATEMENT PURSUANT TO SECTION 212(1)(e) OF THE COMPANIES ACT, 1956 AS AT MARCH 31, 2008

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		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 31.3.2008	For previous Financial Years of Subsidiary since it became a Subsidiary	For the Subsidiary's Financial Year ended 31.3.2008	For previous Financial Years of the Subsidiary since it became a Subsidiary
1.	Associated Breweries & Distilleries Ltd.	10,000	—	100%	—	—	—	(216)	499
2	Maltex Malsters Limited	22,950	—	51%	—	—	—	2,313	1,075

### 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, 2008	Value of investments as at March 31, 2008	Terms
Subsidiaries: Associated Breweries & Distilleries Ltd.	83,669	1,000	No stipulation towards repayment and interest
Maltex Malsters Limited	Nil	450,000	N.A
Joint Venture: Millennium Alcobev Pvt. Ltd.	31,024	589,529	—
Associates: United East Bengal Football Team Pvt. Ltd.	—	50	—

### Balance Sheet Abstract

#### COMPANY'S GENERAL BUSINESS PROFILE

#### I. Registration Details

Registration No. : 25195  
State Code : 08  
Balance Sheet Date : 31.03.2008

#### II. Capital Raised during the year

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

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

Total Liabilities	11,455,079	Total Assets	11,455,079
<b>Sources of Funds</b>		<b>Application of Funds</b>	
Paid-up Capital	2,685,043	Net Fixed Assets	7,177,980
Reserves & Surplus	3,427,554	Investments	1,040,709
Secured Loans	4,442,195	Net Current Assets	3,236,390
Unsecured Loans	809,985	Deferred Tax Asset	—
Deferred Credit	—	Miscellaneous Expenditure	—
Deferred Tax Liability	90,302		

#### IV. Performance of Company

Turnover	13,948,559	Total Expenditure	13,016,419
(Includes non-recurring items)			
Profit Before Tax	932,140	Profit After Tax	624,725
Earnings per Share	2.49	Dividend Rate	Nil

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

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

# Auditors' Report on Consolidated Financial Statements

## 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 subsidiaries and joint venture (UB Group) as at March 31, 2008 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 following subsidiaries, which reflect total assets as at March 31, 2008 and total revenues for the year ended on that date as given below. 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 subsidiaries, is based solely on the report of the other auditors.

Name of subsidiary	Total Assets (Rs. in thousands)	Revenues (Rs. in thousands)
Associated Breweries and Distilleries Limited	83,383	8
Maltex Malsters Limited	43,136	9,005

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, notified under Companies (Accounting Standards) Rules, 2006.
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, 2008;
  - (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.

**J. Majumdar**  
 Partner  
 Membership Number - F51912

Place: Paris, France  
 Date: June 23, 2008

For and on behalf of  
**Price Waterhouse**  
 Chartered Accountants

## Consolidated Balance Sheet as at March 31, 2008

Rs. in Thousands

	Schedule	2008		Joint Venture		Total		2007	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>SOURCES OF FUNDS</b>									
<b>Shareholder's Funds</b>									
Capital	1	2,685,043		—		2,685,043		2,685,043	
Reserves and Surplus	2	3,426,268	6,111,311	629,603	629,603	4,055,871	6,740,914	3,519,842	6,204,885
<b>Loan Funds</b>									
Secured Loans	3	4,461,125		1,311,549		5,772,674		5,666,231	
Unsecured Loans		810,685	5,271,810	223,489	1,535,038	1,034,174	6,806,848	595,390	6,261,621
Deferred Credit [Refer Schedule 19 Note 6(e)]			—		—		—		4,044
Minority Interest [Refer Schedule 19 Note 5]			11,517		—		11,517		—
Deferred Tax Liability (Net) [Refer Schedule 19 Note 12 (b)]			87,715		—		87,715		60,715
			<u>11,482,353</u>		<u>2,164,641</u>		<u>13,646,994</u>		<u>12,531,265</u>
<b>APPLICATION OF FUNDS</b>									
Goodwill [Refer Schedule 19 Note 3 and 5]			438,062		1,428,463		1,866,525		1,182,134
<b>Fixed Assets</b>									
Gross Block	4	7,173,630		1,394,572		8,568,202		6,225,252	
Less: Accumulated Depreciation and Amortisation		1,547,755		664,004		2,211,759		1,500,007	
Net Block		5,625,875		730,568		6,356,443		4,725,245	
Capital Work in Progress		1,576,089	7,201,964	112,611	843,179	1,688,700	8,045,143	1,186,497	5,911,742
Investments	5		673,039		(672,847)		192		185
<b>Current Assets, Loans and Advances</b>									
Inventories	6	1,169,167		138,023		1,307,190		1,245,742	
Sundry Debtors	7	3,221,537		344,477		3,566,014		2,535,871	
Cash and Bank Balances	8	78,974		33,466		112,440		1,470,812	
Other Current Assets	9	2,281		114		2,395		10,202	
Loans and Advances	10	1,107,109		79,876		1,186,985		1,968,138	
		<u>5,579,068</u>		<u>595,956</u>		<u>6,175,024</u>		<u>7,230,765</u>	
<b>Less: Current Liabilities and Provisions</b>									
Liabilities	11	2,285,637		685,396		2,971,033		2,586,402	
Provisions	12	124,143		573		124,716		75,335	
		<u>2,409,780</u>		<u>685,969</u>		<u>3,095,749</u>		<u>2,661,737</u>	
Net Current Assets			3,169,288		(90,013)		3,079,275		4,569,028
Profit and Loss Account			—		655,859		655,859		868,176
			<u>11,482,353</u>		<u>2,164,641</u>		<u>13,646,994</u>		<u>12,531,265</u>
Significant Accounting Policies	18								
Notes on Accounts	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

For and on behalf of  
**Price Waterhouse**  
Chartered Accountants

Place: Paris, France.  
Date: June 23, 2008

**Kalyan Ganguly**  
Managing Director

**Govind Iyengar**  
Company Secretary

Place: Paris, France.  
Date: June 23, 2008

**A K Ravi Nedungadi**  
Director

# Consolidated Profit and Loss Account for the year ended March 31, 2008

Rs. in Thousands

	Schedule	2008		Joint Venture		Total		2007	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>INCOME</b>									
Sales and Service	13	19,802,844		2,701,906		22,504,750		16,693,849	
Less: Excise Duty		6,112,233		784,804		6,897,037		4,635,369	
		13,690,611		1,917,102		15,607,713		12,058,480	
Other Income	14	257,955	13,948,566	41,890	1,958,992	299,845	15,907,558	240,522	12,299,002
<b>EXPENDITURE</b>									
Cost of Sales	15	8,672,567		1,240,030		9,912,597		7,572,730	
Other Expenses	16	3,303,517		534,558		3,838,075		2,989,425	
Interest and Finance Charges	17	428,282		147,480		575,762		412,014	
Depreciation and Amortisation		612,276	13,016,642	119,360	2,041,428	731,636	15,058,070	474,059	11,448,228
Profit / (Loss) before taxation			931,924		(82,436)		849,488		850,774
Provision for Taxation									
- Current Tax		(264,889)		993		(263,896)		(296,525)	
- Fringe Benefit Tax		(12,000)		(1,110)		(13,110)		(20,403)	
- Deferred Tax									
(Charge) / Write back		(30,526)	(307,415)	(222)	(339)	(30,748)	(307,754)	16,284	(300,644)
Profit / (Loss) after taxation			624,509		(82,775)		541,734		550,130
Profit / (Loss) brought forward from previous year			488,315		(868,176)		(379,861)		(712,813)
Less: Adjustment on account of adoption of AS-15 on Employee Benefits			(1,823)		(430)		(2,253)		—
Adjustment on account of Scheme of Rehabilitation [Refer Schedule 19 Note 4]			—		295,522		295,522		—
Movements during the year			—		—		—		(489)
			1,111,001		(655,859)		455,142		(163,172)
Less: Appropriations									
Transfer to General Reserve			—		—		—		(70,000)
Dividend [Refer Schedule 19 Note 15]			(86,658)		—		(86,658)		(146,689)
Balance carried to Balance Sheet			1,024,343		(655,859)		368,484		(379,861)
Earnings per share (Basic/ Diluted)							2.11		2.16
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

For and on behalf of  
**Price Waterhouse**  
Chartered Accountants

Place: Paris, France.  
Date: June 23, 2008

**Kalyan Ganguly**  
Managing Director

**Govind Iyengar**  
Company Secretary

Place: Paris, France.  
Date: June 23, 2008

**A K Ravi Nedungadi**  
Director

## Consolidated Cash Flow Statement for the year ended March 31, 2008

		Rs. in Thousands	
		2008	2007
	Rs.	Rs.	Rs.
<b>A Cash Flow from operating Activities</b>			
Profit before taxation and non-recurring items		849,488	850,774
Adjustments for:			
Depreciation and Amortisation	731,636		474,059
(Profit)/Loss on Sale of Assets	6,245		1,963
(Profit)/Loss on Sale of Investments	—		(500)
Bad Debts Written Off	4,197		44,500
Bad Advances written off	543		136
Provision for Doubtful Debts	46,382		9,898
Provision for Doubtful advances	8,716		1,616
Interest Expenses (Net)	575,762		412,014
Deferred Revenue	—	1,373,481	—
<b>B Operating profits before Working Capital changes</b>		2,222,969	1,794,460
<b>Adjustment for working capital changes:</b>			
(Increase) / Decrease in Sundry Debtors	(1,107,237)		(864,714)
(Increase) / Decrease in Inventories	(45,524)		(387,680)
(Increase) / Decrease in Joint Venture share in working capital	30,687		103,315
Increase / (Decrease) in Current Liabilities and Provisions	370,377		578,495
(Increase) / Decrease in Other Current Assets, Loans and Advances	(29,759)	(781,456)	1,327,238
<b>Cash generated from operations</b>		1,441,513	2,551,114
Adjustment arising out of Amalgamation / change in Joint Venture		—	(426)
Direct Taxes paid (including TDS)		(304,624)	(393,379)
Net cash generated / (used in) from operating activities.		1,136,889	2,157,309
<b>Cash flow from Investing Activities</b>			
Purchase of Fixed Assets		(2,566,941)	(3,544,341)
Purchase of Fixed assets - Share of Joint Venture		(233,534)	(163,433)
Sale of Fixed Assets		33,399	94,607
Acquisition of subsidiary [Refer Schedule 19 Note 5]		(450,000)	—
Sale / Purchase of Investments (Net)		(7)	8,694
<b>Net cash used in investing activities</b>		(3,217,083)	(3,604,473)

# Consolidated Cash Flow Statement for the year ended March 31, 2008 (contd.)

	2008		2007	
	Rs.	Rs.	Rs.	Rs.
<b>C Cash flow from Financing Activities</b>				
Short term loan		171,115		916,140
Long term borrowings including Joint Venture		283,417		1,287,900
Loan to United Breweries (Holdings) Ltd		801,310		(3,845)
Interest Paid		(508,744)		(410,634)
Dividend paid		(25,276)		(212,738)
<b>Net cash generated from / (used in) financing activities</b>		<b>721,822</b>		<b>1,576,823</b>
<b>Net Increase / (Decrease) in cash and cash equivalents</b>		<b>(1,358,372)</b>		<b>129,659</b>
<b>Opening 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	1,341,153
<b>Closing cash and cash equivalents</b>				
Cash and Cheques on hand including Remittances in Transit	8,404		29,684	
Bank Balances	104,036	112,440	1,441,128	1,470,812

## Notes:

1. The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at March 31, 2008 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 as notified under Companies (Accounting Standards) Rules, 2006.
3. Cash and cash equivalents include Rs. 12,100 (2007: 57,344) 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

For and on behalf of  
**Price Waterhouse**  
 Chartered Accountants  
 Paris, France, June 23, 2008

**Kalyan Ganguly**  
Managing Director

**Govind Iyengar**  
Company Secretary  
 Paris, France, June 23, 2008

**A K Ravi Nedungadi**  
Director

## Schedules to Consolidated Balance Sheet as at March 31, 2008

Rs. in Thousands

	2008 Rs.	Joint Venture Rs.	Total Rs.	2007 Rs.
<b>SCHEDULE 1</b>				
<b>Capital</b>				
<b>Authorised</b>				
300,000,000 (2007: 300,000,000) Equity shares of Re. 1 each	300,000	—	300,000	300,000
25,000,000 (2007: 25,000,000) Preference Shares of Rs.100 each	2,500,000	—	2,500,000	2,500,000
	<b>2,800,000</b>	<b>—</b>	<b>2,800,000</b>	<b>2,800,000</b>
<b>Issued, Subscribed and Paid-up</b>				
216,043,430 (2007: 216,043,430) Equity shares of Re.1 each fully paid	216,043	—	216,043	216,043
3%, 17,283,000 (2007: 17,283,000) Cumulative Redeemable Preference Shares of Rs.100 each - Series A [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)]	1,728,300	—	1,728,300	1,728,300
3%, 7,407,000 (2007: 7,407,000) Cumulative Redeemable Preference Shares of Rs.100 each - Series B [The above shares are redeemable at par at the earliest on March 31, 2015]	740,700	—	740,700	740,700
	<b>2,685,043</b>	<b>—</b>	<b>2,685,043</b>	<b>2,685,043</b>
<b>SCHEDULE 2</b>				
<b>Reserves and Surplus</b>				
Capital Reserve	—	468,204	468,204	468,204
Securities Premium Account	2,296,925	161,399	2,458,324	2,458,324
General Reserve:				
As per last Balance Sheet	105,000	—	105,000	35,000
Transfer from Profit and Loss Account	—	—	—	70,000
Profit and Loss Account balance	1,024,343	—	1,024,343	488,314
	<b>3,426,268</b>	<b>629,603</b>	<b>4,055,871</b>	<b>3,519,842</b>
<b>SCHEDULE 3</b>				
<b>Secured Loans</b> [Refer Schedule 19 Note 6]				
Foreign Currency Loans				
- Working Capital Loan from Bank	510,843	—	510,843	—
External Commercial Borrowings				
- From Banks	1,394,835	281,039	1,675,874	1,287,900
- From Others	440,242	—	440,242	479,488
Other Loans				
- Working Capital Loan / Cash Credit from Banks	2,068,588	—	2,068,588	3,255,331
Interest accrued and due	25,343	41,326	66,669	14,561
From Others ( including HP creditors)	21,274	725,336	746,610	294,672
From Rabo Finance India Private Limited	—	263,848	263,848	334,279
	<b>4,461,125</b>	<b>1,311,549</b>	<b>5,772,674</b>	<b>5,666,231</b>
<b>Unsecured Loans</b>				
[Refer Schedule 19 Note 6]				
Short Term Loan from Banks	806,979	—	806,979	412,602
Others Loans	3,706	—	3,706	3,006
Interest accrued and due	—	—	—	1,380
Deferred Sales Tax Loan	—	223,489	223,489	178,402
	<b>810,685</b>	<b>223,489</b>	<b>1,034,174</b>	<b>595,390</b>

## Schedules to Consolidated Balance Sheet as at March 31, 2008 (contd.)

### SCHEDULE 4

#### Consolidated Fixed Assets (Refer Schedule 19 Note 7)

Rs. in Thousands

Net Value of Assets as at March 31, 2007	Particulars	Gross Value of Assets as at March 31, 2007	Cost		Gross Value of Assets as at March 31, 2008	Depreciation / Amortisation				Net Value of Assets as at March 31, 2008
			Additions [Refer Note below]	Deletions / Adjustments		As at March 31, 2007	on Deletions	for the year	As at March 31, 2008	
499,320	Goodwill	623,924	—	—	623,924	124,604	—	124,604	249,208	374,716
37	Licenses	37	400,000	—	400,037	—	—	40,000	40,000	360,037
1,130,778	Land - Freehold	1,130,778	109	—	1,130,887	—	—	—	—	1,130,887
217,823	Land - Leasehold	228,287	9,401	—	237,688	10,464	—	3,092	13,556	224,132
536,972	Buildings	619,222	342,654	—	961,876	82,250	—	32,514	114,764	847,112
1,586,206	Plant and Machinery	2,201,464	1,305,100	40,469	3,466,095	615,258	10,767	352,256	956,747	2,509,348
24,591	Office Equipments	57,066	6,511	3,513	60,064	32,475	2,092	7,428	37,811	22,253
84,751	Furniture and Fittings	149,855	68,235	1,194	216,896	65,104	606	45,732	110,230	106,666
14,072	Laboratory Equipments	17,800	9,790	—	27,590	3,728	—	1,476	5,204	22,386
40,495	Vehicles	61,630	341	13,398	48,573	21,135	6,074	5,174	20,235	28,338
<b>4,135,045</b>		<b>5,090,063</b>	<b>2,142,141</b>	<b>58,574</b>	<b>7,173,630</b>	<b>955,018</b>	<b>19,539</b>	<b>612,276</b>	<b>1,547,755</b>	<b>5,625,875</b>
590,200	Share of Joint Venture	1,135,189	260,337	954	1,394,572	544,989	345	119,360	664,004	730,568
<b>4,725,245</b>		<b>6,225,252</b>	<b>2,402,478</b>	<b>59,528</b>	<b>8,568,202</b>	<b>1,500,007</b>	<b>19,884</b>	<b>731,636</b>	<b>2,211,759</b>	<b>6,356,443</b>
	2007	3,730,495	2,623,694	128,937	6,225,252	1,058,315	32,367	474,059	1,500,007	
<b>1,127,308</b>	Capital work in Progress [including capital advances Rs. 1,071,551 (2007: 749,879)]									<b>1,576,089</b>
<b>59,189</b>	Share of Joint Venture									<b>112,611</b>
<b>5,911,742</b>										<b>8,045,143</b>

Note:

Includes Rs. 23,983 being net book value of assets acquired from Maltex Malsters Limited. Also refer Schedule 19 Note 5.

## Schedules to Consolidated Balance Sheet as at March 31, 2008 (contd.)

Rs. in Thousands

	2008 Rs.	Joint Venture Rs.	Total Rs.	2007 Rs.
<b>SCHEDULE 5</b>				
<b>Investments</b>				
Government Securities:				
National Savings Certificate	80	—	80	70
Long Term, Non trade : (Unquoted)				
Zorastrian Co-operative bank	100	—	100	100
Associate:				
United East Bengal Football Team Pvt. Ltd.	50	—	50	50
Joint Venture:				
Millennium Alcobev Private Limited	672,859	(672,859)	—	—
	673,089	(672,859)	230	220
Share in Joint Venture Investments	—	12	12	15
Associate Company Goodwill arising on Consolidation	(50)	—	(50)	(50)
	673,039	(672,847)	192	185

### SCHEDULE 6

#### Inventories

Raw Materials	250,061	33,041	283,102	282,233
Packing Material, Stores and Spares	318,800	39,637	358,437	358,716
[Net of provision Rs.17,932 (2007: 13,542)]				
Work In Progress / Finished Goods (including Traded Goods)	529,462	56,209	585,671	546,989
Goods in transit	70,844	9,136	79,980	57,804
	1,169,167	138,023	1,307,190	1,245,742

### SCHEDULE 7

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

Considered Good [Refer Schedule 19 Note 8]				
– Over Six Months	8,395	—	8,395	9,577
– Others	3,213,142	344,477	3,557,619	2,526,294
Considered Doubtful				
– Over Six Months	51,762	33,849	85,611	44,893
– Others	—	—	—	—
	3,273,299	378,326	3,651,625	2,580,764
Less: Provision for Doubtful Debts	(51,762)	(33,849)	(85,611)	(44,893)
	3,221,537	344,477	3,566,014	2,535,871

### SCHEDULE 8

#### Cash and Bank Balances

Cash on hand [including Remittances - in Transit Rs. 7,529 (2007: 12,463)]	8,037	367	8,404	29,684
Balances with Scheduled Banks:				
– in Current Account	59,073	—	59,073	715,093
– in Deposit account [Refer note below]	11,864	33,099	44,963	726,035
	78,974	33,466	112,440	1,470,812

Note: Includes Rs. 12,100 (2007: 57,334) kept as margin against letter of credit and bank guarantees

## Schedules to Consolidated Balance Sheet as at March 31, 2008 (contd.)

Rs. in Thousands

	2008 Rs.	Joint Venture Rs.	Total Rs.	2007 Rs.
<b>SCHEDULE 9</b>				
<b>Other Current Assets</b>				
Income accrued on Investments and deposits	2,281	114	2,395	10,202
	<u>2,281</u>	<u>114</u>	<u>2,395</u>	<u>10,202</u>
<b>SCHEDULE 10</b>				
<b>Loans and Advances</b>				
[Refer Schedule 19 Note 8]				
(Unsecured, Considered good unless otherwise stated)				
Advances recoverable in cash or in kind or for value to be received	162,462	11,681	174,143	174,009
Considered Doubtful	15,654	39,767	55,421	47,248
	<u>178,116</u>	<u>51,448</u>	<u>229,564</u>	<u>221,257</u>
Less: Provision for Doubtful Advances	(15,654)	(39,767)	(55,421)	(47,248)
	<u>162,462</u>	<u>11,681</u>	<u>174,143</u>	<u>174,009</u>
*including: Rs. 62 (2007;88) due from Directors of the Company [maximum amount due during the year Rs.88 (2007: 105)]				
United Breweries (Holdings) Limited	—	—	—	801,310
(Secured by second charge on immovable properties / investments held by that company)				
Balances with Excise Authorities	180,218	23,494	203,712	149,447
Other Deposits	635,831	14,751	650,582	711,280
Advance Tax / Tax Deducted at Source (net)	128,598	29,950	158,548	132,092
	<u>1,107,109</u>	<u>79,876</u>	<u>1,186,985</u>	<u>1,968,138</u>
<b>SCHEDULE 11</b>				
<b>Liabilities</b>				
Sundry Creditors				
– Due to Micro, Small and Medium Enterprises	18,236	2,544	20,780	8,954
– Others	1,174,238	196,872	1,371,110	1,060,094
– Other Liabilities	1,030,031	483,595	1,513,626	1,370,200
Interest accrued but not due	—	2,385	2,385	2,385
Acceptances	63,132	—	63,132	144,769
	<u>2,285,637</u>	<u>685,396</u>	<u>2,971,033</u>	<u>2,586,402</u>
<b>SCHEDULE 12</b>				
<b>Provisions</b>				
Dividend payable [Refer Schedule 19 Note 15]	86,658	—	86,658	25,276
Gratuity	6,138	102	6,240	19,277
Leave Entitlements	31,347	471	31,818	30,782
	<u>124,143</u>	<u>573</u>	<u>124,716</u>	<u>75,335</u>

## Schedules to Consolidated Profit and Loss Account

Rs. in Thousands

	2008 Rs.	Joint Venture Rs.	Total Rs.	2007 Rs.
<b>SCHEDULE 13</b>				
<b>Sales and Service</b>				
Sales	18,934,825	2,644,326	21,579,151	16,077,951
Income from Brand Franchise and Technical Fees	868,019	57,580	925,599	615,898
	<u>19,802,844</u>	<u>2,701,906</u>	<u>22,504,750</u>	<u>16,693,849</u>
<b>SCHEDULE 14</b>				
<b>Other Income</b>				
Guarantee Commission	31,524	—	31,524	—
Liability no longer required written back	24,442	12,136	36,578	14,525
Miscellaneous Income	170,072	28,002	198,074	175,859
Profit on sale of Assets	—	—	—	943
Profit on sale of Investments (net)	—	—	—	500
Dividend Income	—	—	—	808
Interest Received [Gross] (Tax deducted at source Rs.5,261 (2007: 11725))	29,692	1,656	31,348	41,669
Provision for Doubtful Debts no longer required written back	1,682	—	1,682	6,144
Provision for Doubtful Advances no longer required written back	543	96	639	74
	<u>257,955</u>	<u>41,890</u>	<u>299,845</u>	<u>240,522</u>
<b>SCHEDULE 15</b>				
<b>Cost of Sales</b>				
<b>Manufacturing Expenses</b>				
Consumption of Raw Materials	1,562,011	329,532	1,891,543	1,489,234
Consumption of Stores and spares	3,303,024	615,047	3,918,071	3,233,086
Purchases of finished goods	1,539,757	13,550	1,553,307	851,737
Power and Fuel	558,143	124,524	682,667	599,698
<b>Personnel Expenses</b>				
Salaries, Wages and Bonus [including provision for leave encashment Rs.1,036 (2007: 5,337)]	662,377	47,987	710,364	582,342
Contribution to Provident and Other funds (including provision for Gratuity (Rs.13,037) (2007: Nil).	73,414	2,097	75,511	92,974
Welfare Expenses	38,590	2,678	41,268	35,462
<b>Others</b>				
Rent including Lease rent	83,238	2,343	85,581	62,131
Insurance	15,064	2,154	17,218	17,523
Repairs Building	6,351	3,168	9,519	12,075
Repairs to Machinery	105,775	23,730	129,505	113,306
Travel and Conveyance	84,107	4,371	88,478	70,889
Communication Expenses	21,675	657	22,332	17,114
Rates and taxes	282,563	44,089	326,652	140,189
Legal and Professional fees	49,652	4,581	54,233	37,050
Miscellaneous expenses [includes material consumed Rs.79,079 (2007: 76,076)]	308,680	18,215	326,895	289,258

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

Rs. in Thousands

	2008 Rs.	Joint Venture Rs.	Total Rs.	2007 Rs.
<b>Change in Inventory</b>				
Opening Stock	490,161	56,819	546,980	385,674
Closing Stock	(529,462)	(56,209)	(585,671)	(547,247)
Excise Duty on Opening Stock	(262,523)	(20,033)	(282,556)	(192,321)
Excise Duty on Closing Stock	279,970	20,730	300,700	282,556
	<u>8,672,567</u>	<u>1,240,030</u>	<u>9,912,597</u>	<u>7,572,730</u>

### SCHEDULE 16

#### Other Expenses

Selling and Promotion Expenses	3,239,058	517,780	3,756,838	2,914,978
Directors Sitting fees	1,309	373	1,682	1,115
Auditors Remuneration	11,753	1,719	13,472	8,662
Bad debts written off	2,700	1,497	4,197	44,500
Bad Advances written off	543	—	543	136
Provision for Doubtful Debts	34,008	12,374	46,382	9,898
Provision for Idle assets / Fixed Assets written off	—	—	—	2,421
Inventory written off including provisions	—	—	—	3,193
Loss on sale of Assets	5,926	319	6,245	2,906
Provision for Doubtful advances	8,220	496	8,716	1,616
	<u>3,303,517</u>	<u>534,558</u>	<u>3,838,075</u>	<u>2,989,425</u>

### SCHEDULE 17

#### Interest and Finance Charges

Interest-ECB including exchange cover	145,525	—	145,525	36,293
Interest on Loans for a fixed period	138,628	122,668	261,296	316,904
Interest Others	133,286	19,365	152,651	51,160
Foreign Exchange Loss	10,843	5,447	16,290	7,657
	<u>428,282</u>	<u>147,480</u>	<u>575,762</u>	<u>412,014</u>

# 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 applicable accounting principles in India, the applicable accounting standards notified under Section 211(3C) of the Companies Act, 1956 and to relevant provisions of the Companies Act, 1956.

#### Basis on 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, 2008.

#### Estimates:

The preparation of the Financial Statements in conformity with Generally Accepted Accounting Policies (GAAP) in India 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 dispatch 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), technical advisory and management fees 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 amalgamation 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:

Long term investments are carried at cost less provision made to recognise any decline, other than temporary in the values of such investments. Current investments are carried at cost or net realisable value, whichever is lower.

### 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.

All 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.

## Schedules to Consolidated Accounts Significant Accounting Policies (contd.)

Exchange difference 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 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 assets acquired on amalgamation (where original dates of acquisition are not readily available), which are depreciated over the remained 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.

Accelerated depreciation is provided for wherever needed.

### 10. Employee Retirement benefits:

#### (i) Defined-contribution plans

Contributions to the Employees' Provident Fund, Superannuation Fund, Employees' State Insurance and Employees' Pension Scheme are as per statute and are recognised as expenses during the period in which the employees perform the services.

#### (ii) Defined-benefit plans

Liability towards gratuity is determined on actuarial valuation using the Projected Unit Credit Method at the balance sheet date. Actuarial Gains and Losses are recognised immediately in the Profit and Loss Account.

#### (iii) Other long term employee benefits:

Liability towards leave encashment and compensated absences are recognised at the present value based on actuarial valuation at each balance sheet date.

#### (iv) Short term employee benefits:

Liability of earned leave, compensated absences, performance incentives etc. are recognised during the period when the employee renders the services.

### 11. Taxation:

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 not require an outflow of resources.

## Notes on Consolidated Accounts for the year ended March 31, 2008

### SCHEDULE 19

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

	Ownership Percentage		Country of Incorporation
	2008	2007	
<b>Name of the Subsidiary</b>			
Associated Breweries & Distilleries Limited (ABDL)	100.00	100.00	India
Maltex Malsters Limited (MML)	51.00	—	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

\*Of which 10% represents control exercised through the subsidiary ABDL.

- 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.
- 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.
- The Scheme of Rehabilitation (the Scheme) filed by the Millennium Beer Industries Limited, a subsidiary company of the Joint Venture, with the Board for Industrial and Financial Reconstruction (BIFR) vide its letter dated April 4, 2007 has been sanctioned by BIFR on January 22, 2008. Pursuant to the sanction, adjustments as prescribed in the Scheme have been carried out in the Subsidiary's financial statements.

Accordingly, effect of such adjustment by way of reduction in the profit and loss account balance amounting to Rs.295,522 pertaining to the Company's share in the joint venture has been recorded in the Consolidated Financial Statements.

#### 5. Acquisition of Maltex Malsters Limited:

During the year the Company has acquired 22,950 equity shares of Rs.100 each in Maltex Malsters Limited for a consideration of Rs.450,000 which is based on an independent valuation, resulting in goodwill of Rs.438,012 as detailed below.

Particulars	Rs.	Rs.
<b>Fixed Assets</b> (Net book value)		23,983
Deferred Tax Assets		2,587
<b>Current Assets</b>		
Sundry Debtors	13,187	
Cash & Bank Balances	94	
Loans & Advances	11,567	
	<u>24,848</u>	
<b>Current Liabilities and Provision</b>		
Current Liabilities	8,072	
Provisions	209	
	<u>8,281</u>	
Net Current Asset		16,567
<b>Loans</b>		
Secured Loans	18,932	
Unsecured Loans	700	19,632
Net Worth as on 31.3.2008		23,505
UBL's Share -51%		11,988
<b>Purchase Consideration</b>		<b>450,000</b>
<b>Goodwill</b>		<b>438,012</b>
<b>Minority Interest</b>		<b>11,517</b>

## Notes on Consolidated Accounts for the year ended March 31, 2008 (contd.)

### 6. Loan Funds:

Particulars	2008 Rs.	2007 Rs.
(a) <b>Secured Loans</b> Foreign Currency Loans Including Interest Accrued and due Rs.19,623 (2007: Nil) Loan repayable within one year - Rs. 817,004 (2007: Nil) Foreign Currency Loans consist of External Commercial Borrowing (ECB) from Scottish & Newcastle UK Limited (S&N), BNP Paribas and Foreign Currency Demand Loan (FCDL) from Axis Bank. 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. Foreign currency loan from Axis bank includes demand loan and term loan which are secured by first Charge on the Fixed Assets of a subsidiary of joint venture and current assets namely, Stock of Raw Material, Work In Progress & Finished Goods, Stores & Spares, Bills Receivable and Book Debts of the Company.	<b>2,646,582</b>	1,767,388
(b) From Banks (including interest accrued and due Rs.8,769 (2007: 14,751)) Loans repayable within one year – Rs. 323,065 (2007: 539,870) Secured by hypothecation of stock in trade, stores, raw materials, book debts and a second charge on all the immovable properties of the Company.	<b>2,077,357</b>	3,269,892
(c) From Others [including interest accrued and due Rs.38,277 (2007: 15,984)] Hire Purchase Creditors – Secured by Assets purchased under Hire Purchase Scheme From Rabo Finance India Private Limited (including interest accrued and due)	<b>782,543</b> <b>2,344</b> <b>263,847</b>	286,884 7,788 334,279
(d) <b>Unsecured Loans</b> Loans repayable within one year – Rs. 806,979 (2007: 416,998)	<b>1,034,174</b>	595,390
(e) <b>Deferred Credits</b> Secured by Assets purchased under the Scheme Repayable within one year – Rs.Nil (2007: 4,044)	—	4,044

### 7. Fixed Assets:

Buildings amounting to Rs. 19,982 and Plant & Machinery amounting to Rs. 169,729 are in premises not owned by the Company.

8. 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.

	2008 Rs.	2007 Rs.
Included under Sundry Debtors Considered Good – Others	<b>78,973</b>	14,843
Included in other deposits under Loans and Advances	<b>72,500</b>	100,000

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

### 9. Capital Commitments:

Particulars	2008 Rs.	2007 Rs.
Estimated amount of Contracts remaining to be executed on capital account and not provided for.	<b>960,615</b>	399,197
<b>Share of Joint Venture</b>		
Estimated amount of Contracts remaining to be executed on capital account and not provided for.	<b>132,488</b>	117,096

## Notes on Consolidated Accounts for the year ended March 31, 2008 (contd.)

### 10. Contingent Liabilities:

Particulars	2008 Rs.	2007 Rs.
a) Sales Tax/other taxes demands under appeal*	12,434	14,191
b) Employee State Insurance Demand*	265	265
c) Demand towards Water charges under appeal*	114,326	85,957
d) Excise Duty/Customs Duty demands under appeal*	18,915	8,890
e) Income Tax demands under appeal	56,747	—
f) Claims against the Company not acknowledged as debt*	1,158	4,900
g) Letter of Credit outstanding	64,680	150,954
h) Guarantees given by the Company; - on behalf of Subsidiaries of Joint Venture to third parties - to third parties	2,130,000 24,027	2,280,000 33,656
i) Letter of undertaking to distributors towards countervailing duty for imports from Nepal	38,500	38,500

### Share of Joint Venture

Particulars	2008 Rs.	2007 Rs.
a) Sales Tax/other taxes demands under appeal*	3,281	6,260
b) ESIC / PF demands under appeal	53	211
c) Bank Guarantee given to Commissioner of Excise for Export of Beer	750	10,800
d) Demand towards Water charges under appeal*	15,950	18,713
e) Interest for delayed payment of Interest Free Loans*	4,829	9,658
f) Dividend on 1% Non Convertible Cumulative Redeemable Preference Shares	9,250	—
g) Income Tax	12,541#	25,082#

# Net of deposit under appeal – Rs.1,018 (2007 : 2,036)

\* 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, 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.

Particulars	2008 Rs.	2007 Rs.
Lease payments during the year including Minimum lease payments Rs. 5,000 (2007: 5,000) on non-cancelable leases.	83,238	61,137
At the balance sheet date, future minimum lease rentals under non-cancelable operating leases are as under:		
Not later than one year	22,439	8,992
One to five years	23,301	18,357
	45,740	27,349

## Notes on Consolidated Accounts for the year ended March 31, 2008 (contd.)

### 12. Accounting for Taxes on Income:

- (a) Current Tax is net of Rs Nil (2007: 84,106), being provision for earlier years no longer required written back.
- (b) Deferred Tax - The net deferred tax liability amounting to Rs.87,715 (2007: 60,715) has been arrived as follows:

Particulars	2008 Rs.	2007 Rs.
Deferred Tax Liability arising from: Difference between carrying amount of fixed assets in the financial statements and the Income Tax Return	121,488	91,253
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	12,741	23,913
Carry forward of unabsorbed depreciation / business loss	—	—
Provision for Doubtful Debts	18,445	6,625
<b>Deferred tax liability</b>	<b>90,302</b>	<b>60,715</b>
Deferred tax asset arising on account of acquisition of subsidiary	2,587	—
Net Deferred tax liability	87,715	60,715
<b>Movement in deferred tax liability during the year</b>	<b>(29,587)</b>	<b>18,498</b>
Less: Deferred tax on unabsorbed losses of KBDL	—	3,497
Deferred tax (charged off) / written back in the profit and loss account	(29,587)	15,001
Deferred Tax debit on account of leave encashment adjustment (Refer Schedule 19 Note 18(i) )	(938)	—
Net Deferred tax (charged off) / written back in the profit and loss account	(30,526)	15,001

The tax impact for the above purpose has been arrived by applying a tax rate of 33.99% (2007: 33.99%) being the enacted tax rate for Indian Companies under the Income Tax Act, 1961.

- (c) No deferred tax asset has been recognised, in case of joint venture / subsidiaries, in the absence of virtual certainty of future profits as per the explanation provided in Accounting Standard 22 notified under the Companies (Accounting Standards) Rules, 2006.

### 13. 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 Baksi Ganguly

(Wife of Mr. Kalyan Ganguly)

## Notes on Consolidated Accounts for the year ended March 31, 2008 (contd.)

b. Transactions with related parties during the year:

Particulars	UEBTFPL		KMP	
	2008	2007	2008	2007
Purchase of goods	—	—	—	—
Sale of goods	—	—	—	—
Receipts against rendering Services	<b>6,500</b>	—	—	—
Payment against rendering Services	—	25,577	—	—
Sale of Brands	—	—	—	—
Purchase of Investments	—	—	—	—
Sale of Investments	—	—	—	—
Purchase of Assets	—	—	—	—
Sale of Assets	—	—	—	—
Finance(including loan in cash or kind)	<b>13,000</b>	45	—	—
Remuneration to Directors (#)	—	—	<b>30,203</b>	26,350
Guarantees and Collaterals	—	—	—	—
Amount due From/(To)	<b>6,502</b>	2	—	—

(\*) Figures in brackets indicate Amounts received

(#) Includes payment to relative of KMP amounting to **Rs. 2,064** (2007: Rs. 1,876).

### C. Transactions with S & N Group

i. Transaction with S & N

Management Fees **Rs. 32,599** (2007: Rs. 25,150)

ii. Transactions with SNUK

Balance amount on account of ECB with SNUK **Rs. 440,242** (2007: Rs.479,488)

Interest on ECB **Rs. 32,095** (2007: Rs.36,293)

Purchase of Fixed Assets **Rs. 4,526** (2007: Rs. Nil)

Purchase of Raw Material **Rs. 127** (2007: Rs. Nil)

iii. Transactions with SNIL

Balance of Preference Share Capital **Rs. 2,469,000** (2007: Rs, 2,469,000)

Dividend on above **Rs. 74,070** (2007: Rs. 74,070)

Dividend on equity shares **Rs. Nil** (2007: Rs.20,249)

### 14. 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	2008 Rs.	2007 Rs.
a) Profit/(Loss) as per profit and loss account	<b>541,734</b>	550,130
b) Less : Preference Dividend	<b>86,658</b>	84,460
c) Net Profit attributable to equity shareholders	<b>455,076</b>	465,670
d) Outstanding number of equity shares (Face value of Re.1 per share)	<b>216,043,430</b>	216,043,430
e) Earnings per share – Basic/Diluted	<b>2.11</b>	2.16

## Notes on Consolidated Accounts for the year ended March 31, 2008 (contd.)

### 15. Details of Dividend:

Particulars	2008 Rs.	2007 Rs.
Dividend on Preference Share Capital @3%	74,070	74,070
Tax on above	12,588	10,390
Interim Dividend on Equity Shares @15%	—	32,407
Tax on above	—	4,546
Final Dividend on Equity Shares @ 10%	—	21,605
Tax on above	—	3,671
Total	86,658	146,689

### 16. 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.

### 17. Disclosure of dues/ payments to micro and small enterprises to the extent such enterprises are identified by the company.

Particulars	2008 Rs.
(i) The principal amount remaining unpaid as at March 31, 2008	19,623
(ii) Interest due thereon remaining unpaid on March 31, 2008	164
(iii) The amount of interest paid by the buyer in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along-with the amount of the payment made to the supplier beyond the appointed day during each accounting year.	—
(iv) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the - year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	—
(v) The amount of interest accrued and remaining unpaid on March 31, 2008	993
(vi) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	1,157

The above information and that disclosed in Schedule 11 regarding Micro, Small and Medium Enterprises has been determined to an 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.

As this is the first year in which the disclosure requirements are applicable, the corresponding figures for the previous year have not been furnished.

### 18. (i) For the financial year ended March 31, 2008, the Company has adopted Accounting Standard 15 (AS 15) on Employee Benefits and accordingly determined the incremental liability for gratuity and leave entitlements as at April 1, 2007 aggregating to Rs.2,253 (net of deferred tax credit of Rs.1,160) and accounted for it by adjusting the opening balance of the profit and loss account, as required by the said standard. Disclosures envisaged in AS 15 in respect of gratuity are given below:

A) Reconciliation of opening and closing balances of the present value of the defined benefit obligation	Rs.
Obligations at the beginning of the year	118,048
Add: Transitional Obligation	101
Add: Current Service cost	43,745
Add: Interest cost	9,349
Add: Actuarial (gains)/Losses	(333)
(Less): Benefits paid during the year	(26,020)
Obligations at the end of the year	144,890

## Notes on Consolidated Accounts for the year ended March 31, 2008 (contd.)

- B) Reconciliation of opening and closing balances of the fair value of plan assets
- |  |          |
|--|----------|
| Fair Value of Plan assets at the beginning of the year | 117,753  |
| Add: Expected Return on Plan Assets                    | 9,425    |
| Add: Actuarial Gain                                    | 10,738   |
| Add: Contributions                                     | 26,754   |
| (Less): Benefits Paid                                  | (26,020) |
| Fair Value of Plan assets at the end of the year       | 138,650  |
- C) Reconciliation of present value of defined benefit obligation and the fair value of plan assets to the assets and liabilities recognised in the balance sheet:
- |  |         |
|--|---------|
| Present Value of Obligation as at March 31, 2008       | 144,890 |
| (Less): Fair Value of Plan Assets as at March 31, 2008 | 138,650 |
| Amount recognised in the Balance Sheet                 | 6,240   |
- D) Expenses recognised in Profit and Loss account under "Employee Cost" in Schedule 15
- |  |          |
|--|----------|
| Current service cost                   | 43,745   |
| Add: Interest cost                     | 9,349    |
| (Less): Expected Return on Plan Assets | (9,425)  |
| Prior period adjustment                | (23,739) |
| Add: Actuarial (gains)/losses          | 6,256    |
| Net Gratuity Cost                      | 26,186   |
- E) Investment details of plan assets  
Plan assets are invested in Government Securities, Private Sector Bonds, Managed Funds and others.
- Based on the above allocation and the prevailing yields on these assets, the long term estimate of the expected rate of return on fund assets has been arrived at. Assumed rate of return on assets is expected to vary from year to year reflecting the return
- F) Actual return on plan assets 24,077
- G) Assumptions
- |   |       |
|---|-------|
| Discount rate per annum                               | 8.00% |
| Interest rate per annum                               | 8.00% |
| Expected return on plan assets                        | 8.00% |
| Expected salary increase per annum                    | 5.00% |
| Average past services of employees                    | 9.22  |
| Attrition rate  | 1.00% |
| Retirement Age  | 58    |
| Mortality rate - LIC (94-96) Ultimate Mortality Table |       |
- The estimates of future increase in salary, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
- As this is the first year of implementation of AS 15, the corresponding figures for the previous year have not been furnished.
- (ii) Contribution to Provident and Other Funds under Manufacturing and Other Expenses (Schedule 15) includes Rs.75,511 being expenses debited under the following defined contribution plans:
- |                     |        |
|---------------------|--------|
| Provident Fund      | 9,301  |
| Family Pension Fund | 21,111 |
| Superannuation      | 9,555  |
| Gratuity            | 35,384 |
| ESI                 | 160    |
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, Note 5 and in Note 14.
  - Basic and Diluted EPS in the Profit and Loss Account and in Note 14.
20. The previous year's figures have been regrouped to conform to current year's classification.

**Kalyan Ganguly**  
Managing Director

**A K Ravi Nedungadi**  
Director

**Govind Iyengar**  
Company Secretary

## Report of the Directors

Your Directors have pleasure in presenting the Annual Report together with the audited accounts of your company for the financial year ended March 31, 2008.

### FINANCIAL RESULTS

Particulars	2007-2008 Rs.	2006-2007 Rs.
Income from Operations	7,500	507,500
Profit / (Loss) after providing for Depreciation & Tax	(2,16,150)	4,98,659
Balance brought forward from previous year	(10,69,735)	(15,68,394)
Balance carried forward to Balance Sheet	(12,85,885)	(10,69,735)

### CAPITAL

The authorized share capital of your Company remains unchanged at Rs.3140 Lacs comprising of 6 Lac Equity Shares of Rs.100 each and 25.40 Lac Preference Shares of Rs.100 each. The issued, subscribed and paid-up Equity Share Capital as on March 31, 2008 stands at Rs.10 Lacs comprising of 10,000 Equity Shares of Rs.100 each.

### OPERATIONS

Your Company has not undertaken any manufacturing or trading activities during the period under review. The loss incurred during the year arises on account of expenditure of non operating nature.

### INVESTMENT

Your Company continues to hold investment comprising of 15,35,000 Equity Shares of Rs. 10 each in Millennium Alcobev Private Limited, a Joint Venture between United Breweries Limited and Scottish & Newcastle India Limited.

### DIRECTORS

Mr. A K Das and Mr. Kalyan Ganguly, Directors retire by rotation at ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Mr. Kalyan Ganguly is also a Director on the Board of United Breweries Limited, the holding company of your Company.

Mrs. Lesley Jackson resigned from the Board effective June 26, 2008.

### AUDITORS

In view of resignation of M/s Atul Chande & Co. effective September 15, 2007, M/s Neeta Haria & Associates, Chartered Accountants, were appointed as Statutory Auditors of your Company. They hold office until the conclusion of the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment.

### PARTICULARS OF EMPLOYEES

None of the employee of the Company was in receipt of remuneration in excess of limits prescribed under Section 217(2A) of the Companies Act, 1956. Hence, particulars as required under the Companies (Particulars of Employees) Rules, 1975 are not furnished.

### PARTICULARS OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Since your Company had no manufacturing activities till the date of this report, the details as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, have not been furnished.

## **Report of the Directors (contd.)**

### **DIRECTOR'S RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Board of Directors report that:

1. in the presentation of annual accounts, the applicable accounting standards have been followed and that there were no material departures therefrom.
2. the 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 state of affairs of your Company at the end of the financial year and of the loss of your Company for that period.
3. 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 your Company and for preventing and detecting fraud and other irregularities.
4. the annual accounts have been prepared on a going concern basis.

### **ACKNOWLEDGEMENTS**

Your Directors wish to place on record their grateful appreciation and sincere thanks to the bankers, various departments of the Central and State Governments for their valuable assistance and cooperation extended. Your Directors also wish to place on record their deep sense of appreciation for the trust and confidence reposed in the Company by its shareholders.

Your Directors also place on record their appreciation to the dedication and loyalty of the Employees at all levels.

By Authority of the Board

Place: Mumbai  
Date: 14.06.2008

**Kalyan Ganguly**  
Director

**A K Das**  
Director

**UNITED BREWERIES LIMITED**

## Auditors' Report

To,  
The Members,  
**ASSOCIATED BREWERIES & DISTILLERIES LIMITED,**  
MUMBAI.

We have audited the attached Balance Sheet of **ASSOCIATED BREWERIES & DISTILLERIES LIMITED** as at 31<sup>st</sup> March, 2008 and also the Profit and Loss Account as on that date annexed hereto and report that:

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.

We conducted our audit in accordance with Auditing Standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements. 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.

Since the Company under Audit is a Private Limited Company with:

1. Paid-up capital and free reserves of not more than Rs. Fifty Lakhs.
2. The Company had not accepted any Public Deposit and does not have Outstanding Loans of Rs. Ten Lakhs or more from Banks and Financial Institutions.
3. Does not have a turnover exceeding Rs. 5,00,00,000/-

The provisions of Companies (Auditors Report) Order, 2003, issued by the Central Government in terms of 227(4A) of the Companies Act, 1956 are not applicable to the Company.

Further subject to our comments mentioned in the Annexure attached herewith, we report that:

1. 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;
2. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
3. In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by the report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956 to the extent applicable to the company;
4. On the basis of the written representation from the directors, taken on record by the Board of Directors, none of the directors of the Company is disqualified from being appointed as a director under Clause (g) of the sub-section (1) of Section 274 of the Companies Act, 1956.
5. The Balance Sheet and Profit and Loss account dealt with this report are in agreement with the books of account.
6. In our opinion and to the best of our information and according to the explanations given to us, the account read together with notes thereon give the information required by the Companies Act, 1956 in the manner so required and give 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 31<sup>st</sup> March 2008 and
  - b) in the case of the Profit & Loss Account, of the Profit for the year ended on that date

For **NEETA HARIA & ASSOCIATES**  
Chartered accountants

Date: 14.06.2008  
Place: Mumbai

Proprietor

## Balance Sheet as at March 31, 2008

	Schedule	2008 Rs.	2007 Rs.
<b>SOURCES OF FUNDS</b>			
<b>Shareholder's Funds</b>			
Capital	1	1,000,000	1,000,000
		1,000,000	1,000,000
<b>Loan Funds</b>			
Unsecured	2	83,669,199	83,445,669
		83,669,199	83,445,669
Total Funds Employed		<b>84,669,199</b>	<b>84,445,669</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>	4	—	—
<b>Investments</b>	3	83,380,000	83,380,000
<b>Current Assets, Loans &amp; Advances</b>			
Sundry Debtors	5	—	—
Cash And Bank Balances	6	24,719	24,839
Loans And Advances	7	—	—
		24,719	24,839
<b>Current Liabilities &amp; Provisions</b>			
Current Liabilities	8	21,404	28,904
		21,404	28,904
Net Current Assets		3,315	(4,065)
Profit & Loss Debit Balance		1,285,884	1,069,734
Total Assets (Net)		<b>84,669,199</b>	<b>84,445,669</b>

### Notes On Accounts

As per my report attached

**Neeta P Haria**  
Proprietor

For and on behalf of  
Neeta Haria & Associates  
Chartered Accountants

Place: Mumbai  
Date: 14.06.2008

For and on behalf of the Board

**A K DAS**  
Director

**SHARAD DALMIA**  
Director

Place: Mumbai  
Date: 14.06.2008

## Profit & Loss Account for the year ended 31st March 2008

Particulars	Schedule	2008 Rs.	2007 Rs.
<b>INCOME</b>			
Sale of Products and other Income	9	7,500	507,500
<b>EXPENDITURE</b>			
Other expenses	10	223,650	8,841
Depreciation		—	—
Preliminary expenses written off		—	—
Interest	11	—	—
<b>TOTAL</b>		<b>223,650</b>	<b>8,841</b>
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>(216,150)</b>	<b>498,659</b>
Income Tax		—	—
<b>PROFIT/(LOSS) AFTER TAX</b>		<b>(216,150)</b>	<b>498,659</b>
Balance brought forward from previous year		<b>(1,069,735)</b>	<b>(1,568,394)</b>
Transferred from General Reserve		—	—
Tax adjustment for previous years		—	—
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>(1,285,885)</b>	<b>(1,069,735)</b>

### Notes on Accounts

As per my report attached

**Neeta P Haria**  
Proprietor

For and on behalf of  
Neeta Haria & Associates  
Chartered Accountants

Place: Mumbai  
Date: 14.06.2008

For and on behalf of the Board

**A K DAS**  
Director

**SHARAD DALMIA**  
Director

Place: Mumbai  
Date: 14.06.2008

## Schedules to Balance Sheet as at March 31, 2008

	2008 Rs.	2007 Rs.
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised:</b>		
600,000 (P.Y. 600,000 of Rs.100 each) Shares of Rs. 100 each.	60,000,000	60,000,000
25,40,000 Cumulative Redeemable Preference Shares of Rs.100 each	254,000,000	254,000,000
Issued, Subscribed and Paid up :		
10,000 (P.Y. 10,000 of Rs.100 each) Ordinary Shares of Rs. 100 each	1,000,000	1,000,000
<b>Total</b>	1,000,000	1,000,000
<b>SCHEDULE 2</b>		
<b>LOANS - Unsecured</b>		
Current Account		
With Company/firm/trust in which Directors are interested	83,669,199	83,445,669
<b>Total</b>	83,669,199	83,445,669
<b>SCHEDULE 3</b>		
<b>Other Investments (Long Term)</b>		
In Fully paid Ordinary/Equity Shares (Unquoted)		
Zorastrian Co-op. Bank 2000 (P.Y. 2,000) shares of Rs. 25 each fully paid up	50,000	50,000
Investment in equity shares of Millenium Alcobev		
Private Limited (P.Y.15,35,000 shares of Rs.10 Face Value)	83,330,000	83,330,000
	83,380,000	83,380,000
<b>SCHEDULE 5</b>		
<b>SUNDRY DEBTORS (Considered Good)</b>		
I. Over Six months old		
a) Secured & Considered good	—	—
b) Unsecured: Considered good	—	—
Considered doubtful	—	—
Less: Provision for doubtful debts	—	—
II. Others	—	—
<b>Total</b>	—	—
<b>SCHEDULE 6</b>		
<b>CASH AND BANK BALANCES</b>		
Balances with Scheduled Banks		
In current accounts	24,719	24,839
<b>Total</b>	24,719	24,839
<b>SCHEDULE 7</b>		
<b>LOANS AND ADVANCES (Unsecured, Considered Good)</b>		
a) Advances to Suppliers, Contractors and Others	—	—
b) Advance Tax (Net)	—	—
<b>Total</b>	—	—
<b>SCHEDULE 8</b>		
<b>CURRENT LIABILITIES</b>		
a) Other liabilities	21,404	28,904
b) Advances from Customers	—	—
	21,404	28,904

## Schedules to Profit and Loss Account as at March 31, 2008

	2008		2007	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE 9</b>				
<b>SALE OF PRODUCTS AND OTHER INCOME</b>				
Dividend / Other Income				
a) Income from Investments (Includes TDS Rs. Nil P.Y.Rs.Nil)	7,500		7,500	
b) Bad Debts written back	—		—	
c) Profit on Sale of Investment	—		—	
		7,500	500,000	507,500
<b>Total</b>		<b>7,500</b>		<b>507,500</b>

## SCHEDULE 10

### MANUFACTURING AND OTHER EXPENSES

Expenses for Administration and Selling				
a) Conveyance & Security Chgs.	—		491	
b) Legal & Prof. Expenses	15,000		8,350	
c) Bad Debts written off	—		—	
d) Other Expenses	208,530		—	
e) Bank Charges	120	223,650	—	8,841
<b>Total</b>		<b>223,650</b>		<b>8,841</b>

## Notes to Accounts

### Significant Accounting Policies

- 1 The Accounts are maintained on mercantile basis under the historical cost convention.
- 2 Fixed Assets are stated at cost of acquisition less depreciation.
- 3 Depreciation on fixed assets is provided on written down value based on Companies Act 1956, Schedule XIV.
- 4 The Company did not have any employee who was drawing salary in excess of Rs.2,00,000/- pm.
- 5 Investments made by the company are at cost.
- 6 No provision has been made for gratuity as no employee has put in qualifying period of service for entitlement
- 7 Balance in respect of sundry creditors, loans & advances are subject to confirmation by respective parties.
- 8 Previous year figures are regrouped / rearranged to conform with the layout of the accounts of the current year.

**Balance Sheet Abstract**
**COMPANY'S GENERAL BUSINESS PROFILE**
**I. Registration Details**

Registration No.	:	101735
State Code	:	11
Balance Sheet Date	:	31.03.2008

**II. Capital Raised during the year**

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

**III. Position of Mobilisation and Deployment of Funds: (Amount in Rs. thousands)**

Total Liabilities		Total Assets	
<b>Sources of Funds</b>		<b>Application of Funds</b>	
Paid-up Capital	1,000	Net Fixed Assets	Nil
Reserves & Surplus	(1,286)	Investments	83,380
Secured Loans	Nil	Net Current Assets	3
Unsecured Loans	83,669	Deferred Tax Assets	Nil
Deferred Credit	Nil	Miscellaneous Expenditure	Nil
Deferred Tax Liability	Nil		

**IV. Performance of Company (Amount in Rs. thousands)**

Turnover	8	Total Expenditure	224
(Includes non-recurring items)			
Profit Before Tax	(216)	Profit After Tax	(216)
Earnings per Share	(21.61)	Dividend Rate	Nil

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

Item Code – ITC Code
Product Description

## Report of the Directors

Yours Directors have pleasure in presenting the Fortieth Annual Report along with the Audited Statements of Accounts for the year ended March 31, 2008.

### FINANCIAL RESULTS

The working results of your Company for the year under review are summarized as under:

(Rupees)

	31.3.2008	31.3.2007
Profit Before Depreciation	75,70,247	75,45,272
Less: Depreciation	(59,81,097)	(77,38,066)
Profit for the year	15,89,150	(1,92,794)
Less: Provision for Fringe Benefit Tax	(45,217)	(37,170)
Less: Provision for MAT	(1,64,000)	
Profit/(Loss) for the year	13,79,933	(2,29,964)
Add: Provision for Deferred Tax Asset	9,33,486	13,04,460
Profit/(Loss) for the year	23,13,419	10,74,496
Add : Balance Brought forward from Previous Year	(30,75,751)	(41,50,247)
Profit/(Loss) for the year	(7,62,332)	(30,75,751)
<b>APPROPRIATION</b>		
Balance Carried to Balance Sheet	(7,62,332)	(30,75,751)

### DIVIDEND

Though your Company earned a net profit of Rs.13.80 lacs., in view of carried forward losses of the earlier years, your Directors have decided not to declare any dividend for the year under review.

### OPERATIONS

As you are aware, your Company has leased out the Malting Operations to United Breweries Limited w.e.f. 1.4.1998. In view of increased demand, your Director are exploring the possibility of enhancing the production capacity from the present level of 20000 TPA to 50000 TPA for which the discussions are on with United Breweries Limited and taking effective steps to make the unit more economically viable. The Board is confident that new arrangement shall prove to be beneficial to the Company.

### DEMATERIALIZATION OF SHARES

Your Company has entered into agreement with Central Depository Services (India) Limited (CSDL) for the purpose of dematerialisation of Company's equity shares in accordance with the provisions of Depositories Act, 1996. The Registrars are Alpha Systems Private Limited, 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore – 560 003.

### FUTURE PROSPECTS

Barring unforeseen circumstances, your Directors expect the prospects for the current year to be satisfactory.

### DIRECTORS

In accordance with the provisions of Section 256 of the Companies Act, 1956, read with the provisions in the Articles of Association of the Company Mr. Kalyan Ganguly, Mr. Sanjay Labroo, Ms. Loveleena Labroo and Mr. Ajay Labroo are due to retire by rotation and being eligible, offer themselves for re-appointment.

### DIRECTORS RESPOSIBILITY STATEMENT

Pursuant to Section 217 (2A) of the Companies Act, 1956 the Directors Confirm that

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating the material departures.
- The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that 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 and loss account of the Company of that period.
- The directors have taken proper and sufficient care 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 Directors have prepared the annual accounts on a going concern basis.

### SECRETRIAL COMPLIANCE CERTIFICATE

Yours Directors would like to inform the members that they appointed M/s Anil Jindal & Associates, Company Secretaries to obtain compliance certificate for the financial year ended 31st March, 2008 in last AGM. M/s Anil Jindal & Associates have submitted their certificate for the period under report.

## Report of the Directors (contd.)

Further Your Directors propose to re-appoint M/s Anil Jindal & Associates to obtain Secretarial Compliance Certificate for the year ending 31st March, 2009.

### INDUSTRIAL RELATIONS

During the year under review, relations with the work force continued to be cordial.

### AUDITORS AND AUDITORS' REPORT

M/s A Sharma & Co. the present Auditors of the Company retire at the ensuing Annual General meeting and being eligible offer themselves for re-appointment.

The Notes to the Accounts, referred to in the Auditor's report are self-explanatory and, therefore, do not call for any further comments.

### CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORTION

The Company has leased out the Malting operations to United Breweries Limited (UBL) and the manufacturing activities are carried out by UBL. The requisite particulars as furnished by UBL are annexed.

### FOREIGN EXCHANGE EARNING & OUTGO

There is no direct outgo of foreign exchange; Your Company has no Income in foreign exchange.

### PARTICULARS OF EMPLOYEES

There are no employees who are in receipt of the Gross Annual remuneration which require disclosure under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975 as amended.

### ACKNOWLEDGEMENT

Yours Directors express their gratitude to the Shareholders for the trust placed in the Company, Your Director would like to express their appreciation for Co-operation guidance and support received from the Bankers and Government authorities, The Board also takes this opportunity to place its appreciation for the contribution made by the employees at all levels.

For and on Behalf of the Board

Place: New Delhi  
Date: 04.08.2008

**B M Labroo**  
Director

**Kanta Labroo**  
Managing Director

### ANNEXURE

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

#### A. Conservation of Energy:

Energy conservation measures taken by the Company.

##### (a) Electrical Energy:

Focus on optimal work in process during the Winter Months – reducing refrigeration load – savings on energy consumption.

The Company has installed and successfully commissioned Vapor Absorption machine which will ensure lesser consumption of power viz., earlier mode of Ammonia Compressors.

##### (b) Fuel Oil Consumption:

The Company has installed Rice Husk Fired Thermo pack which is indirect Heating System ensuring saving in Fuel as earlier we were using HSD/FO.

##### (c) Water Conservation:

The Company is consuming minimum possible water for the production of malt.

#### B. Technology Absorption

The Company is working to bring latest technology in the germination boxes in order to have better quality malt.

#### 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. NIL

Foreign Exchange used : Rs. NIL

## Auditors' Report

To the Members of

### **MALTEX MALSTERS LIMITED**

We have audited the attached Balance Sheet of MALTEX MALSTERS LIMITED, as at 31<sup>st</sup> March, 2008 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion of these financial statements based on our audit.

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.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (a) 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.
- (b) 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.
- (c) The Balance Sheet, the Profit and Loss Account dealt with by this report are in agreement with the books of account.
- (d) On the basis of written representations received from the Directors, as on 31<sup>st</sup> March, 2008, and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31<sup>st</sup> March, 2008 from being appointed as director under Section 274(1)(g) of the Companies Act, 1956.
- (e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and Notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
  - (i) in so far it relates to Balance Sheet, of the state of affairs of the Company as at March 31<sup>st</sup> 2008;
  - (ii) in so far it relates to the Profit and Loss Account, of the Profit for the year ended on the date; and

For **A SHARMA & CO.**  
Chartered Accountants

**(GULSHAN ARORA)**  
Partner  
M.No.87942

Place: New Delhi  
Date: 13.05.2008

## **Annexure to the Auditors' Report**

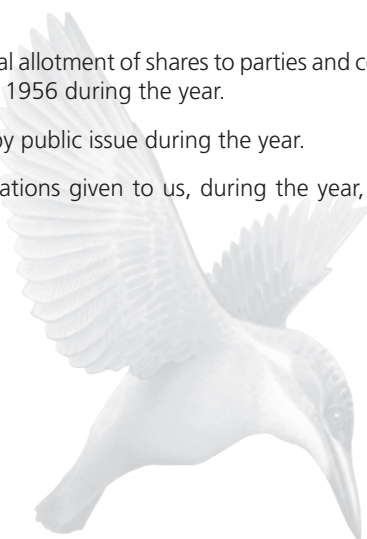
### **Annexure to the Auditors' Report to the Members of Maltex Malsters Limited**

(referred to in paragraph 3 of our Report of even date)

1. In respect of the fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - (b) As per information and explanations given to us, the fixed assets have been physically verified by the management at reasonable intervals, which, in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies between the book records and the physical inventory were noticed.
  - (c) The Company has not disposed of substantial part of fixed assets during the year.
2. During the year, the Company did not hold any inventory and as such paragraphs 4(ii) of the Companies (Auditors' Report) Order, 2003 regarding maintenance of records and physical verification of inventory is not applicable.
3. In respect of loans, secured or unsecured, granted or taken by the Company to / from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956:-
  - a) The Company has taken unsecured loans of Rs.7.00 lakhs from two parties covered in the Register maintained under Section 301 of the Companies Act, 1956. During the year, the Company has not granted any loan to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. The Company has not taken any loan from companies, or firms covered in the Register maintained under Section 301 of the Companies Act, 1956.
  - b) In our opinion, the rate of interest and other terms and conditions on which loan has been taken from other parties covered in the Register maintained under Section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
  - c) According to the information and explanations given to us, there is no overdue amount more than Rupees one lakh recoverable from or payable to the Company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of assets. Purchase of inventory and sale of goods are not involved. Further, on the basis of our examination, and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control procedures.
5. In our opinion and according to the information and explanations given to us, transactions that need to be entered into the Register maintained under Section 301 of the Companies Act, 1956, have been so entered. In our opinion and according to the information and explanations given to us, the transactions exceeding Rs.5 lakhs each with a Company has been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975 as applicable, with regard to the deposits accepted by the Company. As per information and explanations given to us no order under the aforesaid sections has been passed by the Company Law Board on the Company.
7. In our opinion, the Company has an internal audit system, which is commensurate with its size and nature of business.
8. To the best of our knowledge, the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956.
9. (a) According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, the Company is regular in depositing undisputed statutory dues including Income Tax, Provident Fund and other material statutory dues as applicable with the appropriate authorities.
- (b) Disputed income-tax amounting to Rs.12.95 Lakhs, have not been deposited since the matter is pending before the Income Tax Appellate Authority.
10. The Company has accumulated losses as at 31<sup>st</sup> March, 2008 of Rs.7.58 lakhs and has not incurred cash losses during the financial year ended on that date or in the immediately preceding financial year.
11. According to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution, bank or to debenture holders during the year.

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

12. According to the information and explanations given to us the Company has not granted loan and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund, nidhi, mutual benefit or a society. Accordingly, paragraph 4(xiii) of the Order is not applicable.
14. According to the information and explanations given to us and on the basis of our examination of the books of account the Company has not traded any shares, securities, debentures and other securities during the year.'
15. According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
16. In our opinion and according to the information and explanations given to us, the term loan was applied for the purpose for which the loan was obtained.
17. Based on the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, in our opinion, there are no funds raised on a short term basis which have been used for long term investment and vice versa.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 during the year.
19. The Company has not raised any money by public issue during the year.
20. According to the information and explanations given to us, during the year, no fraud on or by the Company has been noticed or reported.



For **A SHARMA & CO.**  
Chartered Accountants

**(GULSHAN ARORA)**  
Partner  
M.No.87942

Place: New Delhi  
Dated: 13.05.2008

## Balance Sheet as at March 31, 2008

	Schedules	2008		2007	
		Rs.	Rs.	Rs.	Rs.
<b>SOURCE OF FUNDS</b>					
<b>SHAREHOLDERS' FUNDS</b>					
Share Capital	1	4,500,000		4,500,000	
Reserves & Surplus	2	19,005,341		16,691,921	
			<b>23,505,340</b>		<b>21,191,921</b>
<b>LOAN FUNDS</b>					
Secured Loans	3	18,931,202		25,580,469	
Unsecured Loans	4	700,000		1,230,000	
			<b>43,136,543</b>		<b>48,002,390</b>
<b>APPLICATION OF FUNDS</b>					
<b>FIXED ASSETS</b>					
Gross Block	5	80,863,005		79,419,965	
Less: Depreciation		56,880,439		50,899,342	
Net Block			<b>23,982,566</b>		<b>28,520,623</b>
<b>DEFERRED TAX ASSETS</b>			<b>2,587,089</b>		<b>1,653,603</b>
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>					
Sundry Debtors	6	13,187,297		15,447,255	
Cash & Bank Balances		94,480		208,791	
Loans & Advances		11,565,861		8,929,086	
		<b>24,847,638</b>		<b>24,585,132</b>	
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>					
Current Liabilities	7	8,071,533		6,719,798	
Provisions		209,217		37,170	
		<b>8,280,750</b>		<b>6,756,968</b>	
			<b>16,566,888</b>		<b>17,828,164</b>
			<b>43,136,543</b>		<b>48,002,390</b>
<b>Significant Accounting Policies And Notes To Accounts</b>					
	10				

AUDITORS' REPORT  
As Per Our Separate Report of even date annexed

For and on behalf of Board

For **A SHARMA & CO.**  
Chartered Accountants

**B M Labroo**  
Director

**Kanta Labroo**  
Managing Director

**(GULSHAN ARORA)**

Partner  
M.NO. 87942

Place: New Delhi  
Dated: 13.5.2008

## Profit & Loss Account for the year ended 31st March 2008

	Schedules	2008 Rs.	2007 Rs.
<b>INCOME</b>			
Lease Rental (Tax deducted at source Rs. 14,24,704/- Previous year Rs. 14,45,375/-)		6,287,306	6,441,065
Interest (Tax deducted at source Rs. 4,87,573/- Previous year Rs. 5,44,260/-)		2,700,460	2,425,400
Miscellaneous Income		17,590	—
Liabilities no longer required written back		—	159,263
Profit on Sale of Vehicles		—	17,367
<b>TOTAL</b>		<b>9,005,356</b>	<b>9,043,095</b>
<b>EXPENDITURE</b>			
Administration	8	1,088,856	1,139,557
Finance Charges	9	346,253	358,266
Depreciation		5,981,097	7,738,066
<b>TOTAL</b>		<b>7,416,206</b>	<b>9,235,889</b>
Profit / (Loss) for the year		1,589,150	(192,794)
Less: Provision for MAT		164,000	—
Less: Provision for FBT		45,217	37,170
Add: Provision for Deferred Tax Asset		933,486	1,304,460
Profit / (Loss) After Tax		2,313,419	1,074,496
Add : Balance Brought forward from Previous year		(3,075,751)	(4,150,247)
Profit / (Loss) available for Appropriation		(762,332)	(3,075,751)
Carried to Balance Sheet		(762,332)	(3,075,751)
Significant Accounting Policies and Notes To Accounts	10		

AUDITORS' REPORT  
As Per Our Separate Report of even date annexed

For and on behalf of Board

For **A SHARMA & CO.**  
Chartered Accountants

**B M Labroo**  
Director

**Kanta Labroo**  
Managing Director

**(GULSHAN ARORA)**  
Partner  
M.NO. 87942

Place: New Delhi  
Dated: 13.5.2008

## Schedules to Balance Sheet

	2008 Rs.	2007 Rs.
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
Authorised		
1,00,000 (100,000) Equity Shares of Rs. 100/- each	<b>10,000,000</b>	10,000,000
<b>Issued, Subscribed and Paid up</b>		
45,000 (45,000) Equity Shares of Rs. 100/- each fully paid up (including 32,500 Equity Shares allotted as fully paid up Bonus Shares by capitalisation of General Reserve of Rs. 32,50,000/-)	<b>4,500,000</b>	4,500,000
<b>SCHEDULE 2</b>		
<b>RESERVE &amp; SURPLUS</b>		
<b>RESERVES:</b>		
Capital Reserve		
As per last Balance Sheet	<b>131,776</b>	131,776
General Reserve		
As per Last Balance Sheet	<b>19,635,896</b>	19,635,896
Surplus / (Deficit)		
As per Profit & Loss Account Annexed	<b>(762,332)</b>	(3,075,751)
	<b>19,005,341</b>	16,691,921
<b>SCHEDULE 3</b>		
<b>SECURED LOANS</b>		
Term Loan from a Bank	<b>18,931,202</b>	25,580,469
From Other	—	—
	<b>18,931,202</b>	25,580,469
Note:		
I) Term Loan from a bank is secured by way of hyothecation of all Plant & Machineries lying at factory or elsewhere both present and future.		
II) Loan from other is secured against vehicle.		
<b>SCHEDULE 4</b>		
<b>UNSECURED LOANS</b>		
From Directors	<b>700,000</b>	700,000
From Others	—	530,000
	<b>700,000</b>	1,230,000

## Schedules to Balance Sheet (contd.)

### SCHEDULE 5 Fixed Assets

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.4.2007	Additions during the year	Sale/ Discarded during the year	As at 31.3.2008	As at 1.4.2007	For the year	Sale/ Discarded during the year	As at 31.3.2008	As at 31.3.2008	As at 31.3.2007
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land (Free hold)	108,854	-	-	108,854	-	-	-	-	108,854	108,854
Buildings	13,960,157	-	-	13,960,157	7,073,062	593,796	-	7,666,858	6,293,299	6,887,095
Plant & Machinery	62,544,611	1,428,240	-	63,972,851	41,512,635	5,278,664	-	46,791,299	17,181,552	21,031,976
Motor Vehicles	2,296,599	14,800	-	2,311,399	1,870,361	99,843	-	1,970,204	341,195	426,238
Furniture & Fittings	447,354	-	-	447,354	428,522	2,169	-	430,691	16,663	18,832
Office Equipments	62,390	-	-	62,390	14,762	6,625	-	21,387	41,003	47,628
<b>TOTAL (Rs.)</b>	79,419,965	1,443,040	-	80,863,005	50,899,342	5,981,097	-	56,880,439	23,982,566	28,520,623
Previous year (Rs.)	79,474,296	8,910	63,241	79,419,965	43,209,854	7,738,066	48,578	50,899,342	28,520,623	-

## Schedules to Balance Sheet (contd.)

	2008 Rs.	2007 Rs.
<b>SCHEDULE 6</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>a) Sundry Debtors (unsecured)</b>		
Outstanding for over six months:		
- Considered good	7,417,945	11,390,668
- Considered doubtful not provided for	284,208	284,208
Others		
- Considered good	5,485,143	3,772,379
	<b>13,187,297</b>	<b>15,447,255</b>
<b>b) Cash &amp; Bank Balance</b>		
Cash in hand (as certified)	2,028	17,672
Balance with Scheduled Banks in		
- Current Accounts	92,452	111,619
- Fixed Deposit Account	—	79,500
	<b>94,480</b>	<b>208,791</b>
<b>c) Loans &amp; Advances</b>		
(Unsecured, considered good unless otherwise stated)		
Advances Recoverable in cash or in kind or for value to be received and/or adjusted.	5,817,141	2,043,648
Security Deposits	1,610,210	1,608,710
Advance Tax & Tax Deducted at Source	4,059,345	5,193,777
Balance with Excise Authorities (doubtful, not provided for)	72,090	72,090
Prepaid Expenses	7,075	10,861
	<b>11,565,861</b>	<b>8,929,086</b>
<b>SCHEDULE 7</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>A) Current Liabilities</b>		
Sundry Creditors & Liability for Expenses (including Rs.72,500/- Previous year Rs. 325,861/- payable to Managing and other Directors)	8,059,432	6,680,849
Tax Deducted at Source	12,101	38,949
	<b>8,071,533</b>	<b>6,719,798</b>
<b>B) Provisions</b>		
For Minimum Alternate Tax (MAT)	164,000	-
For Fringe Benefit Tax	45,217	37,170
	<b>209,217</b>	<b>37,170</b>

## Schedules to Profit and Loss Account

	2008 Rs.	2007 Rs.
<b>SCHEDULE 8</b>		
<b>ADMINISTRATIVE &amp; OTHER EXPENSES</b>		
Salaries & Wages	36,000	36,000
Employees Welfare Expenses (Including Rs. 24,146 /- Medical expenses of Director)	30,282	44,847
Travelling & Conveyance (including Rs.504,680/- previous year Rs.480,211/- by Managing and other Director)	518,313	491,904
Vehicles Up keep	83,872	138,820
Legal & Professional Charges	61,730	78,393
Printing & Stationary	3,000	3,930
Rent (including Rs.39,600/- previous year Rs.39,300/- for Mananging Director's residence)	63,600	63,300
Rates & Taxes	9,168	2,500
Electricity Expenses	79,070	57,100
Postage, Telegram & Telephone Expenses	22,204	39,080
Auditor's Remuneration		
- For Audit	13,483	13,468
- For Tax Audit	14,607	14,592
- For Certification & Others	2,247	2,806
- For Reimbursement of Expenses	8,901	3,287
	39,238	34,153
Repairs & Maintenance		
- Building	—	53,491
- Others	2,000	2,258
	2,000	55,749
Miscellaneous Expenses	45,839	33,806
Diwali Expenses	78,540	37,975
Director's Sitting Fee	16,000	22,000
	1,088,856	1,139,557

## SCHEDULE 9

### FINANCE CHARGES

#### Interest

On Loans ( including Rs.92,940/-, previous year Rs. 92,750/- paid to Managing and other directors)	344,089	357,554
Bank Charges	2,164	712
	346,253	358,266

## Significant Accounting Policies & Notes to Accounts

### SCHEDULE 10

#### 1. Significant Accounting Policies

##### a) Basis of Accounting

The financial statements are prepared under historical cost convention on accrual basis and in accordance with the requirement of the Companies Act, 1956.

##### b) Fixed Assets

All fixed Assets are stated at cost less depreciation. Cost include taxes, duties, freight and other identifiable expenses directly related to the asset.

##### c) Depreciation

Depreciation is provided on written down value method at rates specified in Schedule XIV to the Companies Act, 1956 on prorata basis.

##### d) Inventories

Finished Goods, Raw Material Store & Spares, Stock in process are valued at cost. However, thin grain barley is valued at net realisable value. Scrap is valued at net realisable value. However there was no stock of Finished Goods, Raw Material, Stores & Spares and Stock in process at the close of the year.

##### e) Revenue Recognition

- 1) Accrual of Lease Rental is based on the terms of payments mentioned in the Lease Agreement.
- 2) Accrual of interest income is based on the terms settled with the customers.

##### f) Retirement Benefits

The company has opted for Group Gratuity Fund Scheme of Life Insurance Corporation of India for gratuity benefits to its employees. However, contribution to such fund is not charged to Profit & Loss Account for the year-ended 31.3.2008 as the same is being recovered from the lessee in terms of lease Agreement executed on 29.01.03.

##### g) Taxation

Provision for income tax comprises of current tax and deferred tax charged or realised. The deferred tax charge or credit is recognised using current tax rates. Deferred tax assets arising from unabsorbed depreciation or carry forward losses are recognised only if there is virtual certainty of realisation of such amounts. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Such assets are to be reviewed at each Balance Sheet date to reassess the realisability.

##### h) Impairment of Assets

Impairment is ascertained at each Balance Sheet date in respect of Cash Generating Units for which any indication of any possible impairment exist. An impairment loss is recognized if the carrying amount of assets of a Cash Generating Unit exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount rate.

##### i) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- i) The Company has a present obligation as a result of past event.
- ii) A probable outflow of resources is expected to settled the obligation.
- iii) The amount of obligation can be reliably estimated.

Reimbursements expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in the case of

- a) a present obligation arising from the past event, when it is not probable that an outflow of resources will be required to settle the obligation
- b) a possible obligation, of which the probability of outflow of resources is remote.

Contingent Assets are neither recognised nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

## Significant Accounting Policies & Notes to Accounts (contd.)

### j) Prior Period Items

The expenditure and income pertaining the prior period are shown under the respective heads of accounts in the Profit and Loss Account.

### k) Other Accounting Policies

Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

## II. Financial Notes

- The company had leased out its entire malting operations to United Breweries Limited (malt division) on a lease rent of Rs. 300/- per MT of Malt produced by United Breweries Limited.
  - The lessee is also utilising the services of all the employees of the company on its roll as on 31.3.1998 including its working directors. Since all the cost towards salaries, bonus, PF, gratuity and all other statutory dues payable to such employees have been recovered from the Lessee, no such expenses are reflected in the Profit & Loss Account of the Company for the year except expenses incurred at Delhi office.
  - The Lessee has agreed to pay the entire amount of interest on Term Loan raised from bankers of the company for the purpose of installation / erection / purchase of Plant & Machinery. During the year, the interest of Rs.21.48 lakhs (previous year Rs.32.55 lakhs) on Term Loan paid by the company has not been capitalised as the same was reimbursed by the Lessee.
- The company is treating lease rental income and interest income under the head "Income from business & Profession" for calculation of taxable income. In an order passed for A.Y. 2004-05, the tax authorities are of the view that lease rental income should be treated under the head "Income from Other Sources" instead of "Income from business & Profession" as claimed by the company. The company is in the process of submission of appeal in High Court against the ITAT order. The company has been advised that even calculation of taxable income as assessed by the authorities for A.Y. 2004-05, it would have not any additional tax implication.

### 3. Deferred Tax Liability (net)

The components of deferred tax liability (net) / assets (net) arising on account of timing differences are as under:

	Deferred tax / Asset (Liability)		
	Opening as at 1.4.07	Current year charge / (Credit)	Deferred tax Asset / (Liabilities) As at 31.3.08
Timing differences on Account of: Difference between book depreciation and depreciation under the Income Tax Rules	16,53,603	9,33,486	<b>25,87,089</b>
Net Deferred Tax Liability (+) Asset (-)	16,53,603	9,33,486	<b>25,87,089</b>

- In the opinion of Board, all the current assets, loans and advances (except those stated as doubtful) have a value on realisation in the ordinary course of business at least equal to the amount at which these are stated in the Balance Sheet.
- As per information available with the company, there is no amount payable as at 31st March 2008 to Small Scale undertakings.
- Managerial remuneration under section 198 of the Companies Act, 1956 paid to the directors (including Managing Director) recovered from the Lessee in terms of the Lease Agreement dated 1/4/1998.

	Current Year	Previous Year
	Rs.	Rs.
Salaries	<b>6,64,933</b>	288,000
Perquisites (Actual and /or Valued as per Income tax Rules)	<b>39,600</b>	18,000
Contribution to Provident Fund	<b>79,792</b>	34,560
Contribution to Group Gratuity Fund	—	—
<b>Total</b>	<b>784,325</b>	340,560

- No commission was payable to the Managing Director and whole time directors under section 198 read with section 349 of the Companies Act, 1956 for the year.

## Significant Accounting Policies & Notes to Accounts (contd.)

7. Additional Information as required by Part II of Schedule VI to the Companies Act, 1956:

A) Licensed & Installed capacity & Production

Product	*Licensed Capacity	*Installed Capacity	Actia; Production
Malt	Not applicable	18500 MT	—

\* As certified by the Managing Director.

Since the company has leased out its entire malting operations to United Breweries Limited w.e.f. 1.4.1998, there was no production on account of the company during the year under review.

B) Sales, Opening & closing stock:

Product	Sales		Opening Stock		Closing Stock	
	Value in Rs.	Value in Rs.	Qty. in MT	Value in Rs.	Qty. in MT	Value in Rs.
Malt	NIL	NIL	NIL	NIL	NIL	NIL

C)	Gross Receipts	Rs.	Rs.
	i) Lease Rental	62,87,306	(64,41,065)
	ii) Interest	27,00,460	(24,25,400)
	iii) Others	17,590	(1,76,630)
D)	C.I.F. Value of imports	NIL	(NIL)
F)	Expenditure in foreign currency	NIL	(NIL)
G)	Earnings in foreign currency	NIL	(NIL)

NOTES:

- (a) Since the company has not made any production on its account, the form of raw material consumed & spares consumed are not shown.
- (b) Figures in brackets above are in respect of previous year.
8. Previous year figures have been regrouped / rearranged wherever found necessary to make these comparable with those of current year.

<b>I Registration Details</b>			
Registration No.	2895	State Code	16
Balance Sheet Date	31.03.2008		
<b>II Capital Raised during the year (Amount in Rs. Thousands)</b>			
Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
<b>III Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)</b>			
Total Liabilities	43140	Total Assets	43140
<b>Source of Funds</b>			
Paid-up Capital	4500	Reserves & Surplus	19009
Secured Loans	18931	Unsecured Loans	700
<b>Application of Funds</b>			
Net Fixed Assets	23983	Investments	NIL
Net Current Assets	16570	Misc. Expenditure	NIL
		Deferred Tax	2587
<b>IV Performance of Company (Amount in Rs. Thousands)</b>			
Turnover	9005	Total Expenditure	1420
Profit Before Tax	1593	Profit After Tax	2317
Earning Per Share	51.49	Dividend	NIL

## Significant Accounting Policies & Notes to Accounts (contd.)

V	Generic Names of Three Principal/Service of Company (as per monetary terms)				
	Item Code No (ITC Code)	110720.00			
	Product	Malt			
	Description				
	Item code No.	NIL			
	(ITC Code)				
	Production Description	NIL			
	Item Code No.				
	(ITC Code)	NIL			
	Production Description	NIL			

9. Schedules 1 to 10 form an integral part of the Balance Sheet as at 31.3.2008 and Profit & Loss Account for the year ended on that date.

### AUDITORS' REPORT

As Per Our Separate Report of even date annexed

For and on behalf of Board

For **A SHARMA & CO.**  
Chartered Accountants

**(GULSHAN ARORA)**

Partner  
M.NO. 87942

**B M Labroo**  
Director

**Kanta Labroo**  
Managing Director

Place: New Delhi  
Dated: 13.5.2008

**Balance Sheet Abstract**
**COMPANY'S GENERAL BUSINESS PROFILE**
**I. Registration Details**

Registration No.	:	2895
State Code	:	16
Balance Sheet Date	:	31.03.2008

**II. Capital Raised during the year**

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

**III. Position of Mobilisation and Deployment of Funds: (Amount in Rs. thousands)**

Total Liabilities	43140	Total Assets	43140
<b>Sources of Funds</b>		<b>Application of Funds</b>	
Paid-up Capital	4500	Net Fixed Assets	23983
Reserves & Surplus	19009	Investments	Nil
Secured Loans	18931	Net Current Assets	16570
Unsecured Loans	700	Deferred Tax Assets	2587
Deferred Credit		Miscellaneous Expenditure	Nil
Deferred Tax Liability			

**IV. Performance of Company (Amount in thousands)**

Turnover	9005	Total Expenditure	1420
(Includes non-recurring items)			
Profit Before Tax	1593	Profit After Tax	2317
Earnings per Share	51.49	Dividend Rate	Nil

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

Item Code – ITC Code	110720.00
Product Description	Malt