ANNUAL REPORT 2010 - 2011

# UNITED SPIRITS

Vision 2011

A GLOBAL LEADER 2010 - 2011

*Aspire . Innovate . Lead*

**UNITED SPIRITS LIMITED**

# SHANKEN NEWS Daily*

*Monday, May 2, 2011*

## India's United Spirits Now World's Biggest Spirits Player by Volume, Sees More Growth Ahead

India's United Spirits Ltd (USL) may have only recently surpassed the vaunted 100-million-case mark, but Vijay Mallya, chairman of USL parent UB Group, already has another target in mind: 200 million cases. Mallya said in recent days that his company plans to pass the 200-million-case threshold in annual sales within the next five years.

In its recently completed fiscal year (ended March 31), USL sold 114 million cases of spirits worldwide, making it the world's biggest spirits company by case volume (Diageo, long the global leader, sells around 106 million cases of spirits annually). The company got off to a strong start in calendar 2011, its fiscal fourth quarter. For the three-month period, USL enjoyed a 36% jump in net profit to R774.4 million ($17.5m). Sales rose by 12% to 28.8 million cases.

* *Impact International's daily publication*

## United Spirits achieves global volume leadership

### Creates a record by moving up from No. 3 to No. 1 position in 3 years

United Spirits Limited (USL), the flagship alcobev company of the USD 3.75 billion UB Group, achieved global leadership of the alcoholic spirits industry by volume, selling over 113 million cases in FY 11 - a 13% leap over the last fiscal . The Company's tally of 'millionaire' brands (brands that annually sell over a million cases) rose to 21 including its premium grain-based whisky from the McDowell's No. 1 portfolio - McDowell's No.1 Platinum which achieved this landmark in its year of launch. This makes United Spirits the largest FMCG Company in India.

**Business Highlights:**

Over the past 25 years, USL has sold in excess of 850 million cases of its alcoholic spirits. The first 100 million cases landmark was achieved over 12 years – the latest 100 million cases were consummated in less than 11 months of FY11.

In FY11, USL brands grew in excess of 12%, while the world's top 100 spirits brands grew 4.3%*****. 17 of the top 25 global premium spirits brands either lost ground or grew less than 5% each in the same period*****.

- Bagpiper Whisky continues to be the world's largest selling whisky
- McDowell's No.1 with sales in excess of 40 million cases and a growth of over 14% is the world's largest umbrella brand in the alcoholic spirits domain
- McDowell's No.1 Brandy continues to be the world's largest selling brandy with sales of over 12 million cases.
- McDowell's No.1 Celebration Rum is the world's 3rd largest (and India's largest) rum with sales in excess of 14 million cases.
- USL's brands generated a retail sales value of over Rs.34,000 crores and contributed in excess of Rs.21,000 crores to the Government exchequer.

***** *Source: Impact International (May 2011)*

USL's product portfolio today uniquely spans brands from Rs 250 to Rs 70,00,000 giving the consumers and the trade an opportunity to upgrade to premium brands at various stages of their purchase lifecycle.

## McDowell's No.1 Platinum Whisky

2010 witnessed the launch of a premium variant from the McDowell's portfolio: McDowell's No.1 Platinum, a pure 100% grain based whisky which pushed the paradigm for the whisky segment in India as well as catapulted McDowell's fortunes. The brand strode ahead to sell one million cases in the first year of its launch!

Achievement of a million cases at this price point in its debut year is an extraordinary feat in the history of the liquor industry.

McDowell's No.1 Platinum has been crafted by none other than the legendary Master Blender, Richard Paterson, who has to his

credit blends like the Jura-single malt whisky, Whyte & Mackay range of blended scotch with the extra year of maturation and the recent Black Dog 18 YO scotch.

Made from 100% premium grain, Indian Malts and premium scotch, this fine whisky deserved a fitting packaging. For the first time, the "Beveled pack" for the Quart, Pint and Nip- was introduced in the spirits category creating yet another world record. The packaging has a premium look and feel and makes McDowell's No.1 Platinum stand out distinctively on the shelves.

The brand signed on Mahendra Singh Dhoni as its ambassador last year given the strong synergy in the values and personality of both the icons one in alcobev and the other in cricket.

# CONTENTS



Dr. Vijay Mallya
Chairman

| | |
|---|---|
| **Board of Directors** | Vijay Mallya,<br>**Chairman**<br><br>S. R. Gupte,<br>**Vice Chairman**<br><br>Ashok Capoor,<br>**Managing Director**<br><br>M. R. Doraiswamy Iyengar<br><br>B. M. Labroo<br><br>Sreedhara Menon<br><br>Sudhindar Krishan Khanna |
| **President & CFO - The UB Group** | Ravi Nedungadi |
| **Joint President & CFO** | P. A. Murali |
| **Company Secretary** | V. S. Venkataraman |
| **Auditors** | Price Waterhouse<br>Chartered Accountants,<br>Bangalore |
| **Registered & Corporate Office** | 'UB Tower', #24, Vittal Mallya Road,<br>Bangalore - 560 001 |
| **Registrars & Transfer Agents** | Integrated Enterprises (India) Limited<br>30, Ramana Residency, 4th Cross,<br>Sampige Road, Malleswaram,<br>Bangalore - 560 003<br>Tel : 080 2346 0815 To 818<br>Fax : 080 2346 0819 |

Your Directors have pleasure in presenting the Annual Report of your Company and the audited accounts for the year ended March 31, 2011.

**FINANCIAL RESULTS**

| | Rupees in Millions | |
|---|---|---|
| | **2010-11** | 2009-10 |
| The working of your Company for the year under review resulted in | | |
| • Profit from operations | **5,925.149** | 5,123.093 |
| • Exceptional and other non-recurring items | **368.399** | 699.953 |
| | **6,293.548** | 5,823.046 |
| Less: | | |
| • Depreciation | **477.470** | 386.302 |
| • Taxation (including deferred tax) | **1,961.365** | 1,676.529 |
| • Profit after tax | **3,854.713** | 3,760.215 |
| Profit B/F from previous year | **12,380.525** | 9,486.445 |
| Profit transferred on Amalgamation | **4.030** | - |
| Profit available for appropriation | **16,239.268** | 13,246.660 |
| Your Directors have made the following Appropriations : | | |
| General Reserve | **500.000** | 500.000 |
| Proposed Dividend | **326.987** | 313.986 |
| Corporate Tax on Proposed Dividend | **54.309** | 52.149 |
| Balance carried to the Balance Sheet | **15,359.972** | 12,380.525 |
| EPS - Basic & Diluted (Rupees) | **29.47** | 32.51 |

Your Directors propose a Dividend on the equity shares of the Company at the rate of Rs. 2.50 per share, including on 5,200,639 Equity Shares of 10/- each fully paid up allotted during the year to the shareholders of Balaji Distilleries Limited ("BDL"), since amalgamated with the Company.

**CAPITAL**

During the year under review, consequent to amalgamation of Balaji Distilleries Limited with the Company, the Authorised Capital of your company stood increased from Rs. 3,292,000,000/- divided into 245,000,000 Equity Shares of Rs.10/- each and 84,200,000 Preference Shares of Rs.10/- each to Rs. 5,542,000,000/- divided into 395,000,000 Equity Shares of Rs.10/- each and 159,200,000 Preference Shares of Rs.10/- each. The Issued, Subscribed and Paid-up Equity Share Capital of the Company stood increased from Rs. 1,255,943,290/- divided into 125,594,329 Equity Shares of Rs.10/- each to Rs.1,307,949,680/- divided into 130,794,968 Equity Shares of Rs. 10/- each by issue and allotment of 5,200,639 Equity Shares of Rs.10/- each, fully paid-up, to the shareholders of Balaji Distilleries Limited consequent to its amalgamation with your Company.

**GLOBAL DEPOSITARY SHARES**

Your Company had issued 17,502,762 Global Depositary Shares ("GDSs") representing 8,751,381 Equity Shares ranking pari-passu in all respects with the existing paid up equity shares, 2 GDSs representing 1 equity share of par value of Rs.10/- each at US$7.4274 per GDSs aggregating to US$ 130 mn. These GDSs are listed on the Luxembourg Stock Exchange.

As on July 29, 2011, there was an outstanding of 1,662,666 GDSs representing 831,333 equity shares.

**PERFORMANCE OF THE COMPANY**

During the year under review, the Company has achieved a sales volume of over 112 million cases, representing a growth of 12% over the previous year, thus making it the largest distilled spirits marketeer in the world in terms of volume. Profit from operations at Rs. 5,925.149 millions registered a growth of 16% over the previous year.

Through a combination of premiumization, cost control and increased effeciency at every stage of its process, the Company has been able to not only mitigate cost increases but also improve its profitabality.

**AMALGAMATION OF BALAJI DISTILLERIES LIMITED WITH THE COMPANY**

The Hon'ble Appellate Authority for Industrial and Financial Reconstruction has sanctioned the Rehabilitation Scheme of Balaji Distilleries Limited which includes the Scheme of Arrangement between Balaji Distilleries Limited ("BDL"), Chennai Breweries Private Limited ("CBPL") and United Spirits Limited ("USL") (the "Company") and their respective Shareholders and Creditors ("the Scheme") vide its order dated November 29, 2010, and the Scheme became effective from December 27, 2010. In terms of the sanctioned scheme, all the assets and liabilities of BDL, other than Brewery Division Undertaking, as a going concern stood transferred to and vested in the Company with effect from 1st April, 2009, being the "Merger Appointed Date" and "BDL" stood dissolved without winding up. In terms of the Scheme, the shareholders of BDL were issued and alloted in aggregate 5,200,639 equity shares of Rs.10/- each of fully paid up in the Company in the ratio of 2 equity shares of Rs. 10/- each fully paid up in the Company for every 55 equity shares of Rs. 10 /- each fully paid up in BDL.

**ACQUISITION OF PIONEER DISTILLERIES LIMITED**

In terms of Share Purchase Agreement ("SPA") executed with the promoters of Pioneer Distilleries Limited ("PDL"), a company listed on Pune Stock Exchange Limited, National Stock Exchange of India Limited and Bombay Stock Exchange Limited, your Company acquired 7,322,280 Equity shares constituting 54.69% of the paid up capital of PDL. Further, 977,212 Equity shares, constituting 7.30% and 2,677,640 Equity shares, constituting 20.00% of the paid up capital of PDL were acquired from the open market and through open offer in terms of SEBI Takeover Regulations, respectively, thereby acquiring a total of 10,977,132 Equity shares, aggregating to 81.99% of the paid up capital of PDL. Consequently, PDL has become a subsidiary of the Company. PDL is in the business of manufacture and sale of Extra Neutral Alcohol ("ENA"), which is the primary ingredient for manufacture of Indian Made Foreign Liquor ("IMFL") and having a manufacturing plant in Balapur Village, Dharmabad Taluk, Nanded District, Maharashtra.

Pursuant to the provisions of listing agreements executed with the concerned stock exchanges, the Company would take necessary steps to bring down its total shareholding in PDL to 75% of the paid up capital, in due course.

**ACQUISITION OF SOVEREIGN DISTILLERIES LIMITED**

In terms of Share Purchase Agreement ("SPA") executed with the promoters of Sovereign Distilleries Limited ("SDL"), your Company proposes to acquire 100% of the paid up capital of SDL and has so far acquired 35,954,280 equity shares constituting 61.53% of the paid up capital of SDL. Consequently, SDL has become a subsidiary of the Company. SDL is engaged in the business of manufacturing, sale and / or marketing of Extra Neutral Alcohol ("ENA"), and Indian Made Foreign Liquor ("IMFL") and having a manufacturing plant at Village Singapur, District Raichur, Karnataka.

**SUBSIDIARIES**

During the year under review, Chennai Breweries Private Limited ("CBPL"), a wholly owned subsidiary of Balaji Distilleries Limited ("BDL") became a wholly owned subsidiary of the Company consequent to amalgamation of BDL with the Company. CBPL is proposed to be amalgamated with United Breweries Limited, a UB Group Company in terms of the Scheme of Amalgamation, subject to the approval of the Hon'ble High Court of Karnataka and Madras. Upon the Scheme becoming effective, the Company would receive 8,500,000 equity shares of Rs. 1/- each of United Breweries Limited for the shares held in CBPL.

Pioneer Distilleries Limited, and Sovereign Distilleries Limited became subsidiaries of the Company during the current year consequent upon their acquisition as aforesaid.

During the year under review, Herbertsons Limited and Spring Valley Investments Holding Inc., have ceased to be subsidiaries of your Company consequent to the sale of shares and liquidation respectively.

In terms of Circular No.2/2011 dated February 8, 2011 issued by the Ministry of Corporate Affairs, Government of India, a general exemption has been granted from the compliance of Section 212 of the Companies Act, 1956, requiring holding companies to attach with their balance sheet, a copy of the balance sheet, profit and loss account and other documents of each of its subsidiaries provided the Board of Directors of such companies give consent, by way of a resolution, for not attaching the balance sheet of the subsidiary companies concerned with the balance sheet of the Company and certain conditions prescribed by the Ministry in this regard are complied with.

The Board of Directors of your Company, at their meeting held on August 03, 2011 have given their consent for not attaching, inter alia, the balance sheet, profit and loss account etc. of its subsidiary companies and have also agreed to comply with the conditions prescribed by the Ministry vide its circular dated February 8, 2011, in this regard.

In view of the above, the balance sheet, profit and loss account and other documents/details of the subsidiary companies, which are required to be attached with the balance sheet of the Company, are not attached. The Annual Accounts of the Subsidiaries and the related detailed information will be made available to any shareholder of the Company seeking such information at any point in time. The Annual

Accounts of the Subsidiary Companies will also be kept for inspection by any shareholder of the Company at its Registered Office and that of the Subsidiary Companies concerned, during the business hours on any working day.

The Accounting year of United Spirits Nepal Private Limited ("USNPL"), your Company's Subsidiary in Nepal is from mid-July to mid-July every year. Accordingly, Accounting year of 2009-10 of USNPL ended on July 14, 2010 and the Accounting Year 2010-11 ended on July 16, 2011 i.e., after the end of the close of the financial year of the Company, which ended on March 31, 2011. For the purpose of compliance under Accounting Standard – 21, relating to "Consolidated Financial Statement," the Accounts of USNPL has been drawn up to March 31, 2011.

For the purpose of compliance under Accounting Standard - 21, "Consolidated Financial Statement" presented by the Company includes the financial information of its subsidiaries.

## PROSPECTS

Your Company achieved a sales volume of 30.73 million cases during the first quarter of the current financial year and judging by continuing growth in the current year, the Company is set to maintain its current position as the world's largest spirits marketeer by volume.

The energy inflation prevailing in the market had adversely affected the cost of Extra Neutral Alcohol ("ENA"), a primary raw material required in the manufacture of your Company's products. Your Company presently procures the majority of its ENA requirement from external suppliers, some of whom are also competitors in the finished product arena. In order to reduce the dependence on such suppliers, your Company has acquired two entities having primary distillation units, during the year, namely Pioneer Distilleries Limited and Sovereign Distilleries Limited, having plants in Maharashtra and Karnataka respectively. These also will go a long way to help the Company to gain the arbitrage over ENA costs.

The price of glass containers also rose substantially due to inflation and the near monopoly situation existing in the market. In order to mitigate the cost of glass containers, your Company has developed alternate packaging materials viz., PET and Tetra Brick Packaging, which have proved a big success in Karnataka and Andhra Pradesh. Upon procuring regulatory approvals, such alternative packaging will be rolled out in other markets too. Apart from these measures, your Company is evaluating plans to set up a glass manufacturing unit in South India for captive consumption. With these measures, your Directors are hopeful that your Company would achieve a structural improvement in future profitability in the years to come.

## DEPOSITORY SYSTEM

The trading in the equity shares of your Company is under compulsory dematerialisation mode. As on July 29, 2011, equity shares representing 97.49 % of the equity share capital are in dematerialised form. As the depository system offers numerous advantages, members are requested to take advantage of the same and avail of the facility of dematerialisation of the Company's shares.

## DIRECTORS

Mr. M.R. Doraiswamy Iyengar and Mr. B.M. Labroo retire by rotation and being eligible, offer themselves for re-appointment.

Mr. V.K. Rekhi ceased to be the Managing Director of the Company with effect from April 19, 2011 consequent upon the expiry of his office as Managing Director and resigned as a Director of the Company with effect from the close of business hours on April 29, 2011.

Your Directors place on record their appreciation of the valuable services rendered by Mr. V.K. Rekhi during his tenure as Managing Director of your Company.

Mr. Ashok Capoor was appointed as an Additional Director of the Company with effect from April 29, 2011 and as Managing Director of the Company for a period of 3 (three) years commencing from May 2, 2011 to May 1, 2014. The appointment of and remuneration payable to Mr. Ashok Capoor as approved and recommended by the Compensation Committee of Directors is being placed for the approval of the members at this Annual General Meeting.

Mr. Ashok Capoor will hold office in terms of Section 260 of the Companies Act, 1956 up to the date of the ensuing Annual General Meeting. A notice in writing has been received from a member signifying the intention to propose the appointment of Mr. Ashok Capoor as a Director at the Annual General Meeting.

Mr. Ashok Capoor's appointment as Director and the appointment and the remuneration payable to him as Managing Director of the Company, have been included in the Notice convening this Annual General Meeting for your approval.

## AUDITORS

M/s.Price Waterhouse, your Company's Auditors are not seeking re-appointment at the forthcoming Annual General Meeting. Your Directors place on record their appreciation of the valuable services rendered by them during their tenure as Auditors of your Company. It is proposed to appoint M/s. Walker, Chandiok & Co., Chartered Accountants, as the Statutory Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.

M/s. Walker, Chandiok & Co., Chartered Accountants, have consented to be the Auditors of the Company if appointed by the Members at the Annual General Meeting and have also confirmed that their appointment would be within the limits specified under section 224(1-B) of the Companies Act, 1956.

## TAX AUDITORS

Your Directors have appointed M/s. Lodha & Co., Chartered Accountants as the Tax Auditors of the Company to carry out the tax audit of the Company for the year ended March 31, 2011.

## LISTING OF SHARES OF THE COMPANY

The Equity Shares of your Company continue to remain listed with Bangalore Stock Exchange Limited, Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The listing fees for the year 2011-12 have been paid to these Stock Exchanges.

5,200,639 Equity Shares issued and allotted to the shareholders of *erstwhile* Balaji Distilleries Limited as mentioned above during the year under review have also been listed on the aforesaid stock exchanges.

## CORPORATE GOVERNANCE

A report on the Corporate Governance is annexed separately as part of this report along with a certificate of compliance from a Company Secretary in practice. Necessary requirements of obtaining certifications/declarations in terms of Clause 49 have been complied with.

## MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis Report is annexed and forms an integral part of the Annual Report.

## FIXED DEPOSITS

Fixed Deposits from the public and shareholders, stood at Rs. 5,412.039 Million as at March 31, 2011. Matured deposits for which disposal instructions had not been received from the depositors concerned stood at Rs. 53.819 Million as at March 31, 2011. Of this, a sum of Rs. 24.651 Million has since been paid as per instructions received after the year-end.

## TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to the provisions of Section 205A(5) and 205C of the Companies Act, 1956, the Unclaimed Dividend, Debentures and Deposits, remaining unclaimed and unpaid for more than 7 years, have been transferred to the Investor Education and Protection Fund.

## HUMAN RESOURCES

Employee relations remained cordial at all Company's locations.

Particulars of employees drawing an aggregate remuneration of Rs. 60,00,000/- or above per annum or Rs. 5,00,000/- or above per month, as required under Section 217(2A) of the Companies Act, 1956, as amended, is annexed.

## EMPLOYEE STOCK OPTION SCHEME

The Company has not offered any stock option to the Employees during the year 2010-11.

## CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION, ETC.

In accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, the required information relating to Conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo is annexed.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, in relation to financial statements for the year 2010-11, the Board of Directors reports that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 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 as at the end of the financial year and of the profit of the Company for the year ended March 31, 2011;
- 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.

## THANK YOU

Your Directors place on record their sincere appreciation for the continued support from shareholders, customers, suppliers, banks and financial institutions and other business associates. A particular note of thanks to all employees of your Company, without whose contribution, your Company could not have achieved the year's performance.

By Authority of the Board

New Delhi
August 03, 2011

**Dr. VIJAY MALLYA**
Chairman

## ANNEXURE TO DIRECTORS' REPORT

[Additional information given pursuant to requirement of Section 217(1)(e) of the Companies Act, 1956]

## CONSERVATION OF ENERGY

With reference to energy conservation and cost reduction, steps taken by the Company at its various manufacturing units were as under:

1. Automatic Power Factor Correction Panels installed to increase Power Factor and hence reduction in Electrical Energy Consumption.
2. Variable Frequency Drives installed on Boiler and Cooling Tower Fans to optimize electrical energy consumption.
3. Modification in Process Cooling Systems to reduce energy usage.
4. Units requiring only hot water and not steam are being gradually shifted to Solar energy.
5. Regular lighting is increasingly being switched to CFLs. LED usage is being evaluated.

## RESEARCH & DEVELOPMENT (R&D)

| Expenditure on R & D: | | | (Rs. in Millions) |
|---|---|---|---|
| (a) | Capital | - | 23.439 |
| (b) | Recurring | - | 54.297 |
| | **Total** | **-** | **77.736** |

Total R & D expenditure as a percentage of total turnover - 0.132%.

## TECHNOLOGY ABSORPTION

a) "Multi-Fuel Boiler", wherein "Spent Grain" a by-product in the production of Malt Spirit, will be burnt effectively was installed and is in the process of commissioning.

b) "Bio-Gas Engine" for utilizing Methane Gas, produced in Anaerobic Digester and generating captive power for running the distilleries is being firmed up for implementation.

c) Economically viable technology for treating distillery effluent to achieve Zero Discharge, as per statutory norms, is being implemented at 2 Group units. Based on their successful operation, the same will be extended to other distilleries.

## FOREIGN EXCHANGE EARNINGS/OUTGO

**(Rupees in Millions)**

| | | **2010-11** | **2009-10** |
|---|---|---|---|
| 1. | Earnings in Foreign Currency | 46.555 | 57.135 |
| 2. | Imports / Expenditure in Foreign Currency | 3,253.035 | 3,210.683 |

By Authority of the Board

New Delhi
August 03, 2011

**Dr. VIJAY MALLYA**
Chairman

# ANNEXURE TO DIRECTORS' REPORT

Statement of Particulars of Employees as required under Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975

| SL. No | NAME | AGE | DESIGNATION/ NATURE OF DUTIES | REMUNERA-TION (Rs.) | QUALIFICATION | EXPERI-ENCE IN YEARS | DATE OF COMMENCE-MENT OF EMPLOYMENT | PARTICULARS OF PREVIOUS EMPLOYMENT |
|---|---|---|---|---|---|---|---|---|
| 1 | A.HARISH BHAT | 57 | DEPUTY PRESIDENT & GROUP TREASURER | 11,078,875 | CA | 33 | 22-Nov-90 | MANAGER TREASURY - DIGITAL EQUIPMENT (I) LTD |
| 2 | AJAY B BALIGA | 52 | EXECUTIVE VICE PRESIDENT - PROCUREMENT, PLANNING, MANUFACTURING & QUALITY CONTROL | 10,228,619 | B.TECH (CHEM ENGG) | 29 | 3-Nov-08 | SENIOR VICE PRESIDENT - BUSINESS DEVELOPMENT & MANUFACTURING, ALLIED BLENDERS & DISTILLERS PRIVATE LIMITED |
| 3 | AKSHAY KUMAR [a] | 49 | EXECUTIVE VICE PRESIDENT / CHIEF OPERATING OFFICER, MUMBAI | 2,746,986 | B.TECH, MBA (IIM-A) | 26 | 30-Dec-10 | CEO & REGIONAL HEAD - RELIANCE COMMUNICATIONS LIMITED |
| 4 | AMRIT THOMAS | 44 | EXECUTIVE VICE PRESIDENT - MARKETING | 16,940,576 | B.TECH, PGDM | 19 | 12-Jun-07 | CATEGORY HEAD - BEVERAGES, HINDUSTAN UNILEVER LIMITED |
| 5 | ANANT IYER | 51 | SENIOR VICE PRESIDENT - LUXURY BRANDS, TRADE MARKETING & IS | 8,290,368 | M.SC., M.M.S. | 27 | 15-Jun-92 | CONTROLLER MARKETING, CONSOLIDATED DISTILLERIES LIMITED |
| 6 | ANIL KUMAR KUSH | 55 | CHIEF EXECUTIVE - VITTAL MALLYA SCIENTIFIC RESEARCH FOUNDATION | 11,234,050 | PHD, MBA | 27 | 13-May-05 | SCIENTIFIC DIRECTOR - GENESIS MANAGEMENT CONSULTANTS |
| 7 | ARVIND JAIN | 48 | DIVISIONAL VICE PRESIDENT - SALES | 6,278,787 | PGDM | 27 | 12-Apr-91 | AREA MANAGER - TITAN WATCHES LIMITED |
| 8 | ASHOK CAPOOR [b] | 58 | DEPUTY PRESIDENT | 23,374,811 | B.A. (ECO), MBA | 36 | 12-May-92 | CHIEF OPERATING OFFICER - ERSTWHILE HERBERTSONS LIMITED |
| 9 | DEBASHISH SHYAM | 43 | DIVISIONAL VICE PRESIDENT - MARKETING | 6,447,685 | BSC, PGDBM | 20 | 20-Sep-04 | HEAD - MARKETING & ALLIANCES (INTERNET SERVICES), BHARTI INFOTEL LIMITED, NEW DELHI |
| 10 | DEBASISH DAS | 53 | DIVISIONAL VICE PRESIDENT - MANUFACTURING (SOUTH) | 6032544 | B.SC, B.TECH, PGDBM | 28 | 20-Aug-84 | CHEMIST, EASTERN DISTILLERIES PVT LTD, KOLKATA |
| 11 | DR. BINOD K MAITIN | 62 | SENIOR VICE PRESIDENT - QUALITY ASSURANCE & TECHNICAL | 7,277,089 | M.SC., PH.D., | 40 | 14-Dec-88 | SENIOR RESEARCH OFFICER & HEAD, ANALYTICAL RESEARCH GROUP, SHRIRAM INSTITUTE FOR INDUSTRIAL RESEARCH |
| 12 | I.P. SURESH MENON | 54 | EXECUTIVE VICE PRESIDENT - PLANNING & CONTROL | 9,822,932 | MMS, B.A.(HONS.) | 33 | 1-Apr-85 | SECRETARY & FINANCE MANAGER ,UB ELECTRONIC INSTRUMENTS LIMITED |
| 13 | KAUSHIK CHATTERJEE | 50 | CHIEF OPERATING OFFICER-RPC (EAST) | 14,585,155 | B.COM | 27 | 27-Apr-06 | CEO - INDIAN OPERATIONS, MASON AND SUMMERS ALCOBEV PRIVATE LIMITED |
| 14 | KEDAR V ULMAN | 37 | EXECUTIVE VICE PRESIDENT - SOURCING & BUSINESS DEVELOPMENT | 8,907,146 | BE, IIM - B | 15 | 24-Apr-09 | SENIOR MANAGER, ACCENTURE SERVICES PRIVATE LIMITED |
| 15 | LALIT KUMAR GUPTA | 51 | SENIOR VICE PRESIDENT - LEGAL | 6,363,478 | BSC,LLB. DLL | 28 | 1-Jan-98 | JOINT MANAGER-LEGAL, SHRIRAM FOODS AND FERTILIZERS |
| 16 | LAXMI NARASIMHAN | 41 | CHIEF OPERATING OFFICER, RPC (ANDHRA PRADESH) | 9,069,182 | BE, PGDM - IIM - C | 17 | 8-Dec-03 | REGIONAL MANAGER, COCA COLA INDIA |
| 17 | MATHEW XAVIER | 47 | SENIOR VICE PRESIDENT - MARKETING & INNOVATIONS | 7,509,868 | PGDM / B.COM | 22 | 10-Nov-03 | VICE PRESIDENT MARKETING, ERSTWHILE SHAW WALLACE DISTILLERIES LIMITED |
| 18 | N R RAJSEKHER | 55 | CHIEF OPERATING OFFICER, RPC (WEST) | 13,895,047 | B.SC, PGCPM (IIM) - KOZHIKODE | 32 | 8-Apr-82 | SENIOR VICE PRESIDENT SALES, ERSTWHILE SHAW WALLACE DISTILLERIES LIMITED |
| 19 | NANDINI VERMA | 56 | EXECUTIVE VICE PRESIDENT - CORPORATE AFFAIRS, UB GROUP | 9,284,899 | B.A.(HONS.), IFDAF | 39 | 13-Apr-07 | VICE PRESIDENT - CORPORATE AFFAIRS & PR, JET AIRWAYS |
| 20 | P A MURALI [c] | 53 | DEPUTY PRESIDENT & CHIEF FINANCIAL OFFICER | 22,511,344 | B.COM, ACA | 30 | 5-Jul-93 | EXECUTIVE VICE PRESIDENT & CHIEF FINANCIAL OFFICER, UNITED BREWERIES LIMITED |
| 21 | P.N. PODDAR | 58 | SENIOR VICE PRESIDENT - MANUFACTURING | 8,154,814 | M.TECH, DMS | 35 | 1-Jan-88 | PRODUCTION MANAGER, UNION CARBIDE (I) LTD |
| 22 | PARAMJIT SINGH GILL | 49 | CHIEF OPERATING OFFICER, RPC (NORTH) | 13,854,089 | B.SC, M.PHIL, DIP IN LABOUR LAW, CHARTERED MARKETER | 28 | 1-Jul-92 | EXECUTIVE VICE PRESIDENT, UNITED NATIONAL BREWERIES (SA) (PTY) LIMITED, CENTURION |

*Contd...*

# ANNEXURE TO DIRECTORS' REPORT (Contd..)

Statement of Particulars of Employees as required under Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975

| SL. No | NAME | AGE | DESIGNATION/ NATURE OF DUTIES | REMUNERATION (Rs.) | QUALIFICATION | EXPERIENCE IN YEARS | DATE OF COMMENCEMENT OF EMPLOYMENT | PARTICULARS OF PREVIOUS EMPLOYMENT |
|---|---|---|---|---|---|---|---|---|
| 23 | PHILIP SARGUNAR A B | 62 | CHIEF OPERATING OFFICER - RPC (SOUTH) | 18,717,118 | BA, MA | 41 | 20-Nov-02 | EXECUTIVE DIRECTOR & CHIEF REPUTATION OFFICER, THE EMPEE DISTILLERIES LIMITED |
| 24 | R SATSANGI | 54 | DIVISIONAL VICE PRESIDENT - MANUFACTURING | 6,184,780 | B.TECH(MECH) | 32 | 19-Feb-96 | PLANT MANAGER, PEPSICO INDIA HOLDING, BANGALORE |
| 25 | RAGHUNATHAN A | 59 | EXECUTIVE VICE PRESIDENT - FINANCE & ACCOUNTS | 10,142,534 | B.COM, ACA | 36 | 24-Sep-79 | EXECUTIVE VICE PRESIDENT- FINANCE & ACCOUNTS ERSTWHILE HERBERTSONS LIMITED |
| 26 | RAVI NEDUNGADI A K | 53 | PRESIDENT & CHIEF FINANCIAL OFFICER - UB GROUP | 24,402,607 | B.COM (HONS), AICWA, CA | 32 | 1-Jan-90 | GROUP FINANCE DIRECTOR, UB INTERNATIONAL LTD., U.K. |
| 27 | S.C.SINGHAL | 58 | DIVISIONAL VICE PRESIDENT - MANUFACTURING (EAST) | 6,208,446 | B.SC, DIFAT | 34 | 1-Sep-89 | ASSISTANT MANAGER (WORKS) - SHRI SHADILAL ENTERPRISES LIMITED |
| 28 | S.D.LALLA | 67 | JOINT PRESIDENT - OVERALL OPERATIONS | 43,677,605 | LC & SE, AMIE | 49 | 5-Apr-94 | MANAGING DIRECTOR - ERSTWHILE HERBERTSONS LIMITED |
| 29 | S.K. RASTOGI | 57 | DIVISIONAL VICE PRESIDENT - QUALITY CONTROL | 6,558,456 | M.SC. | 39 | 14-Nov-82 | QUALITY CONTROL OFFICER - JAGATJIT INDUSTRIES LIMITED |
| 30 | S.N. PRASAD | 53 | DIVISIONAL VICE PRESIDENT - FINANCE | 6,077,360 | B.COM, ACA, ACS | 27 | 7-Mar-91 | DEPUTY MANAGER, UB HOPPEKE ENERGY PRODUCT LIMITED |
| 31 | SANJAY RAINA | 46 | EXECUTIVE VICE PRESIDENT - HUMAN RESOURCES | 11,224,955 | MSW - PERSONNEL MGMT | 24 | 19-Nov-08 | HEAD HUMAN RESOURCE - NETWORK, SUPPLY CHAIN - INDIA & ER - SE ASIA, MOTOROLA INDA PVT LTD, |
| 32 | SHARMA V K | 68 | EXECUTIVE DIRECTOR - CHAIRMAN'S OFFICE | 9,569,996 | B.A (NDA), DIP IN BMIA & PM | 37 | 5-Oct-84 | EXECUTIVE DIRECTOR - CHAIRMAN'S OFFICE ERSTWHILE HERBERTSONS LIMITED |
| 33 | T K SUBRAMANIAN [a] | 60 | DIVISIONAL VICE PRESIDENT - SYSTEMS | 3,540,899 | B.SC., DMS | 40 | 16-Mar-83 | CONTROLLER - SYSTEMS, UBICS LTD |
| 34 | V K REKHI [d] | 65 | PRESIDENT & MANAGING DIRECTOR | 50,827,232 | MA (HONS.), PGDBA | 40 | 3-Jan-72 | REGIONAL DIRECTOR UB INTERNATIONAL LTD., U.K. |
| 35 | V S VENKATARAMAN | 57 | COMPANY SECRETARY & EXECUTIVE VICE PRESIDENT | 9,491,782 | B.COM (HONS.), ACS | 39 | 20-Aug-82 | DEPUTY COMPANY SECRETARY, UNITED BREWERIES LTD |
| 36 | VIVEK PRAKASH | 50 | EXECUTIVE VICE PRESIDENT - CSD SALES | 9,776,278 | B COM, L L B. | 29 | 15-Jun-98 | DEPUTY GENERAL MANAGER - ERSTWHILE SHAW WALLACE & COMPANY LIMITED |

[a] Employed for part of the year.
[b] Promoted as President & appointed as Managing Director w.e.f May 02, 2011.
[c] Promoted as Joint President w.e.f May 02, 2011.
[d] Ceased to be Managing Director w.e.f April 19, 2011.

Notes:

1. No Employee is on Contract Employment. Other Terms and Conditions are as per Service Rules of the Company from time to time.
2. None of the above mentioned employees is related to any Director of the Company.
3. Remuneration as shown above includes Salary, House Rent Allowance, Company's contribution to Provident Fund and Super Annuation Fund, Value of Residential Accommodation, Bonus, Medical and other facilities.

By Authority of the Board

Place: New Delhi
Date: August 03, 2011

**Dr VIJAY MALLYA**
Chairman

1. **COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE**

Your Company is committed to good Corporate Governance and accordingly follows the basic tenets of integrity, fairness, transparency and commitment to value in all facets of its operations and in interactions with all its stakeholders. Your Company pursues growth by adopting best corporate practices and timely disclosures which will enhance the long term value of all shareholders and other stakeholders.

2. **BOARD OF DIRECTORS**

The Board of Directors comprises of a Non - Executive Chairman, a Managing Director and five other Non Executive Directors.

During the financial year under review, nine Board Meetings were held, i.e., on April 21, 2010, July 20, 2010 August 18, 2010, September 13, 2010, September 29, 2010, September 30, 2010, October 27, 2010, February 09, 2011 and March 11, 2011.

Attendance of each Director at the Board Meetings and the last Annual General Meeting and details of number of outside Directorship and Committee position held by each of the Directors as on date are given below:

| Name of Director | Category of Directorship | No. of Board Meetings attended | Attendance at last AGM held on 29.09.2010 | No. of other Companies in which Director | No of Committees (other than the Company) in which Chairman/Member |
|---|---|---|---|---|---|
| Dr. Vijay Mallya | Non Executive Chairman | 6 | Yes | 19 | -NIL- |
| Mr. S.R. Gupte | Non Executive Vice Chairman | 9 | Yes | 10 | 8 (Chairman of 5) |
| Mr. V.K. Rekhi* | Executive / Managing Director | 7 | Yes | 2 | -NIL- |
| Mr. Ashok Capoor** | Executive / Managing Director | N.A. | N.A. | -NIL- | -NIL- |
| Mr. M.R. Doraiswamy Iyengar | Independent Non Executive Director | 9 | Yes | 2 | 2 (Chairman of 2) |
| Mr. B.M. Labroo | Independent Non Executive Director | 9 | Yes | 7 | 1 (Chairman of 1) |
| Mr. Sreedhara Menon | Independent Non Executive Director | 5 | Yes | 2 | -NIL- |
| Mr. Sudhindar Krishan Khanna | Independent Non Executive Director | 6 | Yes | 5 | -NIL- |

* Ceased to be the Managing Director with effect from April 19, 2011 consequent upon the expiry of the terms of his office as Managing Director and resigned as the Director with effect from close of business hours on April 29, 2011

** Appointed as Additional Director with effect from April 29, 2011 and as Managing Director with effect from May 2, 2011

**NOTE:**

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

a) Out of 19 other Companies in which Dr. Vijay Mallya is a Director, 7 are Private Limited Companies and 2 are Section 25 Companies.

b) Out of 10 other Companies in which Mr. S. R. Gupte is a Director, 2 are Private Limited Companies and 2 are Section 25 Companies.

c) Out of 2 other Companies in which Mr. M.R. Doraiswamy Iyengar is a Director, 1 is a Private Limited Company.

d) Out of 7 other Companies in which Mr. B.M. Labroo is a Director, 3 are Private Limited Companies.

e) Out of 5 other Companies in which Mr. Sudhindar Krishan Khanna is a Director, 2 are Private Limited Companies.

f) None of the Directors is related to any other Director.

**DISCLOSURES REGARDING APPOINTMENT AND REAPPOINTMENT OF DIRECTORS**

**Directors retiring by rotation and being reappointed**

**Mr. M.R. Doraiswamy Iyengar**

Mr. M.R. Doraiswamy Iyengar, aged 77 years, is a Fellow of the Institute of Chartered Accountants of India and a Graduate in Law. Mr. Doraiswamy Iyengar was a Senior Partner in M/s. K.V. Narasimhan & Co., Chartered Accountants, in Bangalore. He has been in practice since 1965 having wide experience in Audit and Taxation.

Details of Mr. M.R. Doraiswamy Iyengar's directorships in other Indian Companies and Committee Memberships are as under:

| Other Directorships | Position held |
|---|---|
| 1. McDowell Holdings Limited | Director |
| 2. Vittal Investments Private Limited | Director |

Mr. M.R. Doraiswamy Iyengar is the Chairman of the Audit Committee and Shareholders / Investors Grievance Committee of the Board of Directors of the Company and a Member of the Compensation Committee of the Company.

Mr. M.R. Doraiswamy Iyengar is the Chairman of the Audit Committee and Shareholders/Investors Grievance Committee of McDowell Holdings Limited.

Mr. M.R. Doraiswamy Iyengar holds 21 Equity shares in the Company and is not related to any other Director.

**Mr. B.M. Labroo**

Mr. B.M. Labroo, aged 80 years, is an Industrialist and has wide experience in Marketing, Finance and Corporate Governance. Mr. Labroo is an M.A.in Political Science from Punjab University and is the promoter and Chairman of Asahi India Glass Limited.

Details of Mr. B.M. Labroo's directorships in other Indian Companies and Committee Memberships are as under:

| Other Directorships | Position held |
|---|---|
| 1. Asahi India Glass Ltd. | Chairman |
| 2. Allied Fincap Services Pvt. Ltd. | Director |
| 3. Maltex Malsters Ltd. | Director |
| 4. Nishi Electronics Pvt. Ltd. | Director |
| 5. North-West Distilleries Pvt. Ltd. | Director |
| 6. Samir Paging Systems Ltd. | Director |
| 7. Shield Autoglass Ltd | Chairman |

Mr. B.M. Labroo is the Chairman of the Compensation Committee and a Member of the Audit Committee and Shareholders/Investors Grievance Committee of the Company.

Mr. B.M. Labroo is the Chairman of the Shareholders/ Investors Grievance Committee of the Board of Directors of Asahi India Glass Ltd.

Mr. B.M. Labroo holds 1,36,200 Equity Shares in the Company and is not related to any other Director.

**New Director**

**Mr. Ashok Capoor**

Mr. Ashok Capoor, aged 58 years, is a graduate in Economics (Hons.) and had obtained his Masters in Business Administration (Marketing) from Faculty of Management Studies, Delhi. He has also successfully completed an Advanced Management Program from Harvard University, Boston.

Mr. Ashok Capoor has over 35 years experience across Companies and various functions, sales and marketing being his major specialization. Mr. Ashok Capoor has been with the UB Group since 1992 having joined as Divisional Vice President in *erstwhile* Herbertsons Limited, since merged with the Company. He was the Deputy President of the Company since October 2, 2007 and was promoted to the position of President of the Company with effect from May 2, 2011.

The Board of Directors of the Company at their meeting held on April 29, 2011 has appointed Mr. Ashok Capoor as an Additional Director of the Company with immediate effect and as the Managing Director of the Company for a period of 3 (three) years commencing from May 2, 2011 to May 1, 2014, subject to approval of the shareholders in the ensuing Annual General Meeting and applicable provisions of the Companies Act, 1956 or any statutory modification or re-enactment thereof.

Mr. Ashok Capoor is not a Director in any other Company and is not holding any shares in the Company.

**3. AUDIT COMMITTEE**

The Audit Committee constituted on April 19, 2001 to meet the requirements under both the Listing

Agreement and Section 292A of the Companies Act, 1956, comprises at present the following Directors:

| | |
|---|---|
| Mr. M.R. Doraiswamy Iyengar (Chairman) | Non Executive Independent Director |
| Mr. B.M. Labroo | Non Executive Independent Director |
| Mr. S.R. Gupte | Non Executive Director |
| Mr. Sreedhara Menon | Non Executive Independent Director |

The terms of reference of the Audit Committee covers all matters specified under the Listing Agreement as well as the provisions of Section 292A of the Companies Act, 1956 and inter alia, includes the following:

a) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

b) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.

c) Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
   - Any changes in accounting policies and practices
   - Major accounting entries based on exercise of judgment by management
   - Qualifications in draft audit report
   - Significant adjustments arising out of audit
   - Compliance with Stock Exchange and legal requirements concerning financial statements
   - Disclosure of any related party transactions.

d) Reviewing with the management, external and internal auditors, the adequacy of internal control systems.

e) Reviewing the adequacy of internal audit function 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.

f) Discussion with internal auditors any significant findings and follow up thereon.

g) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

h) Discussion with statutory auditors before the audit commences, nature and scope of audit as well as have post-audit discussions to ascertain any area of concern.

i) Reviewing the Company's financial and risk management policies.

j) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors

The Committee, *inter alia*, has reviewed the financial statements including Auditors' Report for the year ended March 31, 2011 and has recommended its adoption. In addition, the Committee has also reviewed quarterly results for June 30, 2010, quarterly and half yearly results for September 30, 2010, quarterly results for December 31, 2010 and quarterly results for March 31, 2011, which were subjected to a Limited Review by the Statutory Auditors of the Company.

During the financial year, five meetings were held i.e., on April 21, 2010, July 20, 2010, August 18, 2010, October 27, 2010 and February 08, 2011. The details of attendance by members of the Committee are as below:

| Name of the Director | No. of Meetings | Meetings attended |
|---|---|---|
| Mr. M.R. Doraiswamy Iyengar (Chairman) | 5 | 5 |
| Mr. S.R. Gupte | 5 | 5 |
| Mr. B.M. Labroo | 5 | 5 |
| Mr. Sreedhara Menon | 5 | 4 |

## 4. COMPENSATION COMMITTEE

The Compensation Committee constituted by the Company comprises at present the following Directors:-

| | |
|---|---|
| Mr. B.M. Labroo | Chairman |
| Mr. S.R. Gupte | |
| Mr. M. R. Doraiswamy Iyengar | |

The Committee is authorised, *inter alia*, to deal with the matters related to compensation by way of salary, perquisites, benefits etc. to the Managing/Whole Time Directors of the Company, and set guidelines for salary, performance pay and perquisites to other senior employees from the level of Executive Vice President and above.

The Committee is also empowered to formulate and implement the Scheme for grant of Stock Option to employees.

During the financial year, one meeting was held on August 02, 2010, which was attended by all the members of the Committee.

**Remuneration of Directors:**

The details of Remuneration paid/payable to the Directors during the Financial Year April 1, 2010 to March 31, 2011 are given below:

**a) Executive Directors**

**Managing Director: Mr. V. K. Rekhi**

| Salary & Allowances | Performance Linked incentive | Perquisites | Retirement Benefits |
|---|---|---|---|
| Rs. | Rs. | Rs. | Rs. |
| 22,911,278 | 18,864,080 | 5,309,064 | 3,742,810 |

**Notes:**

1. Mr. V. K. Rekhi (Mr. Rekhi) was appointed as the Managing Director of the Company for a period of five years with effect from April 19, 2001. Mr. Rekhi's reappointment for a further period of five years with effect from April 19, 2006 and the remuneration payable was approved by the Members at the Annual General Meeting held on December 28, 2006 with a revision thereon approved by the Members at the Annual General meeting held on December 26, 2008. The terms and conditions of appointment and remuneration of Mr. Rekhi were as set out in the resolution and as per the rules of the Company as applicable.
2. The employment of Mr. Rekhi was terminable on either side by giving six months notice as per the rules of the Company.
3. There was no severance fee.
4. No stock option was granted during the year.
5. On the expiry of term of his office, Mr. Rekhi ceased to be the Managing Director of the Company with effect from April 19, 2011 and has also resigned as a Director of the Company with effect from close of business hours on April 29, 2011.

**b) Non - Executive Directors**

Sitting Fees are paid to Non-Executive Directors for attending Board/ Committee Meetings. They are also entitled to reimbursement of actual travel expenses, boarding and lodging, conveyance and incidental expenses incurred for attending such meetings:

| Name of the Director | Sitting fees |
|---|---|
| Dr. Vijay Mallya | 1,20,000 |
| Mr. S.R. Gupte | 3,70,000 |
| Mr. V.K.Rekhi | Nil |
| Mr. Ashok Capoor* | N.A. |
| Mr. M.R.Doraiswamy Iyengar | 4,90,000 |
| Mr. B.M. Labroo | 4,30,000 |
| Mr. Sreedhara Menon | Nil |
| Mr. Sudhindar Krishan Khanna | 1,20,000 |

* Appointed as Additional Director with effect from April 29, 2011 and as Managing Director with effect from May 2, 2011.

Non-Executive Directors are also eligible for Commission every year not exceeding one per cent of the net profits of the Company as approved by the shareholders at the Annual General Meeting held on September 29, 2010 to remain in force for a period of five years from April 1, 2011. Such Commission may be apportioned amongst the Directors in any manner they deem fit.

The Commission of Rs. 62,210,000 on profits for the year ended March 31, 2011 will be paid after adoption of Accounts by Shareholders at the Annual General Meeting to be held on September 29, 2011 and apportioned amongst the Directors in any manner they deem fit.

c) **Particulars of Equity Shares of the Company currently held by the Directors, are furnished below:**

| Name of the Director | No. of Shares held |
|---|---|
| Dr. Vijay Mallya | 12,510 |
| Mr. S.R. Gupte | Nil |
| Mr. V. K. Rekhi* | 52 |
| Mr. Ashok Capoor** | Nil |
| Mr. M. R. Doraiswamy Iyengar | 21 |
| Mr. B.M. Labroo | 1,36,200 |
| Mr. Sreedhara Menon | Nil |
| Mr. S. K. Khanna | 3,684 |

* Held jointly

** Appointed as Additional Director with effect from April 29, 2011 and as Managing Director with effect from May 2, 2011

## 5. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

A Shareholders/Investors Grievance Committee was constituted on April 19, 2001, to operate in terms of the provisions related thereto in the Listing Agreements with the Stock Exchanges and /or the provisions as prescribed or as may be prescribed in this regard by the Companies Act, 1956.

The Committee comprises at present the following Directors:

Mr. M. R. Doraiswamy Iyengar, Chairman

Mr. B. M. Labroo

Mr. V. S. Venkataraman, Company Secretary is the Compliance Officer.

During the financial year four meetings were held on April 21 2010, July 20, 2010, October 27, 2010 and February 09, 2011 attended by both Mr. M.R. Doraiswamy Iyengar and Mr. B. M. Labroo, members of the Committee.

The Company/ Company's Registrars received 113 complaints during the financial year, all of which were resolved to the satisfaction of shareholders/investors.

There are no complaints or Transfer of Shares pending as on March 31, 2011.

The Company also has a Committee of Directors with authority delegated by the Board of Directors, *inter alia,* to approve transfer and transmission of shares, issue of new share certificates on account of certificates lost, defaced, etc., dealing with matters relating to post amalgamation of companies, delegated by the Board of Directors from time to time and for other routine operations such as issue of power of attorney, operation of bank accounts etc.

Subsequent to the resignation of Mr. V.K.Rekhi and the appointment of Mr. Ashok Capoor in his place, the Committee comprises at present the following Directors:

Mr. S.R. Gupte

Mr. M.R. Doraiswamy Iyengar

Mr. Ashok Capoor and

Mr. B.M. Labroo

## 6. GENERAL BODY MEETINGS

The details of the last three Annual General Meetings held are furnished as under:

| Financial Year ended | Date | Time | Venue |
|---|---|---|---|
| March 31,2010 | September 29, 2010 | 11.00 a.m. | Good Shepherd Auditorium, Opposite St.Joseph's Pre-University College, Residency Road, Bangalore - 560 025 |
| March 31, 2009 | September 30, 2009 | 2.00 p.m. | Good Shepherd Auditorium, Opposite St. Joseph's Pre-University College, Residency Road, Bangalore - 560 025. |

| Financial Year ended | Date | Time | Venue |
|---|---|---|---|
| March 31,2008 | December 26, 2008 | 10.15 a.m. | Dr. B.R. Ambedkar Bhavana, Miller's Road, Vasanthanagar, Bangalore - 560 052. |

The following Special Resolutions were passed by the Shareholders at the past three Annual General Meetings (AGMs):

| AGM held on | Subject matter of the Special Resolution |
|---|---|
| September 29, 2010: | Approval for payment of commission to Non-Executive Directors |
| September 30, 2009: | (i) Issue of Securities to raise additional funds<br>(ii) Investment by Foreign Institutional Investors |
| December 26, 2008: | Revision in terms of remuneration payable to Mr. Vijay Kumar Rekhi, Managing Director. |

All the Resolutions set out in the Notices including Special Resolutions as above were passed by the Shareholders.

**POSTAL BALLOT**

The Company has not passed any resolution at the above Annual General Meetings held which was required to be passed through Postal Ballot as per the provisions of the Companies Act, 1956 and the rules framed thereunder.

At this meeting also, there is no Ordinary or Special Resolution requiring passing by way of Postal Ballot.

During the financial year 2010-2011, pursuant to Section 192A of the Companies Act, 1956, ("the Act") read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, the Company had conducted a Postal Ballot exercise following the provisions and rules framed under the Act for conducting Postal Ballot.

The details/results of the Postal Ballot exercise so conducted are as under:

| Date of Notice of Postal Ballot | Date of scrutinizer's report | Description | Result |
|---|---|---|---|
| March 25,2010 | May 6, 2010 | Special Resolution under Section 314(1B) of the Companies Act, 1956: Appointment of Mr. Sidhartha V Mallya, a relative of Dr. Vijay Mallya, Chairman of the Company to hold an office or place of profit in the Company as "Deputy General Manager- New Generation Sales Outlets" for a period of five (5) years with effect from June 1, 2010, upon receipt of the necessary approvals. | Carried with requisite majority. Number of Votes cast in favour 8,16,18,160 and Number of Votes cast against 10,951. |

The Postal Ballot exercise, under Section 192A of the Act, was conducted by Mr. M. R. Gopinath, a Company Secretary in practice, scrutinizer appointed for the purpose and his report was filed with the Office of Registrar of Companies, Karnataka, Bangalore.

No Special Resolution is proposed to be passed through Postal Ballot at present.

**7. DISCLOSURES**

During the financial year ended March 31, 2011, the related party transactions with its promoters, the Directors or the management, their subsidiaries or relatives, etc., have been disclosed in the Notes on Accounts.

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

There were no instances of non-compliance by the Company nor have any penalties, strictures been imposed by Stock Exchanges or SEBI or any other statutory authority since incorporation of the Company on any matter related to capital markets.

**Code of Conduct**

In compliance with Clause 49 of the Listing Agreement with the Stock Exchanges, the Company has adopted a Code of Business Conduct and Ethics for its Board Members and Senior Management Personnel, a copy of which is available at the Company's website, www.unitedspirits.in. All the members of the Board and the senior management personnel had affirmed compliance with the Code for the year ended March 31, 2011 and a declaration to this effect signed by the Managing Director is forming part of this report.

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, the Company has adopted a "Code of Conduct for prevention of Insider Trading". This Code is applicable to all the Directors and designated employees of the Company.

**8. MEANS OF COMMUNICATION**

The unaudited quarterly and half-yearly results are sent to all the Stock Exchanges where the shares of the Company are listed. The results are normally published in "Business Standard" (English Daily) and "Kannada Prabha" (Kannada Daily). The results are displayed on the Company's Website **www.unitedspirits.in** Press Releases are also issued, which are also displayed on the Company's Website.

The required disclosures to the extent applicable including results were also posted in the portal www.corpfiling.co.in, which is jointly owned, managed and maintained by Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

The Company has designated an exclusive Email Id viz. **uslinvestor@ubmail.com** to enable the investors to post their grievances and monitor its redressal.

**9. MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Management Discussion & Analysis Report is appended and forms an integral part of this Annual Report.

**10. GENERAL SHAREHOLDER INFORMATION**

| | | |
|---|---|---|
| a) | AGM Date, Time and Venue | Thursday, September 29, 2011 at 11.30 a.m. at Good Shepherd Auditorium, Opposite St. Joseph's Pre-University College, Residency Road, Bangalore - 560 025. |
| b) | Financial Year | April 1 to March 31 |
| | First Quarterly Results | By August 14 |
| | Second Quarterly Results | By November 14 |
| | Third Quarterly Results | By February 14 |
| | Fourth quarterly Results | By May 15 |
| c) | Date of Book closure | Friday, September 23, 2011 to Thursday, September 29, 2011 (both days inclusive) |
| d) | Dividend payment date | After September 29, 2011 |
| e) | Listing on Stock Exchanges: | The shares of the Company are listed on the following Stock Exchanges:<br>1. Bangalore Stock Exchange Limited (BgSE)<br>2. Bombay Stock Exchange Limited, (BSE)<br>3. National Stock Exchange of India Limited (NSE) |

The listing fees for the years 2010-11 and 2011-12 have been paid to all the Stock Exchanges.

| | | |
|---|---|---|
| f) | Stock Code | |
| | BSE | Demat 532432 Physical 32432 |
| | NSE | SYMBOL - McDOWELL-N |
| | BgSE | McDowell |
| g) | ISIN No. | INE854D01016 |
| h) | Market price data | (As per Annexure A) |
| i) | Stock performance in comparison to BSE Sensex | (As per Annexure B) |
| j) | Registrar and Transfer Agents | Integrated Enterprises (India) Limited,<br>(Alpha Systems Private Limited, *erstwhile* Registrars and Transfer Agents, merged with Integrated Enterprises (India) Limited)<br>30, Ramana Residency,<br>4th Cross, Sampige Road,<br>Malleswaram, Bangalore 560 003<br>Tel. Nos. (080) 2346 0815-818<br>Fax No. (080) 2346 0819<br>Email: alfint@vsnl.com |
| k) | Share Transfer System | The power to consider and approve share transfers / transmission / transposition / consolidation / subdivision etc. has been delegated to a Committee of Directors as indicated under the heading Shareholders' / Investors' Grievance Committee. The Committee meets generally once in a fortnight. The requirements under the Listing Agreement/ Statutory regulations in this regard are being followed. |
| l) | Distribution of Shareholding | As per Annexure – C |
| m) | Dematerialisation of shares (as on March 31, 2011) | see table below |
| n) | Outstanding GDRs/ ADRs/ Warrants or any other Convertible instruments | Global Depository Shares (GDSs) representing 660,614 Equity Shares of Rs.10/- each as on March 31, 2011 (Two GDSs representing One equity share of Rs.10/- each). |

| Depositories | Shares | % |
|---|---|---|
| NSDL | 120245637 | 91.93 |
| CDSL | 7219283 | 5.52 |
| Total | 127464920 | 97.45 |

| | | |
|---|---|---|
| o) | Plant Locations | 1.Cherthala (Kerala)<br>2.Chennai (Tamil Nadu)<br>3 Hyderabad I (Andhra Pradesh)<br>4. Hyderabad II (Andhra Pradesh)<br>5. Ponda (Goa)<br>6. Hathidah (Bihar)<br>7. Kumbalgodu (Karnataka)<br>8. Rosa (Uttar Pradesh)<br>9. Udaipur (Rajasthan)<br>10. Serampore (West Bengal)<br>11. Bhopal - I (Madhya Pradesh)<br>12. Bhopal - II (Madhya Pradesh)<br>13. Asansol (West Bengal)<br>14. Nasik-I (Maharashtra)<br>15. Nasik-II (Maharashtra)<br>16. Pondicherry (Pondicherry)<br>17. Alwar (Rajasthan)<br>18. Aurangabad (Maharashtra)<br>19. Meerut (Uttar Pradesh)<br>20. Hospet (Karnataka)<br>21. Pathankot (Punjab)<br>22. Palwal (Haryana)<br>23. Gopalpur - on - sea (Orissa)<br>24. Palakkad (Kerala)<br>25. Baddi (Himachal Pradesh)<br>26. Bhadrakali (West Bengal)<br>27. Baramati (Maharashtra)<br>28. Zuari Nagar (Goa) |
| p) | Address for correspondence | Shareholder correspondence should be addressed to the Company's Registrars and Transfer Agents:<br>Integrated Enterprises (India) Limited,<br>(Alpha Systems Private Limited, *erstwhile* Registrar and Transfer Agents, merged with Integrated Enterprises (India) Limited)<br>30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore 560 003.<br>Tel. Nos. (080) 2346 0815-818<br>Fax No.(080) 2346 0819<br>Email: alfint@vsnl.com<br><br>Investors may also write or contact the Company Secretary, Mr. V.S. Venkataraman or Mr. B. L. Akshara, Sr. Manager–Secretarial at the Registered Office of the Company at 'UB Tower', No.24, Vittal Mallya Road, Bangalore – 560 001.<br>Tel. Nos. (080) 3985 6500, 2221 0705.<br>Fax No. (080) 3985 6862. |
| | | In compliance with the provisions of Clause 47(f) of the Listing Agreement with the Stock Exchanges, an exclusive email Id, viz. **uslinvestor@ubmail.com** has been designated for registering complaint and its redressal by the Investor, which has been displayed on the website of the Company www.unitedspirits.in |

Pursuant to new Clause 5A of the Listing Agreement, the Company's Registrars & Transfer Agents have already sent one reminder to all the shareholders whose share certificates were returned undelivered and remain unclaimed so far. Two more reminders will be sent in due course to those shareholders. If no response is received after three reminders, the unclaimed shares shall be transferred to one folio in the name of "Unclaimed Suspense Account", and the voting rights on such shares shall remain frozen till the rightful owner claims the shares. Your Company is taking all necessary actions to comply with clause 5A of the Listing Agreement.

**NON MANDATORY REQUIREMENTS**

**(1) Chairman of the Board**

The Company maintains the Chairman's Office at Company's expenses and also reimburses the expenses incurred in performance of his duties.

**(2) Remuneration Committee**

The Company has formed a Compensation Committee.

**(3) Shareholder Rights**

The Company's half yearly results are published in English and Kannada Newspapers. Hence, the same are not sent to the shareholders.

**(4) Audit qualifications**

The Auditors have issued unqualified Report on the Financial Statements for the year ended March 31, 2011.

**(5) Training of Board Members**

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

**(6) Mechanism for evaluating non-executive Board Members**

The Board of Directors may consider adopting such requirement in future.

**(7) Whistle Blower Policy**

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

## ANNEXURE A: MARKET PRICE DATA

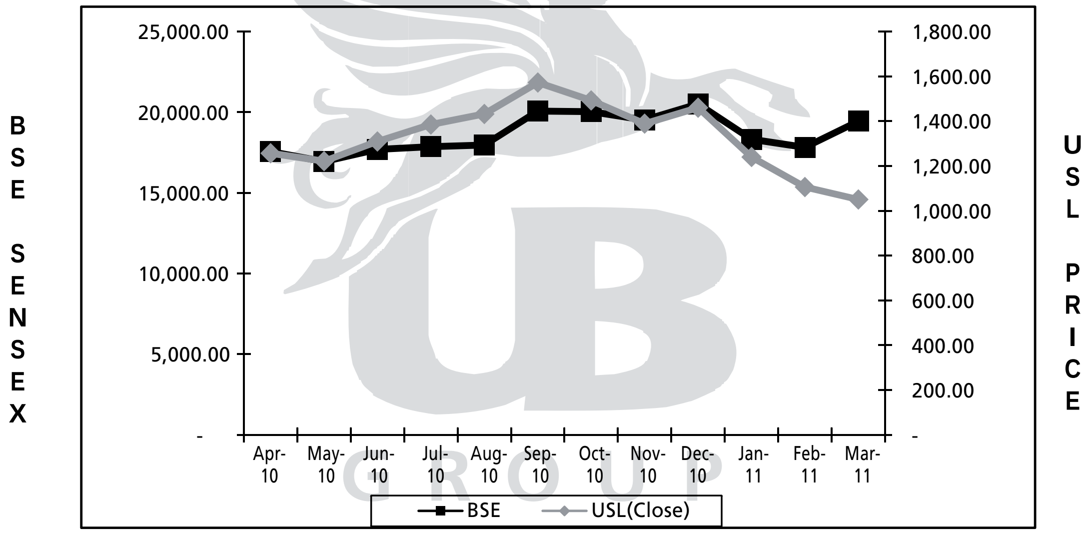
**United Spirits Limited - Monthly BSE**

| Month | High (Rs.) | Low (Rs.) | Close (Rs.) | Volume |
|---|---|---|---|---|
| Apr-10 | 1,387.00 | 1,190.00 | 1,257.00 | 1,127,854 |
| May-10 | 1,306.70 | 1,057.65 | 1,221.70 | 1,018,430 |
| Jun-10 | 1,325.00 | 1,132.00 | 1,309.55 | 1,084,847 |
| Jul-10 | 1,455.00 | 1,262.00 | 1,385.20 | 792,866 |
| Aug-10 | 1,469.00 | 1,325.00 | 1,432.50 | 416,707 |
| Sep-10 | 1,663.00 | 1,432.00 | 1,573.00 | 706,993 |
| Oct-10 | 1,683.80 | 1,472.35 | 1,492.70 | 547,290 |
| Nov-10 | 1,534.90 | 1,220.00 | 1,389.35 | 876,673 |
| Dec-10 | 1,494.75 | 1,320.50 | 1,460.55 | 308,103 |
| Jan-11 | 1,500.00 | 1,182.15 | 1,240.25 | 355,240 |
| Feb-11 | 1,257.00 | 951.80 | 1,105.90 | 1,131,364 |
| Mar-11 | 1,190.00 | 1,005.00 | 1,050.55 | 1,116,585 |

**United Spirits Limited - Monthly NSE**

| Month | High (Rs.) | Low (Rs.) | Close (Rs.) | Volume |
|---|---|---|---|---|
| April-10 | 1,400.00 | 1,184.00 | 1,257.50 | 10,280,256 |
| May-10 | 1,302.75 | 1,057.00 | 1,224.00 | 6,918,630 |
| June-10 | 1,325.00 | 1,154.40 | 1,310.25 | 7,685,687 |
| July-10 | 1,456.85 | 1,260.00 | 1,385.00 | 6,801,053 |
| Aug-10 | 1,468.70 | 1,325.00 | 1,432.45 | 4,680,887 |
| Sep-10 | 1,662.90 | 1,428.45 | 1,573.35 | 5,767,018 |
| Oct-10 | 1,688.20 | 1,463.90 | 1,495.15 | 4,805,180 |
| Nov-10 | 1,537.65 | 1,301.00 | 1,389.75 | 5,805,419 |
| Dec-10 | 1,494.70 | 1,343.45 | 1,463.75 | 3,742,100 |
| Jan-11 | 1,640.00 | 1,225.60 | 1,241.80 | 4,262,924 |
| Feb-11 | 1,318.40 | 949.00 | 1,107.10 | 10,186,801 |
| Mar-11 | 1,144.00 | 1,009.10 | 1,024.80 | 8,297,803 |

## ANNEXURE B: UNITED SPIRITS LIMITED, SHARE PRICES COMPARED TO BSE SENSEX




## ANNEXURE C: DISTRIBUTION OF HOLDINGS (as on March 31, 2011)

**VALUEWISE**

| Shareholding of nominal value | | | Shareholders | | Share Amount | |
|---|---|---|---|---|---|---|
| Rs. | | | Number | % to Total | in Rs. | % to Total |
| (1) | | (2) | (3) | (4) | (5) | |
| Upto | - | 5,000 | 87,331 | 99.48 | 8,492,130 | 6.49 |
| 5,001 | - | 10,000 | 101 | 0.12 | 755,021 | 0.58 |
| 10,001 | - | 20,000 | 80 | 0.09 | 1,117,756 | 0.85 |
| 20,001 | - | 30,000 | 43 | 0.05 | 1,060,961 | 0.81 |
| 30,001 | - | 40,000 | 27 | 0.03 | 943,818 | 0.72 |
| 40,001 | - | 50,000 | 12 | 0.01 | 552,566 | 0.42 |
| 50,001 | - | 100,000 | 52 | 0.06 | 3,792,490 | 2.90 |
| 100,001 and above | | | 139 | 0.16 | 114,080,226 | 87.22 |
| | | **Total** | **87,785** | **100.00** | **130,794,968** | **100.00** |

**CATEGORYWISE**

| Category | No. of Shares | % of Equity Capital |
|---|---|---|
| Promoter Group | 36,640,760 | 28.01 |
| Resident Body Corporate (including clearing members) | 5,390,040 | 4.12 |
| Banks/FI/FII/ MF/Trust/Central/State Government & Insurance Companies | 69,875,634 | 53.43 |
| NRI/OCB/FCB/Foreign Nationals | 6,139,805 | 4.70 |
| G D S | 660,614 | 0.50 |
| Resident Individuals | 12,088,115 | 9.24 |
| **Total** | **130,794,968** | **100.00** |

## CERTIFICATE ON CORPORATE GOVERNANCE

The Members of,
United Spirits Limited

We have examined the compliance of conditions of Corporate Governance by United Spirits Limited, for the year ended on March 31, 2011 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 to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended on March 31, 2011, no grievances are pending against the Company as per the 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.

Bangalore
August 03, 2011

M.R. GOPINATH
Company Secretary (in practice)
FCS 3812 CP 1030

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## CEO/CFO CERTIFICATE

In terms of the requirement of Clause 49 of the Listing Agreement with the Stock Exchanges, the certificates from CEO/CFO have been obtained.

New Delhi
August 03, 2011

Ashok Capoor
Managing Director

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## DECLARATION REGARDING AFFIRMATION OF CODE OF CONDUCT

In terms of the requirement of Clause 49 of the Listing Agreement, Code of Conduct as approved by the Board of Directors of the Company on December 30, 2005 had been displayed at the Company's website **www.unitedspirits.in** All the members of the Board and the senior management personnel had affirmed compliance with the Code for the year March 31, 2011.

New Delhi
August 03, 2011

Ashok Capoor
Managing Director

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

### A. INDUSTRY OVERVIEW:

The International Alcoholic Beverage Industry comprises mainly of Spirits, Beer and Wine. The international industry for Spirits is estimated to be around 2200 million cases (1 case = 9 Bulk Litres) in the calendar year 2010. The traditional dominance of 'Whites' – Vodka, White Rum and Gin continues in the international sphere.

The Indian Branded Spirits Industry was around 270 million cases in Fiscal year 2010-11 or 12.3% of the international industry. Contrary to international trends, India continues to remain a 'Browns' market with Whisky, Rum and Brandy being the dominant flavours.

It is a matter of pride that United Spirits Limited, your Company has become, in 2010, the largest distilled Spirits marketeer in the world by volume, with sales of over 112 million cases in India. Including the sales of its international subsidiaries, the volume figure stands at just under 114 million cases. Your Company pipped long time industry leader Diageo to the number one spot. The high point of this achievement is that almost all of your Company's volume has been sold in a single geography, viz India, in contrast to the world-wide spread of other international players.

Growths in the Indian Spirits market have been way above that of other geographies. Your Company's brands grew over 12% in the last Fiscal, the world's top 100 Spirits brands grew just 4.3%. 17 of the top 25 global premium Spirits brands either lost ground or grew less than 5%. Well-known names like Smirnoff, Bacardi, Johnnie Walker and Absolut, collectively added less than 3 million cases during the year, while your Company's brands added over 12 million cases.

The Indian Spirits market has grown at a CAGR of 15% over the last 5 years while your Company has out-performed the Industry during the same period with a growth of just under 17%.

The much talked about 'demographic window' with a large and growing population of youth coming of legal drinking age will only improve the business prospects for your Company. Of the Indian population of 1.2 billion, over half is under 25 years of age; in comparison the developed countries of the American and European continents and China all have a vastly ageing population. With younger persons joining the work force and with increased exposure, through media and travel, of international trends and lifestyles, the growth of your Company, and indeed of the Indian spirits market, can only accelerate.

### B. REGULATORY ENVIRONMENT:

The founding fathers of the Constitution of India thought it fit to place the regulation and taxation of alcoholic beverages in the domain of the States rather than in that of the Union Government. While the Union Government retains with itself the authority to licence green-field manufacturing units and to tax imports in this sector, all other activities relating to this industry – production, sale, manufacture, stocking and taxation are regulated and controlled by the State Governments. For players like your Company, operating in 30+ markets across the country, it can be a veritable nightmare dealing with the different characteristics of each market and ploughing through the maze of regulations, taxes and policies.

The much delayed GST regime would have played a part in smoothening inter-state trade and commerce in the alcoholic beverage space, but with States reluctant to give up their Fiscal autonomy and control over this industry, and over a few others like Electricity, Coal and Real Estate, it is improbable that GST will cover alcoholic beverages in the near term.

### C. BUSINESS ANALYSIS:

Inflationary pressures which emanated from food items had an impact on all areas as the year progressed. Your Company's primary ingredient in the manufacturing process, namely Extra Neutral Alcohol ("ENA") is, in effect, an agricultural by-product as it is distilled from molasses (a by-product of sugar manufacture) or from broken/spent grain. In the previous year, the Company had reported a huge step-up in the prices of ENA vis-a-vis the previous period. While the average price in FY11 remained lower than that of FY10, the increasing trend in prices of ENA remains a cause for worry. Supply of ethanol to the Oil Marketing Companies has potential to reduce availability of ENA for the potable alcohol industry, which could impact prices. However, in the near term it appears that acreage under sugar cultivation is set to increase and this should have a favorable effect.

A well conceived initiative to build up supply side security through backward integration into distillation is the corner stone of your Company's business strategy. Towards end FY11 and subsequent to the end of that Fiscal, your Company has invested substantially in two entities having primary distillation units, namely Pioneer Distilleries Limited and Sovereign Distilleries Limited in Maharashtra and Karnataka respectively. These two units together have a distillation capacity of 340 Kilo Litres Per Day ("KLPD") representing 25% of requirement and should go a long way to reduce dependency on external suppliers. Bringing supplies in house also helps to capture the distillation margin which would have been payable to external suppliers.

The increasing price of crude and general inflationary conditions have pushed up prices of another key input, namely glass bottles. With one player dominating the glass industry, your Company had no option but to grant price increases in August 2010 and again in February 2011. In order to mitigate the cost increase in glass bottles, your Company is evaluating plans to set up a glass manufacturing unit in South India for captive consumption.

Despite an ever expanding manufacturing footprint that seeks to localise over 90% of the sales volume within each State, your Company was required to meet the sharp growth in demand for your Company's products. Additional capacity is being added on in Company-owned manufacturing facilities, wherever possible through the operation of multiple shifts and extended working hours. Wherever this is not possible, your Company is seeking additional capacity through contract manufacturing arrangements. A concerted focus on ensuring profitable volume sales has helped the Company to add around 11 million cases in its main-line product portfolio, while adding only a million cases to what is referred to as a 'second-line' products.

Sales of the Company's brands grew to 112.24 million cases, an increase of 12% over the 100.23 million cases of the previous Fiscal; together with the sales of its international subsidiaries, volumes were nearly 114 million cases.

**D. MARKETING:**

Your Company is one of the two companies with 12 brands among the Top 100 Spirits Brands Worldwide as published by Impact International - a well known beverage alcohol magazine.

Bagpiper Whisky continues to be the world's largest whisky with sales in excess of 16 million cases while McDowell's No. 1 Whisky is the third largest whisky in the world.

The umbrella, 'McDowell's No. 1' brand, which has a presence across three flavours – Whisky, Brandy and Rum, registered sales of over 40 million cases in FY 11, an increase of 16% over the 35 million cases of the previous Fiscal. This sharp increase has helped it retain its number one position as the world's largest beverage alcohol umbrella brand.

McDowell's No. 1 Brandy continues to remain the world's largest selling Brandy with sales in excess of 12 million cases and a growth of 22%. This is despite it being hampered by a change of ordering process in Tamilnadu, its largest market.

McDowell's No. 1 Celebration Rum with a sale of 14.5 million cases and a growth of 19% is far and away India's largest Rum and the world's third largest seller in this flavour category.

During the year, your Company added yet another 'millionaire' in McDowell's No. 1 Platinum Whisky – a 100% grain offering launched less than 12 months ago.

It is the first time that a new launch at this price point has crossed the million cases mark in its launch year. The momentum of this brand continues in the current Fiscal and its descriptive packaging coupled with its smooth blend has been very well received both by the trade and the consumers.

In Fiscal 2011, the Company introduced a niche extension of its Black Dog range through the launch of Black Dog 18 Year Old Whisky – this outstanding offering has been very well received by the market and has significantly upped the image of the Black Dog brand.

Post the end of the year, a similarly upgraded offering has been introduced, viz., Signature Premier – a Super Premium whisky blended with 8-year old Scotch. This brand is currently being rolled out nationally and initial responses have been very encouraging.

To meet the growth in its key brands, your Company has expanded its manufacturing units and tied up with third parties for additional capacities, wherever necessary.

Of the increase of 12 million cases in the current Fiscal, the key brands of the Company contributed 90%. This is in keeping with your Company's deliberate premiumization strategy to move its consumers up the value chain.

On a trial basis, your Company reduced the prices of Royal Challenge in select markets as part of a strategy to plug gaps in the price ladder. This was done to facilitate consumers to 'step up' from one price band to another without having to 'leap' across price bands. This strategy has been very successful with volumes jumping in these markets as high as 25-40% while simultaneously growing the contribution in monetary terms.

The Company's overseas subsidiaries - Whyte and Mackay, Bouvet Ladubay and Liquidity Inc continue to perform well in the international markets. Post the end of Fiscal 2011, Vladivar Vodka, a Whyte and Mackay brand, has been introduced in the Indian market. This is now being produced at your Company's Nashik facility. Consumer response has been very good to the brand and its flavoured variants.

As part of the strategy to grow sales in international markets, your Company has set up an Emerging Markets Division which will be responsible for the sales of the Indian brands together with the Whyte and Mackay portfolio in the markets of Africa, Asia and the Far East. This Division is being appropriately staffed to drive the sales of this portfolio in these markets. Wherever opportunities exist, local manufacturing arrangements are also being explored.

**E. RISKS & CONCERNS, OPPORTUNITIES & THREATS:**

India's 'young' population demographic in comparison with an 'ageing' population in other parts of the world is seen as the engine of sustainable growth. A young population is set to join the workforce and generate disposable income, which is a key advantage. In the case of your Company, this is accentuated by changing attitudes towards consumption of alcoholic beverages which underpins exposure to life styles and products through travel and media. The Company believes that all the above factors indicate a strong and sustained demand for your Company's products for many years to come. The younger Indian consumer is also more ambitious than the earlier generation and the pervasive good feeling amongst such consumers is expected to translate into constant up-trading, reflected in your Company's case by the consistent double digit growth in its first line range of products. The Company feels that this trend will continue and, in fact, grow.

Notwithstanding a steady, albeit slow, process of deregulation, the alcoholic beverages industry continues to be the favorite target of the Governments, both at the Centre and in the States when faced with revenue pressures. Consequently, the industry suffers from the twin impact of over-regulation and excessive taxation. State and local Governments receive, by way of taxes and duties, as much as 55-60% of what the consumer pays as the retail price for the alcoholic industry's products. The proposed Goods and Services Tax (GST) legislation could have helped reduce the burden of this excessive taxation – unfortunately State Governments seem to be unwilling to bring alcoholic beverages under the ambit of GST for fear of reduced flexibility in their hands. Increasing levels of taxation and imposition of newer and ingenious levies show no sign of abatement in the near future – a factor that impedes profitability despite continuing growth in consumer demand.

Over the past couple of years, shareholder communication from the Company has consistently referred to increases in the price of the Company's key input viz., Molasses/ Spirit. This has come about due to fluctuating acreages under cultivation, local policy decisions affecting supplies within a state and resurgence in the use of spirit for ethanol blending. Increasing prices of crude have impacted the prices of both spirit and glass – the latter compounded by an oligopolistic situation in the Indian glass industry. Your Company has sought to mitigate this through development of alternate packaging like PET and Tetrabrick containers, which have proved to be highly successful in large markets.

Your Company's foray into the emerging wine segment through the acquisition of Bouvet Ladubay, SA, France, in 2006 and the setting up of a subsidiary M/s. Four Seasons Wines Limited ("FSWL"), is bearing fruit. The French subsidiary has more than doubled its capacity through a new state-of-the-art winery at Saumur, France, while simultaneously aiding FSWL, set-up India's largest winery near Baramati in Maharashtra. FSWL's products viz., Zinzi and Four Seasons, have been well received by consumers – the latter particularly, has been the recipient of numerous awards both in India and overseas.

Your Company has positioned its products at convenient price points ranging from the low end to premium, aged, niche products. In this endeavor, the repertoire of brands from the Whyte and Mackay`s stable has been advantageous in both enhancing the product offering as also in scaling up the image of the Company in the eyes of the consumers.

Whyte and Mackay has reworked its strategy to focus on the sale of its brands rather than being a producer and seller of bulk spirit. The Company is also focusing its branded spirits activity of select geographies while working alongside the Emerging Markets Division for sales in other territories.

**F. OUTLOOK:**

Over two-thirds of the Company's sales are made to large parastatal organisations controlled by the State Governments. Requests for price increases are often a tedious process and take considerable time to materialise.

Your Company is in the fore front of negotiation with various State Governments in this regard. Consequently, your Company has managed price increases in various States through a mix of upgraded product launches at higher price points and judicious price corrections in linked markets. Additionally, effective realisation to the Company has been pushed up through reductions in market spends and implementation of various cost-cutting measures.

**G. INTERNAL CONTROL SYSTEM:**

The company has a robust system of internal control which has been incorporated in the enterprise-wide SAP system.

In addition, review of the Company's systems is carried out by the UB Group's Internal Audit Department, the Company's own operation review personnel, and by independent auditors.

**H. INTERNATIONAL OPERATIONS:**

The Winery at Bouvet Ladubay had been shifted over a year ago to swanky new premises while simultaneously expanding its capacity to about 8 million bottles per annum. The Company's products have been growing and continue to do well in their traditional markets. The Bouvet products have been introduced in India and have found increasing consumer expansion. The expertise of the French wine making subsidiary has been used while building India's largest Winery at Four Seasons Wines Limited near Baramati, as also in the development of a range of varietal wines. The policies of some of the State Governments with respect to imported spirits have hampered the sales of Bouvet Ladubay products in India to an extent.

As part of a well crafted strategy, Whyte and Mackay has de-emphasised the sale of bulk spirit and instead decided to focus on brand-building. Re-organisation of selling arrangements in North America and the planned integration into the emerging markets for market development in Africa, Asia and the Far East will definitely go a long way in making Whyte and Mackay a force to reckon with in single malt and blended whiskeys.

**I. HUMAN RESOURCES:**

Your Company's human capital is now upwards of 7,500 employees including factory workmen. During the Fiscal year, there has been no loss of production at any of the Company's manufacturing facilities due to industrial unrest.

The HR department is working to make your Company the 'Employer of Choice' and a great place to work on the Indian Corporate scene.

**J. FORWARD LOOKING STATEMENTS:**

This Report contains forward-looking statements that involve risks and uncertainties. Your Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of their dates. This Report should be read in conjunction with the financial statements included herein and the notes thereto.

By Authority of the Board

New Delhi
August 03, 2011

**Dr. VIJAY MALLYA**
Chairman

# Auditors' Report to the Members of United Spirits Limited

1. We have audited the attached Balance Sheet of **United Spirits Limited** (the "Company") as at March 31, 2011, and the related Profit and Loss Account and 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 the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

4. Further to our comments in the Annexure referred to in paragraph 3 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) 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;

   (e) On the basis of written representations received from the directors, as on March 31, 2011 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

   (f) 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 give a true and fair view in conformity with the accounting principles generally accepted in India:

      (i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2011;

      ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

      iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For Price Waterhouse**
Firm Registration Number: 007568S
Chartered Accountants

**Usha A. Narayanan**
Partner
Membership Number: 23997

New Delhi
August 3, 2011

# Annexure to the Auditors' Report

**[Referred to in paragraph 3 of the Auditors' Report of even date to the members of United Spirits Limited on the financial statements for the year ended March 31, 2011]**

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.

   (b) The fixed assets 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.

2. (a) The inventory, excluding stocks held by a wholly owned subsidiary in respect of which physical verification is not feasible because of the nature of business of the Company, has been physically verified by the Management during the year. In our opinion, the frequency of verification is reasonable.

   (b) In our opinion, read with our remarks in paragraph 2(a), procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.

   (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

3. (a) The Company has granted unsecured loans, to a Company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year end balance of such loans aggregates to Rs. 2,796.086 Million and Rs. Nil, respectively.

   (b) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.

   (c) In respect of the aforesaid loans, the parties are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable.

   (d) In respect of the aforesaid loans, there is no overdue amount more then Rupees One Lakh.

   (e) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.

4. In our opinion and according to the information and explanations given to us, 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 been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or 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.

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 or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.

7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

8. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.

9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable, with the appropriate authorities.

   (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of incometax, sales-tax, wealth-tax, service-tax, customs duty, excise duty and cess as at March 31, 2011 which have not been deposited on account of a dispute are given in Appendix 1.

10. The Company has no accumulated losses as at March 31, 2011 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

11. 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.

12. 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.

13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/ societies are not applicable to the Company.

14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.

15. 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.

16. 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.

17. 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 a short-term basis which have been used for long-term investment.

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 Act during the year.

19. The Company has not issued debentures during the year and there are no debentures outstanding as at year end.

20. The Company has not raised any money by public issues during the year.

21. 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.

**For Price Waterhouse**
Firm Registration Number: 007568S
Chartered Accountants

**Usha A. Narayanan**
Partner
Membership Number: 23997

Place : New Delhi
Date : August 3, 2011

# Appendix-1 to the Auditors' Report

**[Referred to paragraph 9(b) of the Annexure to the Auditors' report of even date to the members of United Spirits Limited]**

| Name of the Statute | Amount (Rs. Million) | Period to which the amount relates | Forum where the dispute is pending |
|---|---|---|---|
| **The Income-Tax Act, 1961** | 194.268 | 2002-03, 2003-04, 2004-05, 2008-09 | Commissioner of Income tax (Appeals) |
| | 251.261 | 1994-95, 2000-01, 2001-02, 2003-04, 2004-05, 2005-06, 2006-07, 2007-08 | Income Tax Appellate Tribunal |
| | 3.620 | 2004-05 | Assessing Officer |
| **Central and Respective State Tax Acts** | 68.870 | 1982-83, 1984-86, 1988-89, 1989-90, 1990-91, 1992-93, 1995-96, 1996-97, 1997-98, 1999-00, 2001-02, 2005-06 | High Court |
| | 82.662 | 1985-86, 1987-88, 1993-94, 1994-95, 1995-96, 1996-97, 1997-98, 1997-01, 1998-99, 1999-00, 2000-01 | Appellate Tribunal |
| | 9.210 | 1999-00, 2000-01,2001-02, 2002-03, 2007-08 | Joint Commissioner |
| | 18.056 | 1984-85, 1992-93, 2002-03, 2005-07, 2007-08 | Deputy Commissioner |
| | 200.780 | 1974-76, 1995-96, 1999-06, 2002-03 | Assistant Commissioner |
| | 2.835 | 1993-94, 1995-96,1997-98, 2004-05 | Assessing Officer |
| | 54.980 | 1993-94,2004-05, 2005-06, 2006-07 | Appellate and Revisional board |
| | 5.579 | 2006-07, 2007-08 | Additional Commissioner |
| **Respective State Excise Acts** | 5.287 | 1971-72,1972-73,1973-74, 1977-78,1978-79,1979-80, 1980-81,1981-82,1981-2011 | Supreme Court |
| | 232.226 | 1963-64,1972-74, 1983-84, 1986-87, 1988-91,1991-92, 1992-93, 1993-94, 1996-97,1997-98, 1998-99, 1999-00, 1998-01, 2000-01, 2002-03, 2003-04, 2001-11, 2008-10 | High Court |
| | 17.464 | 1995-96 | Appellate Tribunal |
| | 265.254 | 1974-81, 1980-81, 1981-82, 1982-83, 1983-84, 1983-85,1984-85, 1985-86, 1985-87, 1986-87, 1987-88, 1988-89, 1989-90, 1991-92, 1991-96, 1993-94, 1993-95, 1995-96, 1995-98, 1998-99, 2001-02, 2002-03, 2004-05, 2005-06 | Excise Commissioner |
| | 1.593 | 1986-87, 1992-99,1992-99,1997-98 | Excise Superintendent |
| | 1.701 | 1994-95 | District Magistrate and Collector |
| | 12.170 | 1981-84 | Chinsurah Court, Hooghly |
| | 8.311 | 1993-94 | Additional District Magistrate |
| | 0.081 | 1994-95 | Collector |
| **The Central Excise Act, 1944** | 6.000 | 1991-95,1995-98, 2001-02 | Supreme Court |
| | 0.534 | 1994-95 | Commissioner of Central Excise |
| | 25.635 | 1989-97,1996-97, 2004-05 | High Court |
| | 0.481 | 1995-96 | Assistant Commissioner of Customs |

UB GROUP
UNITED SPIRITS

# Balance Sheet as at March 31, 2011

Rs. Million

| | Schedule | 2011 | 2010 |
|---|---|---|---|
| **SOURCES OF FUNDS** | | | |
| **Shareholders' Funds** | | | |
| Share Capital | 1 | **1,307.950** | 1,255.943 |
| Reserves and Surplus | 2 | **49,729.727** | 46,601.859 |
| **Loan Funds** | | | |
| Secured Loans | 3 | **25,179.658** | 25,892.537 |
| Unsecured Loans | 4 | **10,903.812** | 9,268.220 |
| | | **87,121.147** | 83,018.559 |
| **APPLICATION OF FUNDS** | | | |
| **Fixed Assets** | 5 | | |
| Gross Block | | **11,837.587** | 9,288.565 |
| Less: Depreciation | | **2,715.624** | 2,222.046 |
| Net Block | | **9,121.963** | 7,066.519 |
| Capital Work in Progress | | **592.768** | 395.842 |
| | | **9,714.731** | 7,462.361 |
| **Investments** | 6 | **14,532.508** | 12,539.973 |
| **Deferred Tax Asset (Net) [Schedule 18 Note 17(b)]** | | **202.736** | 64.874 |
| **Foreign Currency Monetary Item Translation Difference** | | **-** | 323.641 |
| **Current Assets, Loans and Advances** | | | |
| Inventories | 7 | **11,621.315** | 8,291.882 |
| Sundry Debtors | 8 | **9,585.883** | 9,461.639 |
| Cash and Bank Balances | 9 | **1,597.912** | 2,464.670 |
| Other Current Assets | 10 | **3,203.092** | 3,268.493 |
| Loans and Advances | 11 | **51,136.172** | 50,381.668 |
| | | **77,144.374** | 73,868.352 |
| **Less: Current Liabilities and Provisions** | 12 | | |
| Liabilities | | **13,406.160** | 10,394.595 |
| Provisions | | **1,067.042** | 846.047 |
| | | **14,473.202** | 11,240.642 |
| **Net Current Assets** | | **62,671.172** | 62,627.710 |
| | | **87,121.147** | 83,018.559 |
| Statement on Significant Accounting Policies | 17 | | |
| Notes on Accounts | 18 | | |

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

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

**For Price Waterhouse**
Firm Registration Number: 007568S
Chartered Accountants

**USHA A. NARAYANAN**
Partner
Membership Number: 23997

New Delhi
August 3, 2011

**VIJAY MALLYA**
Chairman

**M.R. DORAISWAMY IYENGAR**
Director

New Delhi
August 3, 2011

**V.S. VENKATARAMAN**
Company Secretary

Bangalore
August 3, 2011

**ASHOK CAPOOR**
Managing Director

**P.A. MURALI**
Chief Financial Officer

# Profit and Loss Account for the year ended March 31, 2011

Rs. Million

| | Schedule | 2011 | 2010 |
|---|---|---|---|
| **INCOME** | | | |
| Sales (Gross) | | **123,661.179** | 87,790.708 |
| Less: Excise Duty | | **64,677.133** | 42,549.432 |
| | | **58,984.046** | 45,241.276 |
| Income arising from Sale by Manufacturers under 'Tie-up' agreements (Tie-up units) | | **4,217.395** | 3,460.158 |
| Income from Brand Franchise | | **487.458** | 587.772 |
| Other Income | 13 | **544.112** | 563.812 |
| | | **64,233.011** | 49,853.018 |
| **EXPENDITURE** | | | |
| Materials | 14 | **35,808.122** | 27,468.827 |
| Manufacturing and Other Expenses | 15 | **18,246.094** | 14,080.812 |
| Interest and Finance charges | 16 | **4,027.902** | 3,096.196 |
| Exchange Loss (Net) | | **225.744** | 84.090 |
| | | **58,307.862** | 44,729.925 |
| **Profit before Exceptional and Other Non-Recurring Items, Depreciation and Taxation** | | **5,925.149** | 5,123.093 |
| Depreciation | | **477.470** | 386.302 |
| **Profit before Exceptional and Other Non-Recurring Items and Taxation** | | **5,447.679** | 4,736.791 |
| Exceptional and other non recurring items [Schedule 18 Note 10] | | **368.399** | 699.953 |
| **Profit before Taxation** | | **5,816.078** | 5,436.744 |
| Provision for Taxation: | | | |
| Current Tax | | **1,793.500** | 1,525.000 |
| Deferred Tax Charge / (Credit) | | **167.865** | 151.529 |
| **Profit after Taxation** | | **3,854.713** | 3,760.215 |
| Profit brought forward from previous year | | **12,380.525** | 9,486.445 |
| Profit transferred on Amalgamation [Schedule 18 Note 2(A)(c)] | | **4.030** | - |
| | | **16,239.268** | 13,246.660 |
| **Appropriations:** | | | |
| Proposed Dividend | | **326.987** | 313.986 |
| Corporate Tax on Proposed Dividend | | **54.309** | 52.149 |
| Transfer to General Reserve | | **500.000** | 500.000 |
| **Profit carried to Balance Sheet** | | **15,357.972** | 12,380.525 |
| Basic / Diluted Earnings Per Share (Face value of Rs. 10 each) | | **29.47** | 32.51 |
| Statement on Significant Accounting Policies | 17 | | |
| Notes on Accounts | 18 | | |

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

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

**For Price Waterhouse**
Firm Registration Number: 007568S
Chartered Accountants

**USHA A. NARAYANAN**
Partner
Membership Number: 23997

New Delhi
August 3, 2011

**VIJAY MALLYA**
Chairman

**M.R. DORAISWAMY IYENGAR**
Director

New Delhi
August 3, 2011

**V.S. VENKATARAMAN**
Company Secretary

Bangalore
August 3, 2011

**ASHOK CAPOOR**
Managing Director

**P.A. MURALI**
Chief Financial Officer

## Cash Flow Statement for the year ended March 31, 2011

| | | | | | |
|---|---|---|---|---|---|
| | | | | | Rs. Million |
| | | | 2011 | | 2010 |
| **A.** | **CASH FLOW FROM OPERATING ACTIVITIES** | | | | |
| | **Profit before Exceptional and Other Non-Recurring Items and Taxation** | | **5,447.679** | | 4,736.791 |
| | Adjustments for: | | | | |
| | Depreciation | **477.470** | | 386.302 | |
| | Unrealised Foreign Exchange Loss / (Gain) | **345.421** | | 2.822 | |
| | Bad Debts/ Advances written off | **31.481** | | 4.046 | |
| | Loss/(Gain) on Fixed Assets Sold/Written off (Net) | **(3.381)** | | (5.142) | |
| | Liabilities no longer required written back | **(95.702)** | | (188.606) | |
| | Provision for Doubtful Debts/ Advances/ Deposits (Net) | **290.273** | | 255.170 | |
| | Provision for diminution in value of Investments (Net) | **-** | | 26.635 | |
| | Provision - Others | **167.342** | | 25.016 | |
| | Interest Expense and Finance Charges | **4,448.929** | | 3,150.645 | |
| | Income from investments | **(52.259)** | | (58.317) | |
| | Interest Income | **(421.027)** | **5,188.547** | (54.449) | 3,544.122 |
| | **Operating profit before working capital changes** | | **10,636.226** | | 8,280.913 |
| | (Increase)/decrease in Trade and other receivables | **(2,023.147)** | | (4,310.270) | |
| | (Increase)/decrease in Inventories | **(3,072.452)** | | (1,752.191) | |
| | Increase/(decrease) in Trade payables | **2,186.757** | | 1,870.993 | |
| | | | **(2,908.842)** | | (4,191.468) |
| | **Cash generated from operations** | | **7,727.384** | | 4,089.445 |
| | Direct taxes paid | | **(1,928.405)** | | (2,036.527) |
| | Fringe Benefit taxes paid | | **2.544** | | (4.013) |
| | **Cash flow before Exceptional and Other Non-Recurring Items** | | **5,801.523** | | 2,048.905 |
| | Exceptional and Other Non-Recurring Items | | **(871.798)** | | 8,912.526 |
| | **Cash generated / (used in) from operations** | | **4,929.725** | | 10,961.431 |
| **B.** | **CASH FLOW FROM INVESTING ACTIVITIES** | | | | |
| | Purchase of fixed assets | **(1,959.011)** | | (1,652.724) | |
| | Sale of fixed assets | **16.692** | | 18.170 | |
| | Finance Lease Payments | **(8.259)** | | (10.049) | |
| | Purchase of long term investments | **(86.736)** | | (139.539) | |
| | Consideration paid on acquisition of shares [Schedule 18 (Note 4(b)] | **(1,039.852)** | | - | |
| | Investment in an Associate | **(35.198)** | | - | |
| | Disposal of Investment in Subsidiary | **0.600** | | - | |
| | Investments in Subsidiaries | **-** | | (123.838) | |
| | Loans given to Subsidiaries | **(3,045.106)** | | (37,035.797) | |
| | Realisation of Loans from Subsidiaries | **3,984.140** | | 1,241.825 | |
| | Interest received | **419.729** | | 47.838 | |
| | Dividend received | **46.784** | | 57.278 | |
| | **Net cash used in investing activities** | | **(1,706.217)** | | (37,596.836) |

# Cash Flow Statement for the year ended March 31, 2011 (Contd.)

Rs. Million

| | | 2011 | | 2010 |
|---|---|---|---|---|
| **C. CASH FLOW FROM FINANCING ACTIVITIES** | | | | |
| Proceeds from issue of shares to QIBs | **-** | | 16,156.000 | |
| Expenses incurred on issue of shares to QIBs | **-** | | (696.274) | |
| Proceeds/(Repayment) of long term loans: | | | | |
| Proceeds | **3,218.700** | | 15,590.996 | |
| Repayment | **(8,235.451)** | | (2,182.102) | |
| Proceeds/(Repayment) of fixed deposits | **3,196.576** | | 1,555.884 | |
| Proceeds/(Repayment) of short term loans | **5,470.000** | | 8,270.000 | |
| Repayment of short term loan | **(4,020.000)** | | (7,150.000) | |
| Working Capital Loan / Cash Credit from Banks (net) | **1,268.401** | | (151.700) | |
| Interest and Finance Charges paid [including on Finance lease Rs. 1.350 Million (2010: Rs. 2.444 Million)] | **(4,792.563)** | | (2,888.248) | |
| Dividends paid | **(313.575)** | | (216.415) | |
| Corporate Tax on distributed profit | **(52.149)** | | (36.694) | |
| **Net cash used in financing activities** | | **(4,260.061)** | | 28,251.447 |
| **Net (Decrease)/ Increase in cash and cash equivalents** | | **(1,036.553)** | | 1,616.042 |
| **Cash and cash equivalents as at March 31, 2010*** | | **2,464.670** | | 848.628 |
| Cash and Cash Equivalents of Transferor companies | | **169.795** | | - |
| **Cash and cash equivalents as at March 31, 2011*** | | **1,597.912** | | 2,464.670 |
| | | **(1,036.553)** | | 1,616.042 |

*Refer Schedule 9

**Notes:**

1. The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at March 31, 2011 and the related Profit and Loss Account for the year ended on that date.
2. The above Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard - 3 on Cash Flow Statements as notified under Section 211(3C) of the Companies Act, 1956 and reallocation required for this purpose are as made by the Company.
3. Previous year's figures have been regrouped wherever necessary in order to conform to this year's presentation.

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

**For Price Waterhouse**
Firm Registration Number: 007568S
Chartered Accountants

**USHA A. NARAYANAN**
Partner
Membership Number: 23997

New Delhi
August 3, 2011

**VIJAY MALLYA**
Chairman

**M.R. DORAISWAMY IYENGAR**
Director

New Delhi
August 3, 2011

**V.S. VENKATARAMAN**
Company Secretary

Bangalore
August 3, 2011

**ASHOK CAPOOR**
Managing Director

**P.A. MURALI**
Chief Financial Officer

Rs. Million

| | 2011 | 2010 |
|---|---|---|
| **1. SHARE CAPITAL** | | |
| **Authorised** | | |
| 395,000,000 (2010: 245,000,000) Equity Shares of Rs. 10/- each | **3,950.000** | 2,450.000 |
| 159,200,000 (2010: 84,200,000) Preference Shares of Rs. 10/- each | **1,592.000** | 842.000 |
| | **5,542.000** | 3,292.000 |
| **Issued, Subscribed and Paid-up** | | |
| 130,794,968 (2010: 125,594,329) Equity Shares of Rs. 10/- each fully paid up. | **1,307.950** | 1,255.943 |
| | **1,307.950** | 1,255.943 |

**Notes :**

Of the above,

1. 51,719,968 (2010: 51,719,968) Equity Shares were allotted as fully paid up on July 9, 2001 to the shareholders of the erstwhile McDowell & Company Limited, pursuant to the schemes of Amalgamation for consideration other than cash.

2. 34,010,521 (2010: 34,010,521) Equity Shares were alloted as fully paid on November 6, 2006 to Equity Shareholders of erstwhile Herbertsons Limited, Triumph Distillers & Vintners Private Limited, Baramati Grape Industries Limited, United Distillers India Limited, and Shaw Wallace Distilleries Limited pursuant to a Scheme of Amalgamation for consideration other than cash.

3. 8,751,381 (2010: 8,751,381) Equity shares of Rs. 10/- each fully paid up represent 17,502,762 (2010: 17,502,762) Global Depository Shares issued by the Company on March 29, 2006.

4. 5,681,326 (2010: 5,681,326) Equity shares of Rs. 10/- each fully paid up were alloted consequent to conversion of 100,000, 2% Convertible Bonds in Foreign Currency during 2008.

5. 7,749,121 (2010: 7,749,121) Equity Shares were alloted as fully paid up on July 24, 2009 to the shareholders of the erstwhile Shaw Wallace & Company Limited, pursuant to the schemes of Amalgamation for consideration other than cash.

6. 17,681,952 (2010: 17,681,952) Equity shares of Rs. 10/- each fully paid up were alloted to eligible Qualified Institutional Buyer's through a Qualified Institutional Placement on October 23, 2009.

7. 5,200,639 Equity Shares were alloted as fully paid up on January 14, 2011 to the shareholders of the erstwhile Balaji Distilleries Limited, pursuant to the scheme of Amalgamation for consideration other than cash.

Rs. Million

| | | 2011 | | 2010 |
|---|---|---|---|---|
| **2. RESERVES AND SURPLUS** | | | | |
| Central Subsidy | | | | |
| As per last Balance Sheet | | **1.500** | | 1.500 |
| Capital Redemption Reserve | | | | |
| As per last Balance Sheet | | **578.946** | | 578.946 |
| Securities Premium Account | | | | |
| As per last Balance Sheet | **25,176.823** | | 9,893.917 | |
| Add: On issue of equity shares alloted to Qualified Institutional Buyers | **-** | | 15,979.180 | |
| | **25,176.823** | | 25,873.097 | |
| Less: Expenses incurred on issue of Equity shares to Qualified Institutional Buyers | **-** | | 696.274 | |
| | | **25,176.823** | | 25,176.823 |
| Foreign Currency Translation Reserve [Schedule 18 Note 4(d)] | | | | |
| As per last Balance Sheet | **(2,247.069)** | | (463.905) | |
| Addition during the year | **(24.175)** | | (1,783.164) | |
| | | **(2,271.244)** | | (2,247.069) |
| Contingency Reserve | | | | |
| As per last Balance Sheet | | **110.000** | | 110.000 |
| General Reserve | | | | |
| As per last Balance sheet | **10,601.134** | | 10,101.134 | |
| Add: Addition during the year: | | | | |
| (a) Reserve arising on amalgamation [Schedule 18 Note 2A] | **(325.404)** | | - | |
| (b) Transfer from Profit and Loss Account | **500.000** | | 500.000 | |
| | | **10,775.730** | | 10,601.134 |
| Surplus in Profit and Loss account | | **15,357.972** | | 12,380.525 |
| | | **49,729.727** | | 46,601.859 |

Rs. Million

| | 2011 | 2010 |
|---|---|---|
| **3. SECURED LOANS** | | |
| Term Loans | | |
| From Banks [Note (i)] | **16,343.534** | 18,316.555 |
| [Repayable within one year: Rs. 3,719.771 Million (2010: Rs. 3,100.721 Million)] | | |
| Working Capital Loan / Cash Credit from Banks [Note (ii)] | **8,827.708** | 7,559.307 |
| Finance Lease [Note (iii)] | **8.416** | 16.675 |
| | **25,179.658** | 25,892.537 |
| **Notes:** | | |
| (i) Out of the above loans: | | |
| (a) Secured by charge on certain fixed assets of the Company including Land and Building. | **367.001** | 879.222 |
| (b) Secured by a charge on certain fixed assets of the Company including Land and Buildings, and also by pledge of certain investments held by other company. | **687.477** | 1,374.977 |
| (c) Foreign Currency External Commercial Borrowings secured by charge on specific fixed deposit with bank. | **-** | 1,571.500 |
| (d) Secured by hypothecation of maturing stock held in overseas branch and charge on certain fixed assets including Land and Building and pledge of certain investments held by other companies. | **2,109.500** | 1,646.300 |
| (e) Secured by a charge on certain fixed assets of the Company including Land and Building, pledge of shares held by the USL Benefit Trust and hypothecation of certain Trademarks of the Company. | **12,515.056** | 12,844.556 |
| (f) Secured by a charge on certain fixed assets of the Company. | **664.500** | - |
| (ii) Secured by hypothecation of inventories (except those held outside India), book debts and other current assets. | | |
| (iii) Secured against assets acquired under lease agreements | | |
| **4. UNSECURED LOANS** | | |
| Fixed Deposits | **5,358.220** | 2,201.785 |
| [Repayable within one year Rs. 2,338.839 Million (2010: Rs. 709.807 Million)] | | |
| Long term loan from a bank | **750.000** | 750.000 |
| [Repayable within one year Nil (2010: Nil )] | | |
| Short term loan from banks | **4,720.000** | 3,270.001 |
| [Repayable within one year Rs. 4,099.722 Million (2010: Rs. 3,270.001 Million )] | | |
| From Subsidiary Company | **-** | 2,970.842 |
| [Repayable within one year Nil (2010: Nil)] | | |
| Inter Corporate Deposit [Schedule 18 Note 8] | **75.592** | 75.592 |
| [Including interest accrued and due Rs. 40.592 Million (2010: Rs. 40.592 Million)] | | |
| | **10,903.812** | 9,268.220 |

# Schedules forming part of Balance Sheet as at March 31, 2011 (Contd.)

## 5. FIXED ASSETS

Rs. Million

| | GROSS BLOCK | | | | | DEPRECIATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | On Amalgamation (Note 4) | Additions | Deletion/ Adjustments | **2011** | 2010 | On Amalgamation (Note 4) | For the year | Deletion/ Adjustments | **2011** | **2011** | 2010 |
| Land (Note 1) : | | | | | | | | | | | | |
| Freehold | 2,536.895 | 474.600 | 0.065 | - | **3,011.560** | - | - | - | - | **-** | **3,011.560** | 2,536.895 |
| Leasehold | 112.261 | - | - | - | **112.261** | - | - | - | - | **-** | **112.261** | 112.261 |
| Buildings (Notes 2 and 3) | 1,845.923 | 80.038 | 549.411 | 5.291 | **2,470.081** | 369.207 | 5.667 | 67.286 | 0.604 | **441.556** | **2,028.525** | 1,476.716 |
| Plant & Machinery | 3,802.755 | 248.750 | 1,069.766 | 16.510 | **5,104.761** | 1,474.830 | 42.012 | 312.155 | 13.586 | **1,815.411** | **3,289.350** | 2,327.925 |
| Furniture & Fixture and Office Equipments: | | | | | | | | | | | | |
| Finance Lease | 20.780 | - | - | 13.756 | **7.024** | 13.141 | - | 4.004 | 13.756 | **3.389** | **3.635** | 7.639 |
| Others | 588.009 | 6.630 | 121.258 | 4.214 | **711.683** | 163.684 | 1.615 | 52.858 | 2.134 | **216.023** | **495.660** | 424.325 |
| Vehicles : | | | | | | | | | | | | |
| Finance Lease | 16.617 | - | - | 0.839 | **15.778** | 9.168 | - | 3.578 | 0.839 | **11.907** | **3.871** | 7.449 |
| Others | 138.091 | 30.887 | 22.585 | 14.358 | **177.205** | 132.382 | 8.471 | 20.642 | 10.738 | **150.757** | **26.448** | 5.709 |
| Aircraft | 186.290 | - | - | - | **186.290** | 48.034 | - | 12.851 | - | **60.885** | **125.405** | 138.256 |
| **Intangible:** | | | | | | | | | | | | |
| Trademark, Formulae and License | 40.944 | - | - | - | **40.944** | 11.600 | - | 4.096 | - | **15.696** | **25.248** | 29.344 |
| | 9,288.565 | 840.905 | 1,763.085 | 54.968 | **11,837.587** | 2,222.046 | 57.765 | 477.470 | 41.657 | **2,715.624** | **9,121.963** | 7,066.519 |
| 2010 | 7,876.187 | - | 1,539.514 | 127.136 | **9,288.565** | 1,949.852 | - | 386.302 | 114.108 | **2,222.046** | | |
| Capital Work-in-Progress (including Advances) | | | | | | | | | | | **592.768** | 395.842 |
| | | | | | | | | | | | **9,714.731** | 7,462.361 |

**Notes:**

1. The Company is in the process of registering certain freehold and leasehold land in its own name.
2. Cost of buildings includes the following payments made for the purpose of acquiring the right of occupation of Mumbai godown space:
   i) 660 equity shares (unquoted) of Rs. 100 each fully paid in Shree Madhu Industrial Estate Limited Rs. 0.066 Million (2010: Rs. 0.066 Million). Application has been made for duplicate share certificates and the same is in the process.
   ii) 199, 6 % Debentures (unquoted) of Rs. 1,000 each fully paid in Shree Madhu Industrial Estate Limited Rs. 0.199 Million (2010: Rs. 0.199 Million). Application has been made for duplicate debentures certificates and the same is in the process.
   iii) Deposit with Shree Madhu Industrial Estate Limited Rs. 0.132 Million (2010: Rs. 0.132 Million)
3. Include value of fully paid shares Rs. 0.006 Million (2010: Rs. 0.006 Million) held in Co-operative Housing Societies.
4. Includes additions/deletions (Gross Block) and depreciation of the transferor company for the year ended March 31, 2010 [Schedule 18 Note 2(A)].

# Schedules forming part of Balance Sheet as at March 31, 2011 (Contd.)

Rs. Million

## 6. INVESTMENTS

| Particulars | Face Value (Rs.) | Nos. | **2011** | Nos. | 2010 |
|---|---|---|---|---|---|
| **CURRENT** | | | | | |
| **Unquoted Investments** | | | | | |
| **Units (Fully Paid)** | | | | | |
| SBI SHF Liquid Plus | 10 | 1,536,085 | **15.370** | 1,459,097 | 14.600 |
| HSBC Mutual Fund | 10 | 160,330 | **1.633** | 152,906 | 1.546 |
| ICICI Prudential Liquid Fund | 100 | 63,597 | **6.361** | 60,504 | 6.052 |
| **Total Current Investments** | | | **23.364** | | 22.198 |
| **LONG TERM** | | | | | |
| **Quoted Investments** | | | | | |
| **A Trade** | | | | | |
| **Fully Paid Equity Shares** | | | | | |
| Mangalore Chemicals & Fertilizers Limited (Note 2) | 10 | 6,150 | **0.032** | 6,150 | 0.032 |
| McDowell Holdings Limited (Note 2) | 10 | 50,000 | **0.500** | 50,000 | 0.500 |
| Pioneer Distilleries Limited | 10 | 977,212 | **86.736** | - | - |
| | | | **87.268** | | 0.532 |
| **B Non-Trade** | | | | | |
| **Fully Paid Equity Shares** | | | | | |
| Housing Development Finance Corporation Limited (Note 2) | 10 | 240 | **0.002** | 240 | 0.002 |
| ICICI Bank Limited | 10 | 8,916 | **0.382** | 8,916 | 0.382 |
| HDFC Bank Limited (Note 2) | 10 | 200 | **0.002** | 200 | 0.002 |
| Vijaya Bank | 10 | 38,900 | **0.466** | 38,900 | 0.466 |
| Radico Khaitan Limited | 2 | 537,850 | **2.043** | 537,850 | 2.043 |
| Khaitan Chemicals & Fertilizers Limited (Note 2) | 10 | 13,880 | **0.725** | 13,880 | 0.725 |
| Rampur Fertilizers Limited (Notes 2 and 3) | 10 | 27,760 | **0.527** | 27,760 | 0.527 |
| **Units (Fully Paid)** | | | | | |
| Unit Trust of India (Note 1) | | | | | |
| - UTI Balance Fund -Income - Retail (formerly known as US 2002) | 10 | 365,979 | **8.374** | 344,151 | 4.066 |
| | | | **12.521** | | 8.213 |
| **Total Quoted Investments (A+B)** | | | **99.789** | | 8.745 |

Rs. Million

**6. INVESTMENTS (Contd)**

| Particulars | Face Value (Rs.) | Nos. | 2011 | Nos. | 2010 |
|---|---|---|---|---|---|
| **Unquoted Investments** | | | | | |
| **C Trade** | | | | | |
| **Fully paid Equity Shares** | | | | | |
| Yankay Associates Private Limited (Note 2) | 100 | 1 | **0.004** | 1 | 0.004 |
| Goa Fruit Distilleries Private Limited | 100 | 350 | **0.035** | 350 | 0.035 |
| Baramati Teluka Fruits Growers Fed Limited | 100 | 5,000 | **0.500** | 5,000 | 0.500 |
| Sovereign Distilleries Limited | 10 | 24,274,280 | **35.198** | - | - |
| **In Subsidiary Companies** | | | | | |
| Shaw Wallace Breweries Limited | 10 | 78,512,509 | **3,240.191** | 78,512,509 | 3,240.191 |
| Asian Opportunities & Investments Limited | US$1 | 4,998,706 | **301.000** | 4,998,706 | 301.000 |
| United Spirits Nepal Private Limited | NRS 100 | 67,716 | **65.626** | 67,716 | 65.626 |
| Palmer Investment Group Limited | US$ 1 | 15,000,000 | **6,917.801** | 15,000,000 | 6,917.801 |
| Montrose International S.A | US$ 1000 | 500 | **133.932** | 500 | 133.932 |
| Liquidity Inc. | US$0.0001 | 4,000,000 | **119.313** | 4,000,000 | 119.313 |
| Four Seasons Wines Limited | 10 | 14,111,140 | **141.111** | 12,433,799 | 124.338 |
| McDowell Scotland Limited | £ 1 | 1,575,000 | **125.505** | 1,575,000 | 125.505 |
| Daffodils Flavours & Fragrances Private Limited | 10 | 10,000 | **0.100** | 10,000 | 0.100 |
| United Vintners Limited | 10 | 50,000 | **0.500** | 50,000 | 0.500 |
| USL Holdings Limited | US$ 1 | 500,000 | **22.183** | 500,000 | 22.183 |
| McDowell Beverages Limited | 10 | 50,000 | **0.500** | 50,000 | 0.500 |
| United Alcobev Limited | 10 | 50,000 | **0.500** | 50,000 | 0.500 |
| Herbertsons Limited | 10 | - | **-** | 60,000 | 0.600 |
| United Spirits Shanghai Trading Company Limited | RMB 10 | 500,000 | **26.635** | 500,000 | 26.635 |
| McDowell & Company Limited | 10 | 50,000 | **0.500** | 50,000 | 0.500 |
| Jasmine Flavours & Fragnances Private Limited | 10 | 10,000 | **0.100** | 10,000 | 0.100 |
| Royal Challangers Sports Private Limited | 10 | 14,690 | **1,699.053** | 10,000 | 0.100 |
| Tern Distilleries Private Limited | 10 | 4,000,000 | **139.539** | 4,000,000 | 139.539 |
| BDL Distilleries Private Limited | 10 | 190,000 | **-** | - | - |
| Chennai Breweries Private Limited [Schedule 18 Note 5(e)] | 10 | 15,000,000 | **150.000** | - | - |
| **Fully paid Preference Shares** | | | | | |
| **In Subsidiary Company** | | | | | |
| 7% Non Cumulative redeemable preference shares of Shaw Wallace Breweries Limited | 100 | 1,197,000 | **119.700** | 1,197,000 | 119.700 |
| | | | **13,239.526** | | 11,339.202 |

# Schedules forming part of Balance Sheet as at March 31, 2011 (Contd.)

Rs. Million

| | | Face Value (Rs.) | Nos. | **2011** | Nos. | 2010 |
|---|---|---|---|---|---|---|
| **6.** | **INVESTMENTS (Contd)** | | | | | |
| | Particulars | Face Value (Rs.) | Nos. | **2011** | Nos. | 2010 |
| **D** | **Non-Trade** | | | | | |
| | **In Government Securities** | | | | | |
| | Indira Vikas Patra | | | **0.003** | | 0.003 |
| | National Savings/Plan/Def. Certificates | | | **0.193** | | 0.192 |
| | (Deposited with Govt.Authorities) | | | | | |
| | **In Fully Paid Debentures** | | | | | |
| | **Non-Redeemable** | | | | | |
| | 6.5% Bengal Chamber of Commerce & Industry | 1000 | 2 | **0.002** | 2 | 0.002 |
| | 5% Woodland Hospital & Medical Centre Limited | 1 | 7,000 | **0.007** | 7,000 | 0.007 |
| | 0.5% Woodlands Medical Centre Limited (Note 2) | 100 | 117 | **0.012** | 117 | 0.012 |
| | 5.0% Woodlands Medical Centre Limited | 100 | 270 | **0.027** | 270 | 0.027 |
| | **Fully paid Equity Shares** | | | | | |
| | Madhav Co-operative Housing Society Limited (Rs. 250) | 50 | 5 | **0.000** | 5 | 0.000 |
| | Sangam Bhavan Cooperative Housing Society Limited | 10 | 15 | **0.001** | 15 | 0.001 |
| | U.B. Electronics Instruments Limited | 100 | 1,996 | **0.129** | 1,996 | 0.129 |
| | | | | **0.374** | | 0.373 |
| **E** | **Others** | | | | | |
| | Interest as Sole Beneficiary in USL Benefit Trust | | | | | |
| | [Refer Schedule 18 Note 5(b)] | | | **1,196.969** | | 1,196.969 |
| | **Total Unquoted Investments (C+D+E)** | | | **14,436.869** | | 12,536.544 |
| | **Total Long Term Investments (A+B+C+D+E)** | | | **14,536.658** | | 12,545.289 |
| | **Total Current and Long Term Investments** | | | **14,560.022** | | 12,567.487 |
| | Less: Provision for diminution in the value of investments | | | **27.514** | | 27.514 |
| | **Total** | | | **14,532.508** | | 12,539.973 |
| | **Aggregate value of Quoted Investments:** | | | | | |
| | - Book value | | | **99.789** | | 8.745 |
| | - Market value | | | **143.778** | | 94.141 |
| | **Aggregate Book value of Unquoted Investments** | | | **14,432.719** | | 12,531.228 |

**Notes:**

1 Investments in units of Unit Trust of India represent those made under Rule 3A of the Companies (Acceptance of Deposit) Rules, 1975.

2 The Company is in the process or has made an application for duplicate certificates.

3. Market Quotations are not available.

4 Also Refer Schedule 18 Note 5.

Rs. Million

| | | 2011 | 2010 |
|---|---|---|---|
| **7.** | **INVENTORIES** | | |
| | Raw Materials including materials in transit | **1,010.865** | 1,068.269 |
| | Packing Materials, Stores and Spares | **1,360.990** | 914.449 |
| | Finished goods including goods in transit | **2,842.655** | 2,390.156 |
| | Work-in-Progress [including held by a wholly owned subsidiary outside India Rs. 3,753.177 Million (2010: Rs. 1,617.661 Million)] | **6,406.805** | 3,919.008 |
| | | **11,621.315** | 8,291.882 |
| **8.** | **SUNDRY DEBTORS** | | |
| | (Unsecured) | | |
| | Exceeding six months: | | |
| | Considered Good | **208.017** | 143.397 |
| | Considered Doubtful | **87.600** | 72.347 |
| | | **295.617** | 215.744 |
| | Others: Considered Good | **9,377.866** | 9,318.242 |
| | | **9,673.483** | 9,533.986 |
| | Less: Provision for Doubtful Debts | **87.600** | 72.347 |
| | | **9,585.883** | 9,461.639 |
| **9.** | **CASH AND BANK BALANCES** | | |
| | Cash on Hand | **3.299** | 4.456 |
| | Remittances-in-Transit/ Cheques on Hand | **4.744** | 20.805 |
| | Balances with Scheduled Banks: | | |
| | On Current Accounts [Notes (i) and (ii)] | **940.075** | 1,979.059 |
| | On Unpaid Dividend Account | **19.502** | 17.330 |
| | On Deposit Account [Notes (iii) to (vi)] | **630.292** | 443.020 |
| | | **1,597.912** | 2,464.670 |

**Notes:**

(i) includes Rs. 28.199 Million (2010: Rs. 28.389 Million) in Exchange Earners Foreign Currency (EEFC) Account and Rs. 7.862 Million (2010: Rs. 13.575 Million) in Foreign Currency.

(ii) includes Nil (2010: Rs. 1,571.500 Million) pledged against a Foreign Currency Loan.

(iii) a) includes Rs. 0.464 Million (2010: Rs. 0.464 Million) pledged with Government Departments.

b) includes Rs. 1.300 Million (2010: Rs. 1.450 Million) as margin.

(iv) includes Rs. Nil (2010: Rs. 133.926 Million) pledged as security against loan from a bank.

(v) includes Rs. 162.070 Million (2010: Nil) held in a Escrow account towards acquisition of Pioneer Distilleries Limited.

(vi) Refer Schedule 18 Note 4(c)

| | | 2011 | 2010 |
|---|---|---|---|
| **10.** | **OTHER CURRENT ASSETS** | | |
| | (Unsecured, considered good except where otherwise stated) | | |
| | Income accrued on Investments, Deposits, Loans and Advances | **26.020** | 24.722 |
| | Other Deposits - Considered Good | **3,172.316** | 3,238.898 |
| | - Considered Doubtful | **13.697** | 13.197 |
| | Fixed assets held for sale | **4.756** | 4.873 |
| | | **3,216.789** | 3,281.690 |
| | Less: Provision for Doubtful Deposits | **13.697** | 13.197 |
| | | **3,203.092** | 3,268.493 |

# Schedules forming part of Balance Sheet as at March 31, 2011 (Contd.)

| | 2011 | Rs. Million 2010 |
|---|---|---|
| **11. LOANS AND ADVANCES** | | |
| (Unsecured, considered good except where otherwise stated) | | |
| Loans and Advances to Subsidiaries | **41,468.655** | 44,262.147 |
| Advances recoverable in cash or in kind or for value to be received: | | |
| Loans and Advances to Tie-up units - Considered Good | **2,523.636** | 2,207.130 |
| - Considered Doubtful | **21.519** | 21.519 |
| Advance Income Tax (Net of Provisions) | **1,076.416** | 936.245 |
| Taxes and Duties Paid | **1,022.381** | 826.250 |
| Other Advances - Considered Good | **5,045.084** | 2,149.896 |
| - Considered Doubtful | **1,020.775** | 746.255 |
| | **52,178.466** | 51,149.442 |
| Less: Provision for Doubtful Advances | **1,042.294** | 767.774 |
| | **51,136.172** | 50,381.668 |
| **12. CURRENT LIABILITIES AND PROVISIONS** | | |
| **A. Liabilities** | | |
| Acceptances* | **1,378.616** | 1,115.281 |
| Sundry Creditors | | |
| Micro and Small Enterprises [Schedule 18 Note 6] | **71.284** | 58.686 |
| Others | **8,798.424** | 7,481.779 |
| Dues to Subsidiaries | **1,013.429** | 30.915 |
| Dues to Directors | **62.652** | 51.620 |
| Investor Education and Protection Fund [Schedule 18 Note 7] | | |
| Unclaimed Debentures | **0.001** | 0.001 |
| Unclaimed Dividends | **19.409** | 18.998 |
| Unclaimed Fixed Deposits | **53.819** | 13.678 |
| Security Deposit | **126.544** | 119.732 |
| Advances Received from Customers | **313.657** | 351.636 |
| Interest accrued but not due | **233.965** | 577.599 |
| Other Liabilities | **1,334.360** | 574.670 |
| | **13,406.160** | 10,394.595 |

* Includes bills drawn against inland letters of credit of Rs. 1,055.713 Million (2010: Rs. 1,115.281 Million) and secured by a charge on debtors, inventories and other current assets.

| | 2011 | 2010 |
|---|---|---|
| **B. Provisions** | | |
| Proposed Dividend | **326.987** | 313.986 |
| Corporate Tax on Proposed Dividend | **54.309** | 52.149 |
| Fringe Benefit Tax (Net of Payments) | **1.975** | 4.514 |
| Employee Benefits | **640.763** | 447.101 |
| Provision - Others | **43.008** | 28.297 |
| | **1,067.042** | 846.047 |

| | | 2011 | 2010 |
|---|---|---|---|
| | | | Rs. Million |
| **13.** | **OTHER INCOME** | | |
| | Income from Investments: | | |
| | Dividend income from Subsidiary (Gross) | **46.555** | 57.135 |
| | [Tax deducted at source Rs. 2.328 Million (2010: Rs. 2.857 Million)] | | |
| | Dividend income from other investments (Gross) | **5.704** | 1.182 |
| | Profit on Sale of Fixed Assets (Net) | **3.628** | 5.315 |
| | Liabilities no longer required written back | **95.702** | 188.606 |
| | Bad debts/ Advances recovered | **0.078** | 0.160 |
| | Scrap Sales | **239.109** | 221.016 |
| | Insurance Claims | **5.303** | 2.850 |
| | Miscellaneous | **148.033** | 87.548 |
| | | **544.112** | 563.812 |
| **14.** | **MATERIALS** | | |
| | Raw Materials Consumed | **16,723.491** | 12,258.759 |
| | Purchase of Finished Goods | **7,624.918** | 6,493.067 |
| | Packing Materials Consumed | **14,233.021** | 10,127.600 |
| | Movement in Stocks | | |
| | Opening Stock: | | |
| | Work-in-Progress | **3,919.008** | 2,624.916 |
| | Finished Goods | **2,390.156** | 2,052.475 |
| | | **6,309.164** | 4,677.391 |
| | Add : Stocks of the Transferor Companies as on April 1, 2010 [Schedule 18 Note (2A)] | | |
| | Work-in-Progress | **29.356** | - |
| | Finished Goods | **80.001** | - |
| | | **109.357** | - |
| | Closing Stock: | | |
| | Work-in-Progress | **6,406.805** | 3,919.008 |
| | Finished Goods | **2,842.655** | 2,390.156 |
| | | **9,249.460** | 6,309.164 |
| | (Increase)/ Decrease in Stocks | **(2,830.939)** | (1,631.773) |
| | Excise Duty on Opening/Closing Stock of Finished Goods (net) | **57.631** | 221.174 |
| | | **35,808.122** | 27,468.827 |

# Schedules forming part of Profit & Loss Account for the year ended March 31, 2011 (Contd.)

Rs. Million

| | 2011 | 2010 |
|---|---|---|
| **15. MANUFACTURING AND OTHER EXPENSES** | | |
| Employee Cost: | | |
| Salaries, Wages and Bonus | **3,024.661** | 2,486.446 |
| Contribution to Provident and Other Funds | **448.326** | 274.627 |
| Workmen and Staff Welfare | **174.159** | 143.419 |
| Power and Fuel | **266.134** | 193.360 |
| Stores and Spares Consumed | **137.191** | 61.135 |
| Repairs and Maintenance: | | |
| Buildings | **45.105** | 40.215 |
| Plant and Machinery | **96.810** | 85.216 |
| Others | **49.213** | 77.206 |
| Rent | **772.709** | 492.517 |
| Rates and Taxes | **425.164** | 405.414 |
| Insurance | **57.975** | 48.633 |
| Travelling and Conveyance | **428.951** | 453.529 |
| Legal and Professional | **630.774** | 501.296 |
| Freight Outwards | **1,591.966** | 1,082.902 |
| Advertisement and Sales Promotion | **6,705.146** | 4,735.426 |
| Commission on Sales | **401.124** | 391.593 |
| Royalty/ Brand Fee/ Trade Mark Licence Fees | **12.521** | 58.269 |
| Cash Discount | **710.639** | 556.649 |
| Sales Tax | **245.566** | 244.123 |
| Fixed Assets Written Off | **0.247** | 0.173 |
| Directors' Remuneration: | | |
| Sitting Fee | **1.563** | 1.490 |
| Commission [Schedule 18 Note 20] | **62.210** | 51.178 |
| Bad Debts and Advances Written Off | **31.481** | 4.046 |
| Provision for Doubtful Debts/ Advances/ Deposits (Net) | **290.273** | 255.170 |
| Provision for Diminution in Value of Investments | **-** | 26.635 |
| Research and Development | **54.298** | 35.305 |
| Others: | | |
| Personnel and Administration | **365.040** | 292.507 |
| Selling and Distribution | **918.929** | 846.463 |
| Miscellaneous | **297.919** | 235.870 |
| | **18,246.094** | 14,080.812 |
| **16. INTEREST AND FINANCE CHARGES** | | |
| Interest on: | | |
| Fixed Loans | **2,942.807** | 1,859.892 |
| Other Loans | **1,290.787** | 950.546 |
| Finance Charges (Including Bill Discounting) | **215.335** | 340.207 |
| | **4,448.929** | 3,150.645 |
| Less: Interest Income: | | |
| On Deposits and Other Accounts (Gross) | **421.027** | 54.449 |
| [Tax Deducted at Source Rs. 40.714 Million (2010: Rs. 5.150 Million)] | | |
| | **4,027.902** | 3,096.196 |

**17. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES**

**1. Basis of preparation of Financial Statements**

The Financial Statements of the Company are prepared under historical cost convention, except as otherwise stated, in accordance with the Generally Accepted Accounting Principles (GAAP) in India, the Accounting Standards as specified in the Companies (Accounting Standard) Rules 2006, and the relevant provisions of the Companies Act, 1956.

**2. Fixed Assets**

(a) Fixed assets are stated at their original cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation of the assets concerned, except amounts adjusted on revaluation and amalgamation. Interest on borrowings attributable to qualifying assets are capitalised and included in the cost of fixed assets as appropriate.

(b) The costs of Fixed Assets acquired in amalgamations are determined at their fair values, on the date of acquisition or nearer thereto, or as approved under the schemes of amalgamation.

(c) Assets held for disposal are stated at their net book value or estimated net realisable value, whichever is lower.

(d) Intangible assets are stated at the consideration paid for acquisition less accumulated amortisation.

**3. Leases**

Assets acquired under Leases, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Such leases are capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

Assets acquired as leases, where a significant portion of the risk and rewards of ownership are retained by the lessor, are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on accrual basis.

4. **Depreciation and Amortisation**

a) Depreciation is provided on the Straight Line Method, including on assets revalued, at rates prescribed in Schedule XIV to the Companies Act, 1956 (Schedule XIV) except for the following, which are based on management's estimate of useful life of the assets concerned:

i) Computers, Vehicles and Aircrafts over a period of three, five and eleven years respectively;

ii) In respect of certain items of Plant and Machinery for which separate rates are prescribed in Schedule XIV based on the number of shifts, depreciation is provided for the full year on triple shift basis.

b) Fixed assets acquired on amalgamation over the remaining useful life computed based on rates prescribed in Schedule XIV, as below:

| | |
|---|---|
| Buildings – Factory | 1 to 30 years |
| - Non factory | 1 to 54 years |
| Plant & Machinery | 1 to 20 years |
| Vehicles | 1 to 4 years |
| Computers | 1 to 2 years |

c) Assets taken on finance lease are depreciated over their estimated useful lives or the lease term, whichever is lower.

d) Leasehold Land are not amortised.

e) Goodwill arising on amalgamation is charged to the Profit and Loss Account in the year of amalgamation.

f) Intangible assets are amortised, on a straight line basis, commencing from the date the assets are available for use, over their respective individual estimated useful lives as estimated by the management:

| | |
|---|---|
| Trademark, Formulae and Licence | 10 years |

g) Leasehold improvements are amortised over the period of lease.

Depreciation charged as above is not less than the minimum specified as per Schedule XIV.

**5. Impairment**

Impairment loss, if any, is provided to the extent the carrying amounts of assets exceed their recoverable amount.

Recoverable amount is higher of the net selling price of an asset and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

**6. Investments**

Long-term Investments are stated at cost to the Company. Provision for diminution in the value is made to recognise a decline, other than temporary, in the value of long-term investments.

Current investments are valued at cost or market value, whichever is less.

**7. Inventories**

Inventories are valued at lower of cost and net realisable value. The costs are, in general, ascertained under Weighted Average Method. Finished goods and Work-in-Progress include appropriate manufacturing overheads and borrowing costs, as applicable. Excise/ Customs duty payable on stocks in bond is added to the cost. Due allowance is made for obsolete and slow moving items.

**8. Revenue Recognition**

Sales are recognised when goods are despatched from distilleries/ warehouses of the Company in accordance with the terms of sale except where such terms provide otherwise, where sales are recognised based on such terms. Gross Sales are inclusive of excise duty but are net of trade discounts and sales tax, where applicable.

Income arising from sales by manufacturers under "Tie-up" agreements (Tie-up units) and income from brand franchise are recognised in terms of the respective contracts on sale of the products by the Tie-up units / Franchisees. Income from brand franchise is net of service tax, where applicable.

Dividend income on investments are recognised and accounted for when the right to receive the payment is established.

**9. Foreign Currency Transactions**

Transactions in foreign currency are recognised at the rates of exchange prevailing on the dates of the transactions.

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

Exchange differences arising on a monetary item that, in substance, forms part of an enterprise's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment.

Exchange differences arising on reporting of long term foreign currency monetary items, with the exception of exchange differences arising on a monetary item that, in substance, forms part of an enterprise's net investment in a non-integral foreign operation, at rates different from those at which they were initially recorded during the period or reported in previous financial statements, are accounted as below:

(a) In so far as they relate to the acquisition of depreciable capital assets, are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset; and

(b) In other cases, the said exchange differences are accumulated in a 'Foreign Currency Monetary Items Translation Difference Account' and amortised over the balance period of such long term asset/liability but not beyond March 31, 2011.

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

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

For forward exchange contracts and other derivatives that are not covered by Accounting Standard (AS) -11 'The Effects of Changes in Foreign Exchange Rates', the Company follows the guidance in the announcement of the Institute of Chartered Accountants of India (ICAI) dated March 29, 2008, whereby for each category of derivatives, the Company records any net mark-to-market losses. Net mark-to-market gains are not recorded for such derivatives.

Also refer Schedule 18 Note 12.

**10. Employee Benefits**

**a) Defined-contribution plans**

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the employees' provident fund with the government, superannuation fund and certain state plans like Employees' State Insurance and Employees' Pension Scheme. The Company's payments to the defined contribution plans are recognised as expenses during the period in which the employees perform the services that the payment covers.

**b) Defined-benefit plans**

**Gratuity:**

The Company provides for gratuity, a defined benefit plan (the Gratuity Plan), to certain categories of employees. Liability with regard to gratuity plan is accrued based on actuarial valuation, based on Projected Unit Credit Method at the balance sheet date, carried out by an independent actuary. Actuarial Gains and Losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognised immediately in the Profit and Loss Account as income or expense.

**Provident Fund:**

Company's Provident Funds administered by trusts set up by the Company where the Company's obligation is to provide the agreed benefit to the employees and the actuarial risk and investment risk fall, in substance, on the Company are treated as a defined benefit plan. Liability with regard to such provident fund plans are accrued based on actuarial valuation, based on Projected Unit Credit Method, carried out by an independent actuary at the balance sheet date. Actuarial Gains and Losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognised immediately in the Profit and Loss Account as income or expense.

**Death Benefit:**

Death Benefit payable at the time of death is actuarially ascertained at the year-end and provided for in the accounts.

**c) Other long term employee benefits:**

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the balance sheet date based on an actuarial valuation.

**d) Short term employee benefits:**

Undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the services. These benefits include compensated absences (e.g., paid annual leave), performance incentives, etc.

**11. Expenditure on account of Voluntary Retirement Scheme**

Expenditure on account of Voluntary Retirement Scheme of employees is expensed in the period in which it is incurred.

**12. Research and Development**

Revenue expenditure on research and development is charged to Profit and Loss Account in the period in which it is incurred. Capital Expenditure is included as part of fixed assets and depreciated on the same basis as other fixed assets.

**13. Taxes on Income**

Provision for income tax comprises current taxes and deferred taxes. Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognised and carried forward to the extent that there is a reasonable/ virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised.

**14. Earnings per Share (EPS)**

Basic EPS is arrived at based on Net Profit after Taxation available to equity shareholders to the weighted average number of equity shares outstanding during the year. The Diluted EPS is calculated on the same basis as Basic EPS, after adjusting for the effects of potential dilutive equity shares unless impact is anti-dilutive.

**15. Provisions**

A provision is recognised when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions, other than employee benefits, are not discounted to their present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

**16. Contingencies**

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and, to the extent not provided for, are disclosed by way of notes on accounts.

**17. Share issue expenses**

Share issue expenses incurred are adjusted to the Securities Premium Account as permitted by Section 78(2) of the Companies Act, 1956

**18. Expenditure**

Expenses are net of taxes recoverable, where applicable.

**19. 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.

# 18. NOTES ON ACCOUNTS

**1. Contingent Liabilities**

Rs. Million

| | | | **2011** | 2010 |
|---|---|---|---|---|
| a) | (i) | Guarantee given on behalf of other bodies corporate (including performance guarantees) | **4,460.000** | - |
| | (ii) | Guarantees given by the Company's bankers for which Counter Guarantees have been given by the Company | **217.832** | 172.335 |
| b) | | Disputed claims against the Company not acknowledged as debts, currently under appeal/ sub judice: | | |
| | (i) | Excise demands for excess wastages and distillation losses | **235.001** | 190.338 |
| | (ii) | Other miscellaneous claims | **185.212** | 250.475 |
| | (iii) | Income Tax demand (including interest) under appeal | **516.221** | 452.575 |
| | (iv) | Sales Tax demands under appeal in various states | **704.693** | 557.912 |
| c) | | Bills Receivables discounted – since fully settled | **746.215** | 480.150 |
| d) | | Claims from suppliers not acknowledged as debts | **74.417** | 57.511 |

The Management is hopeful of succeeding in the above appeals/ disputes based on legal opinions/ legal precedents.

**2.** A. The rehabilitation scheme inter alia containing the scheme of arrangement between Balaji Distilleries Limited (BDL), Chennai Breweries Private Limited ('CBPL') and the Company (the Scheme) and their respective shareholders and creditors with April 01, 2009 as the appointed date has been approved by the Honourable Appellate Authority for Industrial and Financial Reconstruction (AAIFR), vide its order dated November 29, 2010. Upon necessary filing with the Registrar of Companies, the scheme has become effective on December 27, 2010 and the effect thereof have been given in these accounts. Consequently,

a) In terms of the Scheme the entire business and undertaking of BDL, as a going concern (post transfer of the brewery division undertaking to its wholly owned subsidiary CBPL) ("Balaji") stand transferred to and vested in the Company with effect from April 1, 2009 being the Merger Appointed Date.

b) In consideration of the amalgamation, the Company has issued 5,200,639 equity shares of Rs. 10/- each aggregating to Rs. 52.006 Million in the ratio of 2 (Two) fully paid up Equity shares of the face value of Rs. 10/- each of the Company for every 55 (Fifty Five) fully paid up equity shares of Rs. 10/- each held in BDL.

(I) Pursuant to the scheme, the Authorised share capital of the Company stands increased and reclassified, without any further act or deed on the part of the company, including payment of stamp duty and Registrar of Companies fees, by Rs. 2,250.000 Million, being the authorised share capital of the transferor company, and Memorandum of Association and Articles of Association of the Company stand amended accordingly without any further act or deed on the part of the company.

(II) Accounting for Amalgamation :

The amalgamation of the Transferor Companies with the Company is accounted for on the basis of the Purchase Method as envisaged in the Accounting Standard (AS) -14 on Accounting for Amalgamations specified in the Companies (Accounting Standard) Rules 2006 and in terms of the scheme, as below,

a) All tangible asset and liabilities of the BDL at their respective Fair Values.

b) Rs. 325.404 Million being the difference between the value of net assets of the Transferor Companies transferred to the Company (determined as stated above) and the face value of equity shares allotted in BDL is adjusted to General Reserve of the Company. This accounting treatment of the reserve has been prescribed in the Scheme and approved by AAIFR. Had the scheme not prescribed this treatment, this amount would have been debited to Goodwill, which would have been charged to the profit & loss account as per the accounting policy of the Company having corresponding impact on the results for the year ended March 31,2011.

c) From April 01, 2009 BDL had carried out the business of Balaji in trust on behalf of the Company. Accordingly, Profit for the year ended March 31, 2010 of the Balaji after making the following adjustments have been added to the Profit and Loss Account:

| | Rs. Million |
|---|---|
| Profit/(Loss) After taxation for the year ended March 31, 2010 as per accounts audited by the auditors of BDL | (53.572) |
| Less: Profit/(Loss) Transferred to CBPL | (70.156) |
| Profit after Taxation relating to BDL for the year ended March 31, 2010 | 16.584 |
| Amalgamation Adjustments | (12.554) |
| Amount Transferred to Profit and Loss Account on Amalgamation | **4.030** |

d) Pursuant to the Scheme, the bank accounts, agreements, licences and certain immovable properties are in the process of being transferred in the name of the Company.

B. The Board of Directors of the erstwhile Central Distilleries & Breweries Limited (CDBL) (amalgamated with erstwhile Shaw Wallace Distilleries Ltd. , which was amalgamated with the Company in an earlier year) on April 29, 1986 decided to issue 134,700 Equity Shares of Rs. 10 each, the allotment whereof was stayed by the Hon'ble High Court of Delhi on September 13,1988. The Hon'ble High Court of Delhi had vacated its order and has ordered to keep in abeyance the allotment on 72,556 shares and the matter is sub-judice. The holders, in exchange of these shares will be entitled to 17,776 equity shares of Rs. 10 each of the Company pursuant to a Scheme of Arrangement. Necessary adjustments in this respect will be carried out on disposal of the matter pending before the aforesaid Court.

**3. Fixed Assets**

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 351.264 Million (2010: Rs. 83.709 Million).

**4. Current Assets, Loans and Advances**

a) Loans and Advances include:

i) Rs. 39,825.429 Million (2010: Rs. 44,262.147 Million) given as interest free loans to subsidiaries.

ii) An amount of Rs. 498.991 Million (2010: Rs. 733.982 Million) due from the Tie-up units secured by the assets of the Tie-up unit and/or equity shares of the Tie-up unit.

iii) Rs. 3 Million (2010: Rs. 3 Million) being amount paid to BDA Limited (BDA) towards reassignment of certain Liquor Brands/ Trade Marks pursuant to a Memorandum of Understanding dated March 20, 1992. Pending execution of the deed for such assignments and judicial resolutions of various disputes with BDA pertaining to control of BDA and ownership of the 'Officers Choice' and other brands currently sub-judice at various courts, the advance given to BDA has been provided for as a matter of prudence. All consequential adjustments arising out of the above matters will be made as and when ascertained.

iv) Due from an Officer of the Company Rs. 1.777 Million (2010: Rs. 1.407 Million). Maximum amount outstanding at any time during the year Rs. 1.777 Million (2010: Rs. 1.407 Million).

v) Due from the Managing Director of the Company Rs. 3.799 Million (2010: Rs. 3.454 Million). Maximum amount outstanding at any time during the year Rs. 3.799 Million (2010: Rs. 3.454 Million).

vi) Rs. 156.120 Million paid towards Preference Shares application money to subsidiary of the company.

b) Subsequent to the Balance Sheet date, the Company has acquired 73,22,280 equity shares from the Promoters of Pioneer Distilleries Limited (PDL) on May 24, 2011 pursuant to the Share Purchase Agreement dated September 13, 2010 and 26,77,640 equity shares under the Open offer as per the SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997 and SEBI (Prohibition of Insider Trading) Regulations, 1992. Consequent to the above, Loans and Advances includes Rs. 1,039.820 Million paid towards cost of Investment as on March 31, 2011.

c) Bank Balance with scheduled bank includes Rs. 177.343 Million (2010: Rs. 168.069 Million) out of the proceeds of the beer business of erstwhile Shaw Wallace & Company Ltd.(SWCL), sold in an earlier year which has been kept under escrow pending resolution of various taxation matters.

d) The Company has, granted interest free loans in foreign currency amounting to Rs. 36,857.536 Million [2010: Rs. 39,557.598 Million), to USL Holdings Limited, BVI (USL Holdings) a subsidiary of the Company, for acquisition of long term strategic investments. Management is of the view that out of these loans, Rs. 33,411.109 Million (2010: Rs. 33,435.283 Million), from the inception of the grant of loans, in substance, form part of the Company's net investment in the subsidiary, as the settlement of these loans is neither planned nor likely to occur in the foreseeable future and management intends to convert these loans into investment in share capital of the subsidiary in near future. Accordingly, in line with AS 11 - The Effects of Changes in Foreign Exchange Rates (AS 11), exchange difference aggregating to Rs. 2,271.244 Million (debit) [2010: Rs. 2,247.069 Million (debit)] arising on such loans has been accumulated in a foreign currency translation reserve, which at the time of the disposal of the net investment in these subsidiaries would be recognised as income or as expenses.

**5. Investments**

a)

| Description | Face Value Rs. | Purchased during the year Nos. | Purchased during the year Rs. Million | Sold / Adjustments during the year Nos. | Sold / Adjustments during the year Rs. Million |
|---|---|---|---|---|---|
| **CURRENT** | | | | | |
| **Unquoted Investments** | | | | | |
| **Units (Fully Paid)** | | | | | |
| SBI SHF Liquid Plus | 10 | 76,988 | 0.770 | - | - |
| HSBC Mutual Fund | 10 | 7,424 | 0.087 | - | - |
| ICICI Prudential Liquid Fund | 100 | 3,093 | 0.309 | - | - |
| **LONG TERM** | | | | | |
| **Quoted Investments** | | | | | |
| **Trade** | | | | | |
| Pioneer Distilleries Ltd. | 10 | 9,77,212 | 86.736 | - | - |
| **Non Trade** | | | | | |
| Unit Trust of India | 10 | 21,828 | 4.308 | - | - |
| **Unquoted Investments** | | | | | |
| **Trade** | | | | | |
| **Fully paid Equity Shares** | | | | | |
| **In Subsidiary Companies** | | | | | |
| Four Seasons Wines Limited | 10 | 16,77,340 | 16.773 | - | - |
| Herbertsons Limited | 10 | - | - | 60,000 | 0.600 |
| Royal Challengers Sports Pvt Ltd | 10 | 4,690 | 1698.953 | - | - |
| Chennai Breweries Pvt Ltd (Note 2A)* | 10 | 15,000,000 | 150.000 | - | - |
| Sovereign Distilleries Limited | 10 | 24,274,280 | 35.198 | - | - |

* Addition pursuant to rehabilitation scheme referred to in Note 18 (2A)

b) Investment in USL Benefit Trust represents beneficial interest of the Company in the Trust. Trust holds 3,459,090 (2010: 3,459,090) equity shares of Rs. 10 each of the Company, with all additions or accretions thereto for the benefit of the Company.

c) The carrying cost of investment in Palmer Investment Group Limited amounting to Rs. 6,917.801 Million, substantially exceeds the year end net worth and the market value of shares held by the Company directly and indirectly through its subsidiary. The management of the Company believes that this reflects intrinsic value far in excess of the carrying cost of investments and that such shortfall in net worth / decline in market value of such shares is purely temporary in nature and, hence, no provision is considered necessary for the same.

d) During the year, the Company has acquired 41.54% of equity stake in Karnataka based Sovereign Distilleries Limited (SDL). SDL is engaged in manufacture and sale of Extra Neutral Alcohol (ENA) and Indian Made Foreign Liquor (IMFL). SDL has become associate of the Company with effect from March 31, 2011.

e) The Board of CBPL, a wholly owned Subsidiary of the Company, at its meeting held on March 11, 2011 has considered and approved the amalgamation of CBPL into United Breweries Limited (UBL) with effect from close of business hours of March 31, 2011,being the Appointed date and hence the Investment is held with the intention to transfer to UBL.

**6.** Disclosures of dues/payments to Micro, Small and medium enterprises to the extent such enterprises are identified by the Company.

Rs. Million

| | | | 2011 | 2010 |
|---|---|---|---|---|
| a) | (i) | The principal amount remaining unpaid as at March 31, 2011 | **62.326** | 51.536 |
| | (ii) | Interest due thereon remaining unpaid on March 31, 2011 | **-** | 1.796 |
| b) | | The amount of interest paid by the Company 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: | | |
| | (i) | Delayed payments of principal beyond the appointed date during the entire accounting year | **280.647** | 209.374 |
| | (ii) | Interest actually paid under Section 16 of the Micro, Small and Medium 'Enterprises Development Act, 2006 | **-** | - |
| c) | | 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 | **-** | - |
| d) | | The amount of interest accrued and remaining unpaid on March 31, 2011 in respect of principal amount settled during the year | **3.604** | 3.270 |
| e) | | 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. | **5.354** | 2.084 |

The above information has been determined to the extent such parties have been identified on the basis of information provided by the Company, which has been relied upon by the auditors.

**7.** As required under Section 205C of the Companies Act, 1956, the Company has transferred Rs. 2.801 Million (2010: Rs. 2.882 Million) to the Investor Education and Protection Fund (IEPF) during the year. On March 31, 2011, no amount was due for transfer to the IEPF.

**8.** Inter corporate deposit and Interest accrued and due thereon Rs. 75.592 Million (2010: Rs. 75.592 Million) included under Unsecured Loan in Schedule 4 represents an obligation acquired on amalgamation of SWCL in an earlier year, where negotiation/ settlement has not been finalised and the same has been provided in terms of the decree and / or otherwise considered adequate by the management. In the opinion of the management, interest so far provided is adequate and no further provision is necessary in this respect. Adjustments, if any, shall be carried out as and when the amounts are determined on final disposal / settlement of the matter.

**9. Employee Benefits**

**a) Defined Contribution Plans**

The Company offers its employees defined contribution plans in the form of Provident Fund (PF) and Employees' Pension Scheme (EPS) with the government, Superannuation Fund (SF) and certain state plans such as Employees' State Insurance (ESI). PF and EPS cover substantially all regular employees while the SF covers certain executives and the ESI covers certain workers. Contribution to SF is made to trust managed by the Company, while other contributions are made to the Government's funds. While both the employees and the Company pay predetermined contributions into the provident fund and the ESI Scheme, contributions into the pension fund and the superannuation fund are made only by the Company. The contributions are normally based on a certain proportion of the employee's salary.

During the year, the Company has recognised the following amounts in the Profit and Loss Account, which are included in Contribution to Provident and other funds in Schedule 15:

Rs. Million

| | 2011 | 2010 |
|---|---|---|
| Provident Fund and Employee's Pension Scheme * | **59.669** | 48.900 |
| Superannuation Fund | **47.839** | 38.520 |
| Employees' State Insurance | **15.293** | 6.402 |
| | **122.801** | 93.822 |

* Excluding contribution to PF made to trusts managed by the Company

**b) Defined Benefit Plans**

**Gratuity:**

The Company provides for gratuity, a defined benefit plan (the Gratuity Plan), to its employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, of an amount based on the respective employee's last drawn salary and years of employment with the Company. The Company has employees' gratuity funds managed by the Company as well as by Insurance Companies.

**Provident Fund:**

For certain executives and workers of the Company, contributions are made as per applicable Indian laws towards Provident Fund to certain Trusts set up and managed by the Company, where the Company's obligation is to provide the agreed benefit to the employees and the actuarial risk and investment risk fall, in substance, on the Company. Having regard to the assets of the Fund and the return on the investments, shortfall in the assured rate of interest notified by the Government, which the Company is obliged to make good is determined actuarially.

**Death Benefit:**

The Company provides for Death Benefit, a defined benefit plan (the Death Benefit Plan), to certain categories of employees. The Death Benefit Plan provides a lump sum payment to vested employees, on death, of an amount based on the respective employee's last drawn salary and remaining years of employment with the Company after adjustments for any compensation received from the insurance company and restricted to limits set forth in the said plan. The Death Benefit Plan is Non-Funded.

9. **Employee Benefits**

b) **Defined Benefit Plans (Contd.)**

Rs. Million

| | Particulars | 2011 | | | | 2010 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Funded | | Non-Funded | | Funded | | Non-Funded | |
| | | Gratuity | PF | Pension | Death Benefit | Gratuity | PF | Pension | Death Benefit |
| A) | **Reconciliation of opening and closing balances of the present value of the defined benefit obligation** | | | | | | | | |
| | **Obligation at the beginning of the year** | **726.736** | **1,296.174** | **24.212** | **16.673** | 609.017 | 1,168.836 | 27.375 | 14.811 |
| | On amalgamation | **35.540** | **-** | **-** | **-** | - | - | - | - |
| | Contribution by Plan Participants | **-** | **109.007** | **-** | **-** | - | 95.211 | - | - |
| | Current service cost | **45.683** | **81.615** | **3.843** | **1.769** | 33.532 | 39.894 | 2.585 | 1.862 |
| | Interest cost | **58.583** | **112.392** | **-** | **-** | 45.741 | 88.933 | - | - |
| | Actuarial (gain)/loss on obligations | **141.640** | **-** | **-** | **-** | 71.423 | - | - | - |
| | Past service cost - (vested benefits) | **-** | **-** | **-** | **-** | 4.656 | - | - | - |
| | Benefits paid | **(78.045)** | **(139.291)** | **(5.254)** | **-** | (37.633) | (96.700) | (5.748) | - |
| | **Obligation at the end of the year** | **930.137** | **1459.897** | **22.801** | **18.442** | **726.736** | **1,296.174** | 24.212 | 16.673 |
| B) | **Reconciliation of opening and closing balances of the fair value of plan assets** | | | | | | | | |
| | **Plan Assets at the beginning of the year** | **606.398** | **1,233.898** | **-** | **-** | 495.156 | 1,095.733 | - | - |
| | On amalgamation | **27.298** | **-** | **-** | **-** | - | - | - | - |
| | Contribution by Plan Participants | **-** | **109.007** | **-** | **-** | - | 95.211 | - | - |
| | Contribution by the Company | **120.337** | **79.876** | **-** | **-** | 102.158 | 67.392 | - | - |
| | Expected return on plan assets | **60.573** | **100.695** | **-** | **-** | 42.192 | 90.295 | - | - |
| | Actuarial gains / (losses) | **(18.493)** | **(26.618)** | **-** | **-** | (9.218) | (18.033) | - | - |
| | Reversal of Exit Load | **-** | **-** | **-** | **-** | 6.020 | - | - | - |
| | Benefits paid | **(78.045)** | **(139.291)** | **-** | **-** | (29.910) | (96.700) | - | - |
| | **Plan assets at the end of the year** | **718.068** | **1,357.567** | **-** | **-** | **606.398** | **1,233.898** | **-** | **-** |
| C) | **Reconciliation of Present Value of Defined Benefit Obligation and the fair value of plan assets to the assets and liabilities recognized in the Balance Sheet** | | | | | | | | |
| | Present value of obligation at the end of the year | **930.137** | **1,459.897** | **22.801** | **18.443** | 726.736 | 1,296.174 | 24.212 | 16.673 |
| | Fair value of plan assets at the end of the year | **718.068** | **1,357.567** | **-** | **-** | 606.398 | 1,233.898 | - | - |
| | **Liability/(Net Asset) Recognised in Balance Sheet** *[Included under Provisions in Schedule 12(B)]* | **212.069** | **102.330** | **22.801** | **18.443** | 120.338 | 62.276 | 24.212 | 16.673 |

## 9. Employee Benefits

### b) Defined Benefit Plans (Contd.)

Rs. Million

| Particulars | 2011 | | | | 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | Funded | | Non-Funded | | Funded | | Non-Funded | |
| | Gratuity | PF | Pension | Death Benefit | Gratuity | PF | Pension | Death Benefit |
| **D) Expenses recognized in the Profit and Loss Account** | | | | | | | | |
| Current service cost | 45.683 | 81.615 | 3.843 | 1.769 | 33.531 | 39.895 | 2.585 | 1.862 |
| Interest cost | 58.583 | 112.392 | - | - | 45.741 | 88.933 | - | - |
| Expected return on plan assets | (60.573) | (100.695) | - | - | (42.193) | (90.925) | - | - |
| Past service cost - vested benefits | - | - | - | - | 4.656 | - | - | - |
| Actuarial (gains)/losses | 160.133 | 26.618 | - | - | 80.641 | 18.033 | - | - |
| **Total Expenses recognized in the P & L Account** | 203.826 | 119.930 | 3.843 | 1.769 | 122.376 | 55.936 | 2.585 | 1.862 |
| **E) Investment details of plan assets** | | | | | | | | |
| Government securities | 0% | 34% | | | 0% | 34% | | |
| Securities guaranteed Government | 1% | 0% | | | 0% | 0% | | |
| Private Sector Bonds | 0% | 0% | | | 0% | 0% | | |
| Public Sector / Financial Institutional Bonds | 0% | 29% | | | 0% | 39% | | |
| Special Deposit Scheme | 0% | 19% | | | 0% | 15% | | |
| Fund balance with Insurance Companies | 95% | 0% | | | 60% | 0% | | |
| Others (including bank balances) | 4% | 18% | | | 40% | 12% | | |
| | 100% | 100% | | | 100% | 100% | | |

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 is expected to vary from year to year reflecting the returns on matching government bonds.

| Particulars | 2011 Gratuity | 2011 PF | 2011 Pension | 2011 Death Benefit | 2010 Gratuity | 2010 PF | 2010 Pension | 2010 Death Benefit |
|---|---|---|---|---|---|---|---|---|
| **F) Actual return on plan assets** | 6.0% | 6.0% | - | - | 6.0% | 6.0% | - | - |
| **G) Assumptions** | | | | | | | | |
| Discount Rate (per annum) | 8.00% | 8.00% | - | - | 8.10% | 8.10% | - | - |
| Expected Rate of Return on Plan Assets | 9.25% | 8.00% | - | - | 8.00% | 8.00% | - | - |
| Rate of increase in Compensation levels | 6.00% | NA | - | - | 5.00% | NA | - | - |
| Attrition Rate | 8.00% | NA | - | - | 6.00% | NA | - | - |
| Average past service of employees (years) | 13.6 | NA | - | - | 13.7 | NA | - | - |
| Mortality rates | LIC 1994-96 ultimate table | LIC 1994-96 ultimate table | - | - | LIC 1994-96 ultimate table | LIC 1994-96 ultimate table | - | - |

**9. Employee Benefits**

**b) Defined Benefit Plans (Contd.)**

Rs. Million

| | 2011 | | 2010 | | 2009 | | 2008 | |
|---|---|---|---|---|---|---|---|---|
| | **Gratuity** | **PF** | Gratuity | PF | Gratuity | PF | Gratuity | PF |
| **H) Others(Funded)** | | | | | | | | |
| Present value of obligation | **930.137** | **1459.897** | 726.736 | 1,296.174 | 608.517 | 1,168.836 | 506.729 | 998.320 |
| Present value of plan assets | **718.068** | **1357.567** | 606.398 | 1,233.898 | 495.156 | 1,095.733 | 423.665 | 938.021 |
| Amount recognised in Balance sheet - Liability | **212.069** | **102.330** | 120.338 | 62.276 | 113.361 | 73.103 | 83.064 | 60.299 |
| Experience adjustments on Present value of obligation | **(80.631)** | **-** | (44.591) | 7.506 | (33.091) | (12.043) | (0.860) | - |
| Experience adjustments on Plan assets | **(18.490)** | **(25.559)** | (9.218) | 32.413 | (6.500) | 59.034 | (10.550) | 12.287 |

| | 2011 | | 2010 | | 2009 | | | 2008 |
|---|---|---|---|---|---|---|---|---|
| | **Pension** | **Death Benefit** | Pension | Death Benefit | Gratuity | Pension | Death Benefit | Death Benefit |
| **Others (Non-funded)** | | | | | | | | |
| Present value of obligation | **22.801** | **18.443** | 24.212 | 16.673 | 0.500 | 27.375 | 14.811 | 3.854 |
| Present value of plan assets | **-** | **-** | - | - | - | - | - | - |
| Amount recognised in Balance sheet – Liability | **22.801** | **18.443** | 24.212 | 16.673 | 0.500 | 27.375 | 14.811 | 3.854 |
| Experience adjustments on Present value of obligation | **-** | **-** | - | - | - | - | - | - |
| Experience adjustments on Plan assets | **-** | **-** | - | - | - | - | - | - |

Notes :

1. The estimates of future increase in compensation levels, 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.

2. As per the best estimate of the management, contribution of Rs. 200 Million is expected to be paid to the plans during the year ending March 31, 2012.

**10. Exceptional and other Non-recurring items**

Rs. Million

| | 2011 | 2010 |
|---|---|---|
| Net Write back of Sales tax liabilities pursuant to settlement of arrears of sales tax and interest thereon under the Tamil Nadu Sales Tax (Settlement of Arrears) Act, 2010, (includes Rs. 478.042 Million arising on the amalgamation of BDL as referred in Note 2A above). | **368.399** | - |
| Excess of Net sale proceeds over carrying value of Investments held by the USL Benefit Trust | **-** | 699.953 |
| | **368.399** | 699.953 |

**11. Borrowing Costs**

| | 2011 | 2010 |
|---|---|---|
| Interest included in the Closing Stock of Work in progress (Malt and Grape Spirit under maturation) | **494.115** | 209.944 |

**12. Foreign Currency Transactions**

a) As on March 31, 2011, the Company has the following derivative instruments outstanding :

Interest and currency swap arrangement (USD-INR) amounting to USD Nil (2010 : USD 35 Million fully settled during the year).

b) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under:

Loans and Advances to Subsidiaries USD 732.290 Million, GBP 60.655 Million, Euro 28.750 Million (2010:USD 794.290 Million, GBP 59.450 Million, Euro 27.750 Million).

**13. Segment Reporting**

The Company is engaged in the business of manufacture, purchase and sale of Beverage Alcohol (Spirits and Wines) including through Tie-up units/ brand franchise, which constitutes a single business segment. The Company's operations outside India did not exceed the quantitative threshold for disclosure envisaged in AS 17 on 'Segment Reporting' specified in the Companies (Accounting Standard) Rules 2006. In view of the above, primary and secondary reporting disclosures for business/geographical segment as envisaged in AS-17 are not applicable to the Company.

**14. Related Party Disclosures**

**a) Names of related parties and description of relationship**

**Enterprise where there is control**

**i) Subsidiary Companies:**

1)United Spirits Nepal Private Limited (USNPL), 2) Asian Opportunities & Investment Limited (AOIL), 3) Bouvet -Ladubay S.A.S (BL)^, 4) Chapin Landais S.A.S (CL)^, 5) Palmer Investment Group Limited(PIG), 6) Montrose International SA (MI)^, 7) JIHL Nominees Limited (JIHL), 8) RG Shaw & Company Limited (RGSC), 9) Shaw Darby & Company Limited (SDC), 10) Shaw Scott & Company Ltd (SSC), 11) Thames Rice Milling Company Limited (TRMCL), 12) Shaw Wallace Overseas Limited (SWOL)^, 13) McDowell (Scotland) Limited (MSL), 14) USL Holdings Limited (USLHL), 15) Royal Challengers Sports Private Limited (RCSPL), 16) USL Holdings (UK) Limited^, 17) United Spirits (UK) Limited^, 18) United Spirits (Great Britain) Limited^, 19) Shaw Wallace Breweries Limited (SWBL), 20) Ramanretti Investment & Trading Limited (RITL)^, 21) Daffodils Fragrance and Flavours Private Limited (DFFPL), 22) Four Seasons Wines Limited (FSWL), 23) United Vintners Limited (UVL), 24) United Alcobev Limited (UAL) ,

25) McDowell Beverages Limited (MBL), 26) McDowell & Company Limited, 27) Jasmine Flavours and Fragrances Limited, 28) Liquidity Inc, 29) Whyte and Mackay Group Limited^, 30) Whyte and Mackay Holdings Ltd^, 31) Whyte and Mackay Limited (W&M), 32) Whyte and Mackay Warehousing Limited^, 33) Bruce & Company (Leith) Limited^, 34) Charles Mackinlay & Company Limited^, 35) Dalmore Distillers Limited^, 36) Dalmore Whyte & Mackay Limited^, 37) Edinburgh Scotch Whisky Company Limited^, 38) Ewen & Company Limited^, 39) Fettercairn Distillery Limited^, 40) Findlater Scotch Whisky Limited^, 41) Glayva Liqueur Limited^, 42) Glentalla Limited^, 43) GPS Realisations Limited^, 44) Grey Rogers & Company Limited^, 45) Hay & MacLeod Limited^, 46) Invergordon Distillers (Holdings) Limited^, 47) Invergordon Distillers Group Limited^, 48) Invergordon Distillers Limited^, 49) Invergordon Gin Limited^, 50) Isle of Jura Distillery Company Limited^, 51) Jarvis Halliday & Company Limited^, 52) John E McPherson & Sons Limited^, 53) Kensington Distillers Limited^, 54) Kyndal Spirits Limited^, 55) Leith Distillers Limited^, 56) Loch Glass Distilling Company Limited^, 57) Longman Distillers Limited^, 58) Lycidas (437) Limited^, 59) Pentland Bonding Company Limited^, 60) Ronald Morrison & Company Limited^, 61) St The Sheep Dip Whisky Company Limited^, 62) Vincent Street (437) Limited^, 63) Tamnavulin-Glenlivet Distillery Company Limited^, 64) TDL Realisations Limited^, 65) W & S Strong Limited^, 66) Watson & Middleton Limited^, 67) Wauchope Moodie & Company Limited^, 68) Whyte & Mackay Distillers Limited^, 69) William Muir Limited^, 70) WMB Realisations Limited^, 71) Whyte and Mackay Property Limited^, 72) Whyte and Mackay de Venezuela CA^, 73) KI Trustees Limited^, 74) USL Shanghai Trading Company Limited 75) Tern Distillery Private Limited(Tern) 76) Balaji Distillery Private Limited(BDPL)* 77) Chennai Breweries Private Limited(CBPL)* 78) Spring Valley Investment Holding Inc(SVIHI)^^ 79)Herbertsons Limited(HL)^^.

**ii) USL Benefit Trust**

* Became a subsidiary during the year.

^ No transactions during the year.

^^Ceased to be a subsidiary during the year.

**Associates**

Wine Soc. of India Private Limited^

Sovereign Distilleries Limited (SDL)*

**Promoter Holding together with its Subsidiary is more than 20%**

United Breweries (Holdings) Limited

* Became an associate during the year.

^ No transactions during the year..

**Key Management personnel:**

Mr.V.K.Rekhi, Managing Director

**Employees' Benefit Plans where there is significant influence:**

Mc Dowell & Company Limited Staff Gratuity Fund (McD SGF), McDowell & Company Limited Officers' Gratuity Fund (McD OGF), Phipson & Company Limited Management Staff Gratuity Fund. (PCL SGF), Phipson & Company Limited Gratuity Fund. (PCL GF), Carew & Company Ltd. Gratuity Fund (CCL GF), McDowell & Company Limited Provident Fund (McD PF), Shaw Wallace & Associated Companies Employees Gratuity Fund (SWCEGF), Shaw Wallace & Associated Companies Executive Staff Fund (SWCSGF), Shaw Wallace & Co. Associated Companies Provident Fund (SWCPF), Balaji Distilleries Employees Gratuity Trust.

## 14. b) Summary of the transactions with related parties:

Rs. Million

| Sl. No. | Nature of transactions ** | 2011 Entities where there is control | 2011 Associates | 2011 Key Management per sonnel | 2011 Employees' Benefit Plans where there is significant influence | 2011 Promoter | 2011 Total | 2010 Entities where there is control | 2010 Associates | 2010 Key Manage-ment personnel | 2010 Employees' Benefit Plans where there is significant influence | 2010 Promoter | 2010 Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| a) | Purchase of goods | | | | | | | | | | | | |
| | - W&M | 1,745.427 | - | - | - | - | **1,745.427** | 1,035.783 | - | - | - | - | 1,035.783 |
| | - Tern | 215.875 | - | - | - | - | **215.875** | 218.978 | - | - | - | - | 218.978 |
| | - Others | 53.037 | - | - | - | - | **53.037** | 69.588 | - | - | - | - | 69.588 |
| b) | Sale of goods | | | | | | | | | | | | |
| | - USNPL | 176.877 | - | - | - | - | **176.877** | 108.518 | - | - | - | - | 108.518 |
| | - Others | 1.086 | - | - | - | - | **1.086** | 2.297 | - | - | - | - | 2.297 |
| | - UBHL | - | - | - | - | **571.645** | **571.645** | - | - | - | - | 781.237 | 781.237 |
| c) | Income from Brand Franchise | | | | | | | | | | | | |
| | - USNPL | 64.593 | - | - | - | - | **64.593** | 50.547 | - | - | - - | | 50.547 |
| d) | Other Income | | | | | | | | | | | | |
| | - USNPL | 44.227 | - | - | - | - | **44.227** | 57.135 | - | - | - | - | 57.135 |
| e) | Advertisement & Sales Promotion | | | | | | | | | | | | |
| | - RCSPL | 78.400 | - | - | - | - | **78.400** | 107.567 | - | - | - | - | 107.567 |
| | - UBHL | - | - | - | - | **83.937** | **83.937** | - | - | - | - | 128.808 | 128.808 |
| f) | Rent | | | | | | | | | | | | |
| | - W&M | 200.466 | - | - | - - | | **200.466** | 254.389 | - | - | - | - | 254.389 |
| | - UBHL | - | - | - | - | - | - | - | - | - | - | 6.277 | 6.277 |
| g) | Royalty and Brand Fee | | | | | | | | | | | | |
| | - W&M | 11.199 | - | - | - - | | **11.199** | 12.646 | - | - | - | - | 12.646 |
| | - UBHL | - | - | - | - | - | - | - | - | - | - | 44.374 | 44.374 |
| h) | Interest Expense | | | | | | | | | | | | |
| | - SWBL | (167.453) | - | - | - | - | **(167.453)** | 224.838 | - | - | - | - | 224.838 |
| i) | Guarantee /Security Commission Paid | | | | | | | | | | | | |
| | - UBHL | - | - | - | - | **6.793** | **6.793** | -- | - | - | - | 3.676 | 3.676 |
| j) | Interest Income | | | | | | | | | | | | |
| | -SWBL | 0.392 | - | - | - | - | **0.392** | - | - | - | - | - | - |
| | -FSWL | 5.324 | - | - | - | - | **5.324** | - | - | - | - | - | - |
| | - UBHL | - | - | - | - | 257.608 | 257.608 | - | - | - | - | - | - |

**14. b) Summary of the transactions with related parties:** (Contd.)

Rs. Million

| Sl. No. | Nature of transactions ** | 2011 Entities where there is control | 2011 Associates | 2011 Key Management per sonnel | 2011 Employees' Benefit Plans where there is significant influence | 2011 Promoter | 2011 Total | 2010 Entities where there is control | 2010 Associates | 2010 Key Manage-ment personnel | 2010 Employees' Benefit Plans where there is significant influence | 2010 Promoter | 2010 Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| k) | Deposit-Rental | - | - | 3.799 | - | | **3.799** | - | - | 3.454 | - | - | 3.454 |
| l) | Interest as Sole Beneficiary in USL Benefit Trust | 1,196.969 | - | - | - | | **1,196.969** | 1,196.969 | - | - | - | - | 1,196.969 |
| m) | Sale/(Purchase) purchase of Fixed asset | | | | | | | | | | | | |
| | - W&M | (226.686) | - | - | - | | **(226.686)** | - | - | - | - | | - |
| | - UBHL | - | - | - | - | **(392.443)** | **(392.443)** | - | - | - | - | | - |
| n) | Finance (including loans and equity contributions in cash or in kind) | | | | | | | | | | | | |
| | - USLHL | (2,700.062) | - | - | - | | **(2,700.062)** | 32,106.437 | - | - | - | | 32,106.437 |
| | - RCSPL | 427.870 | - | - | - | | **427.870** | 955.134 | - | - | - | | 955.134 |
| | - AOIL | 130.994 | - | - | - | | **130.994** | (173.727) | - | - | - | | (173.727) |
| | - FSWL | (206.073) | - | - | - | | **(206.073)** | 78.542 | - | - | - | | 78.542 |
| | - SWBL | 4,896.084 | - | - | - | | **4,896.084** | (215.440) | - | - | - | | (215.440) |
| | - UBHL@ | - | - | - | - | **(257.608)** | **(257.608)** | - | - | - | - | (86.983) | (86.983) |
| | - Others | 108.630 | - | - | - | - | **108.630** | (701.853) | - | - | - | | (701.853) |
| o) | Guarantees and Collaterals given | | | | | | | | | | | | |
| | - USLHL | 4,460.000 | - | - | - | - | **4,460.000** | - | - | - | - | - | - |
| p) | Guarantees and Collaterals Received | | | | | | | | | | | | |
| | - UBHL | - | - | - | - | **410.000** | **410.000** | - | - | - | - | 410.000 | 410.000 |
| q) | Managing Directors' Remuneration | - | - | 50.827 | - | - | **50.827** | - | - | 46.536 | - | - | 46.536 |
| r) | Rent | - | - | 3.712 | - | - | **3.712** | - | - | 3.375 | - | - | 3.375 |
| s) | Lease deposit | | | | | | | | | | | | |
| | -SDL | - | 506.330 | - | - | - | **506.330** | - | - | - | - | - | - |
| t) | Contribution to Gratuity Fund | | | | | | | | | | | | |
| | - McD OGF | - | - | - | 120.337 | - | **120.337** | - | - | - | 136.284 | - | 136.284 |
| | - McD SGF | - | - | - | - | - | **-** | - | - | - | (34.679) | - | (34.679) |
| u) | Contribution to Provident Fund | | | | | | | | | | | | |
| | - McD PF | - | - | - | 79.876 | - | **79.876** | - | - | - | 67.025 | - | 67.025 |
| | - SWC PF | - | - | - | - | - | **-** | - | - | - | 0.368 | - | 0.368 |

**14. b) Summary of the transactions with related parties:** (Contd.)

Rs. Million

| Sl. No. | Nature of transactions ** | 2011 Entities where there is control | 2011 Associates | 2011 Key Management per sonnel | 2011 Employees' Benefit Plans where there is significant influence | 2011 Promoter | 2011 Total | 2010 Entities where there is control | 2010 Associates | 2010 Key Manage-ment personnel | 2010 Employees' Benefit Plans where there is significant influence | 2010 Promoter | 2010 Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| v) | Dividend Paid | | | | | | | | | | | | |
| | - USL Benefit Trust | 8.648 | - | - | - | - | **8.648** | 6.918 | - | - | - | - | 6.918 |
| | -SSC | 1.694 | - | - | - | - | **1.694** | 1.355 | - | - | - | - | 1.355 |
| | -SDC | 1.656 | - | - | - | - | **1.656** | 1.325 | - | - | - | - | 1.325 |
| | -JIHL | 1.371 | - | - | - | - | **1.371** | 1.097 | - | - | - | - | 1.097 |
| | -TRMCL | 1.318 | - | - | - | - | **1.318** | 1.054 | - | - | - | - | 1.054 |
| | -RGSC | 6.268 | - | - | - | - | **6.268** | 5.015 | - | - | - | - | 5.015 |
| | -Palmer | 0.006 | - | - | - | - | **0.006** | - | - | - | - | - | - |
| | -UBHL | - | - | - | - | **91.395** | **91.395** | - | - | - | - | 73.116 | 73.116 |
| w) | Amount due from | | | | | | | | | | | | |
| | - USLHL | 36,857.536 | - | - | - | - | **36,857.536** | 39,557.598 | - | - | - | - | 39,557.598 |
| | - AOIL | 1,632.265 | - | - | - | - | **1,632.265** | 1,501.271 | - | - | - | - | 1,501.271 |
| | - RCSPL | 528.363 | - | - | - | - | **528.363** | 1,876.369 | - | - | - | - | 1,876.369 |
| | - FSWL | 316.343 | - | - | - | - | **316.343** | 534.173 | - | - | - | - | 534.173 |
| | -SWBL | 1,326.883 | - | - | - | - | **1,326.883** | - | - | - | - | - | - |
| | -SDL | - | 516.330 | - | - | - | **516.330** | - | - | - | - | - | - |
| | - Others | 1,888.191 | - | - | - | - | **1,888.191** | 1,012.580 | - | - | - | - | 1,012.580 |
| x) | Amount due to | | | | | | | | | | | | |
| | - W&M | 1,013.429 | - | - | - | - | **1,013.429** | 30.915 | - | - | - | - | 30.915 |
| | - UBHL | - | - | - | - | **30.336** | **30.336** | 30.915 | - | - | - | 121.790 | 121.790 |
| y) | Deposits Outstanding (Net) | - | - | - | - | **1,941.471** | **1,941.471** | 2,970.842 | - | - | - | 2,110.000 | 2,110.000 |
| z) | Loan from SWBL | - | - | - | - | - | - | 2,970.842 | - | - | - | - | 2,970.842 |
| za) | Interest accrued and due | | | | | | | | | | | | |
| | SWBL | - | - | - | - | - | - | 431.298 | - | - | - | - | 431.298 |

*@ Net of Loan given and received during the year Rs. 2,796.085 Million*

*** Excludes Reimbursement of Expenses and Cost sharing arrangements.*

The above information has been determined to the extent such parties have been identified on the basis of information provided by the Company, which has been relied upon by the auditors.

**15.** (a) The Company's significant leasing arrangements in respect of operating leases for premises (residential, office, stores, godown, manufacturing facilities etc), which are not non-cancellable, range between 11 months and 3 years generally (or longer in certain cases) and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are charged as Rent under Schedule 15 to the accounts.

Leasing arrangements entered into prior to April 1, 2001 have not been considered for treatment under AS 19 'Accounting for Leases'.

(b) The Company has acquired computer equipment and cars on finance leases. The lease agreement is for a primary period of 48 months for computer equipment and 36 months to 60 months for cars. The Company has an option to renew these leases for a secondary period. There are no exceptional/restrictive covenants in the lease agreements.

The minimum lease payments and their present value, for each of the following periods are as follows:

Rs. Million

| Particulars | **2011** Present Value of payments | **2011** Minimum lease payments | 2010 Present Value of payments | 2010 Minimum lease payments |
|---|---|---|---|---|
| Later than one year and not later than five years | **3.113** | **3.346** | 8.411 | 9.146 |
| Later than five years | **-** | **-** | - | - |
| | **3.113** | **3.346** | 8.411 | 9.146 |
| Not later than one year | **5.303** | **5.851** | 8.264 | 9.669 |
| | **8.416** | **9.197** | 16.675 | 18.815 |
| Less: Finance Charges | | **0.781** | | 2.140 |
| Present value of net minimum lease payments | | **8.416** | | 16.675 |

**16. Earnings Per Share:**

| | | **2011** | 2010 |
|---|---|---|---|
| Nominal Value of equity shares (Rs.) | | **10** | 10 |
| a) | Net Profit after tax (Rs. Million) | **3,854.713** | 3,760.215 |
| b) | Basic number of Equity Shares of Rs. 10 each outstanding during the year* | **130,794,698** | 125,594,329 |
| c) | Weighted Average number of Equity Shares of Rs. 10 each outstanding during the year* | **130,794,698** | 115,663,370 |
| d) | Basic Earnings Per Share (Rs.) (a/c) | **29.47** | 32.51 |

* Including Equity Shares issued as referred to in Note 2(A)(b)

**17. Taxes on Income:**

**a) Current Taxation**

Rs. Million

Provision for current taxation includes:

| | | **2011** | 2010 |
|---|---|---|---|
| i) | Income Tax | **1,780.000** | 1,512.200 |
| ii) | Wealth Tax | **13.500** | 12.800 |
| | **Total** | **1,793.500** | 1,525.000 |

**b) Deferred Taxation**

The net Deferred Tax (Asset) / Liability as on March 31, 2011 has been arrived at as follows:

Rs. Million

| Particulars | Deferred Tax (Assets) / Liabilities as on 1.4.2010 | Taken over on Amalgamation | Current Year charge / (credit) | **Deferred Tax (Assets) / Liabilities as on 31.03.2011** |
|---|---|---|---|---|
| Difference between book and tax depreciation | 333.740 | 56.536 | 60.109 | **450.384** |
| Provision for Doubtful Debts | (283.450) | - | (87.580) | **(371.030)** |
| Employee Benefits | (150.424) | (16.681) | (40.328) | **(207.433)** |
| Others | 35.260 | (345.581) | 235.664 | **(74.657)** |
| | (64.874) | (305.726) | 167.865 | **(202.736)** |

**18. Provisions – Others**

Rs. Million

| Particulars | Balance as on 31.03.2010 | Additions during the Year | Utilised/ reversed during the Year | **Balance as on 31.03.2011** |
|---|---|---|---|---|
| Others * | 28.297 | 14.711 | - | **43.008** |

* Provision - Others, relates to estimated costs relating to certain tax matters. The estimate of provision is primarily based on an internal assessment by the Company. The actual provision could differ from the estimated amounts and could require adjustments in the subsequent years.

**19. Remuneration paid/payable to Managing Director**

Rs. Million

| | **2011** | 2010 |
|---|---|---|
| Salary and Allowances | **22.911** | 19.736 |
| Incentives paid | **18.864** | 18.555 |
| Contribution to Provident and other Funds * | **5.309** | 4.517 |
| Value of Perquisites | **3.743** | 3.728 |
| | **50.827** | 46.536 |

* Provision for contribution to employee retirement/post retirement and other employee benefits which are based on actuarial valuation done on an overall company basis are excluded.

**20. Directors' Commission**

Rs. Million

| | **2011** | 2010 |
|---|---|---|
| Computation of Net Profits under Section 198 of the Companies Act, 1956 | | |
| Net Profit before Taxation | **5,816.078** | 5,436.744 |
| Add: Depreciation as per Books | **477.470** | 386.302 |
| Remuneration to Managing Director | **50.827** | 46.536 |
| Directors' Fees | **1.563** | 1.490 |
| Directors' Commission | **62.210** | 51.178 |
| Book deficit/(surplus) on fixed assets sold, written-off, etc (net) as per books | **(3.382)** | (5.142) |
| Provision for Doubtful Debts | **290.273** | 255.170 |
| Diminution in value of Investments | **-** | 26.635 |
| | **6,695.039** | 6,198.913 |
| Less: Depreciation under Section 350 of the Companies Act, 1956 | **477.470** | 386.302 |
| The surplus being excess of net sale proceeds over carrying value of interest in USL Benefit Trust | **-** | 699.953 |
| Deficit/(Surplus) on disposal of fixed assets under Section 349 of the Companies Act, 1956 | **(3.382)** | (5.142) |
| Net profit | **6,220.951** | 5,117.800 |
| Commission 1% thereof | **62.210** | 51.178 |

The total remuneration as stated above is within the maximum permissible limit under the Companies Act, 1956.

**21. Quantitative Information in respect of goods manufactured and sold by the Company**

**a. Particulars of Capacity and Production:**

| | | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|---|
| **Description** | **Unit** | **Licensed Capacity** | **Installed Capacity** | **Actual Production (Note iv)** | Licensed Capacity | Installed Capacity | Actual Production |
| **Beverage Alcohol [Note (i)]** | **Ltrs** | **276,580,000** | **241,092,000** | **337,413,018** | 169,660,000 | 134,172,000 | 252,065,462 |

**Notes:**

**i.** Includes alcohol produced and bottled out of purchased rectified spirit. This activity is not considered as manufacture under the Industries (Development and Regulation) Act, 1951.

**ii.** The Company's applications for the Carry On Business licenses for certain Units are still pending with the authority.

**iii.** The Licensed and Installed Capacity has been certified by the Company's management and relied upon by the Auditors, this being a technical matter.

**iv.** Includes production at manufacturing facilities taken on lease.

**b. Particulars of opening stock of Finished Goods:**

Rs. Million

| | | 2011 | | 2010 | |
|---|---|---|---|---|---|
| Description | Unit | **Quantity** | **Value** | Quantity | Value |
| Beverage Alcohol | Cases | **1,759,887** | **2,390.156** | 1,530,313 | 2,052.475 |
| | | | **2,390.156** | | 2,052.475 |

**c. Particulars of stock of finished goods of the Transferor Companies as on April 1, 2010 acquired on amalgamation:**

| Description | Unit | **Quantity** | **Value** | Quantity | Value |
|---|---|---|---|---|---|
| Beverage Alcohol | Cases | **71,738** | **80.001** | - | - |
| | | | **80.001** | - | - |

**d. Particulars of closing stock of Finished Goods:**

| Description | Unit | **Quantity** | **Value** | Quantity | Value |
|---|---|---|---|---|---|
| Beverage Alcohol | Cases | **1,955,468** | **2,842.655** | 1,759,887 | 2,390.156 |
| | | | **2,842.655** | | 2,390.156 |

**e. Particulars of Turnover:**

| Description | Unit | **Quantity** | **Value** | Quantity | Value |
|---|---|---|---|---|---|
| Beverage Alcohol | Cases | **79,461,533** | **123,661.179** | 61,053,386 | 87,790.708 |
| | | | **123,661.179** | | 87,790.708 |

**f. Particulars of purchase of traded goods:**

| | | 2011 | | 2010 | |
|---|---|---|---|---|---|
| Description | Unit | **Quantity** | **Value** | Quantity | Value |
| Beverage Alcohol | Cases | **6,449,949** | **7,624.918** | 6,011,337 | 6,493.067 |
| | | | **7,624.918** | | 6,493.067 |

**22. Particulars of Raw Materials Consumed:**

| Description | Unit | Quantity | Value | Quantity | Value |
|---|---|---|---|---|---|
| Spirits | Litres | **281,613,978** | **12,480.987** | 199,403,997 | 9,314.845 |
| Grain | Kg. | **34,897,017** | **694.226** | 17,530,507 | 427.643 |
| Molasses | Kg. | **123,864,387** | **599.151** | 112,754,902 | 741.478 |
| Others | | | **2,949.127** | | 1,774.793 |
| | | | **16,723.491** | | 12,258.759 |

| | % | Value | % | Value |
|---|---|---|---|---|
| Whereof: | | | | |
| Imported | **17** | **2,779.255** | 14 | 1,742.464 |
| Indigenous | **83** | **13,944.236** | 86 | 10,516.295 |
| | **100** | **16,723.491** | 100 | 12,258.759 |

**23. Consumption of Packing Material, Stores and Spares**

(including stores consumed in Repairs and Maintenance expenses)

| | % | Value | % | Value |
|---|---|---|---|---|
| Imported | **3** | **381.043** | 2 | 223.899 |
| Indigenous | **97** | **14,035.478** | 98 | 10,007.157 |
| | **100** | **14,416.521** | 100 | 10,231.056 |

**24. Value of Imports on C.I.F. basis:**

Rs. Million

| | 2011 | 2010 |
|---|---|---|
| Raw Materials and Packing Materials | **2,545.365** | 2,083.146 |
| Components and Spare Parts | **-** | 3.416 |
| Plant and Machinery | **135.971** | 191.992 |
| | **2,681.336** | 2,278.554 |

**25. Earnings in Foreign Currency:**

| | | |
|---|---|---|
| Dividend income from subsidiary | **46.555** | 57.135 |
| | **46.555** | 57.135 |

**26. Expenditure in Foreign Currency:**

| | | |
|---|---|---|
| Interest | **23.461** | 115.718 |
| Rent | **287.136** | 186.754 |
| Others (Royalty, Travelling, Subscription, Professional fees, Foreign Travel Expenses, Advertisement, Bank Charges, Finance Charges, etc.) | **261.102** | 629.657 |
| | **571.699** | 932.129 |

**27. Amount remitted during the year in foreign currency on account of dividend to Non-resident shareholders.**

| | | |
|---|---|---|
| Year to which dividend relates | **2010** | 2009 |
| Number of non-resident shareholders | **12** | 11 |
| Number of Shares | **4,928,835** | 4,926,624 |
| Amount remitted (in Rs. Million) | **12.322** | 9.853 |

**28. Auditors' Remuneration (Refer Notes below)**

Rs. Million

| | 2011 | 2010 |
|---|---|---|
| Statutory Audit | **10.000** | 10.000 |
| Other Services (Note b) | **4.739** | 6.982 |
| Out-of-pocket Expenses | **0.801** | 0.820 |
| | **15.540** | 17.802 |

Notes:

a) Included under Legal and Professional Charges in Schedule 15.

b) Excludes Nil (2010: Rs. 18.735 Million) being charges for professional services in connection with issue of shares to QIBs which has been debited to Share Premium.

**29.**

| | | |
|---|---|---|
| **a) Repairs to Plant and Machinery include:** | | |
| Wages | **8.905** | 6.905 |
| Stores Consumed | **41.402** | 39.569 |
| | **50.307** | 46.474 |
| **b) Repairs to Building include:** | | |
| Wages | **2.936** | 1.426 |
| Stores consumed | **4.907** | 2.752 |
| | **7.843** | 4.178 |

**30. Research and Development expenses comprise the following:**

| | | |
|---|---|---|
| Salaries and Wages | **22.576** | 20.007 |
| Contribution to Provident Fund and other Funds | **1.959** | 1.743 |
| Staff Welfare Expenses | **1.194** | 1.548 |
| Rent | **5.723** | 4.017 |
| Contribution | **12.000** | - |
| Miscellaneous Expenses | **10.845** | 7.990 |
| | **54.297** | 35.305 |

**31.** Previous year's figures have been regrouped / rearranged wherever necessary.

**For Price Waterhouse**
Firm Registration Number: 007568S
Chartered Accountants

**USHA A. NARAYANAN**
Partner
Membership Number: 23997

New Delhi
August 3, 2011

**VIJAY MALLYA**
Chairman

**M.R. DORAISWAMY IYENGAR**
Director

New Delhi
August 3, 2011

**V.S. VENKATARAMAN**
Company Secretary

Bangalore
August 3, 2011

**ASHOK CAPOOR**
Managing Director

**P.A. MURALI**
Chief Financial Officer

# Statement Pursuant to Section 212(1)(e) of the Companies Act, 1956 as at March 31, 2011

| Sl. No | Name of the subsidiary | a) No of shares held at the end of thefinancial year of the subsidiary | | b) Extent of holding | | Net aggregate Profit/loss of the subsidiary so far as it concerns the members of the company | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | % | % | a) Not dealt with in the accounts of the company | | b) Dealt with in the accounts of the company | |
| | | | | | | (i ) | (ii ) | (i ) | (ii ) |
| | | United Spirits Ltd | Other subsidiary companies | United Spirits Ltd | Other subsidiary companies | for the subsidiary's financial year ended 31.03.2011 | for the previous financial years of the subsidiary since it became a subsidiary | for the subsidary's financial year ended 31.03.2011 | for the previous financial years of the subsidiary since it became a subsidiary (Rs. Million) |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 1 | Asian Opportunities & Investments Ltd | 4,998,706 Shares | - | 100% | - | (185.022) | (305.805) | - | - |
| 2 | United Spirits Nepal P. Ltd | 67,716 Shares | - | 82.46% | - | 45.117 | 162.483 | - | - |
| 3 | Ramanreti Investments & Trading Ltd | - | 50,000 Shares | - | 100% | (0.070) | (0.341) | - | - |
| 4 | Shaw Wallace Breweries Ltd | 78,512,509 Shares | - | 100% | - | 189.798 | 2,083.327 | - | - |
| 5 | Palmer Investment Group Ltd | 15,000,000 Shares | - | 100% | - | 0.007 | (1.798) | - | - |
| 6 | RG Shaw & Company Ltd | - | 7,690,180 Shares | - | 100% | 6.564 | 43.859 | - | - |
| 7 | Shaw Scott & Company Ltd | - | 105,609 Shares | - | 100% | 1.371 | 11.526 | - | - |
| 8 | Shaw Darby & Company Ltd | - | 130,845 Shares | - | 100% | 1.592 | 10.364 | - | - |
| 9 | Thames Rice Milling Company Ltd | - | 90,160 Shares | - | 100% | 1.245 | 7.944 | - | - |
| 10 | Shaw Wallace Overseas Ltd | - | 357,745 Shares | - | 100% | 0.059 | 1.332 | - | - |
| 11 | JIHL Nominees Ltd | - | 10 Shares | - | 100% | 0.870 | 8.711 | - | - |
| 12 | Montrose International S.A | - | 500 Shares | - | 100% | 0.045 | 33.127 | - | - |
| 13 | Bouvet Ladubay S.A.S | - | 540,000 Shares | - | 100% | 41.375 | 169.981 | - | - |
| 14 | Chapin Landais S.A.S | - | 5,000 Shares | - | 100% | 0.162 | 1.337 | - | - |
| 15 | McDowell & Co. (ScotLand) Ltd | 1,575,000 Shares | - - | 100% | - | (13.813) | (66.547) | - | - |
| 16 | United Spirits (Great Britain) Ltd | - | 100 Shares | - | 100% | (796.936) | (3,015.184) | - | - |
| 17 | USL Holdings Ltd | 500,000 Shares | - | 100% | - | 452.585 | 925.482 | - | - |
| 18 | USL Holdings (UK) Ltd | - | 100,000 Shares | - | 100% | 707.281 | (12,796.177) | - | - |
| 19 | United Spirits (UK) Ltd | - | 100 Shares | - | 100% | 2.694 | (0.696) | - | - |
| 20 | Daffodils Flavours & Fragrances Pvt Ltd | 10,000 Shares | - | 100% | - | 0.119 | (1.132) | - | - |
| 21 | Four Seasons Wines Ltd | 14,111,140 Shares | - | 51% | - | (68.625) | (194.468) | - | - |

## Statement Pursuant to Section 212(1)(e) of the Companies Act, 1956 as at March 31, 2011 (Contd.)

| Sl. No | Name of the subsidiary | a) No of shares held at the end of thefinancial year of the subsidiary | | b) Extent of holding | | Net aggregate Profit/loss of the subsidiary so far as it concerns the members of the company | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | % | % | a) Not dealt with in the accounts of the company | | b) Dealt with in the accounts of the company | |
| | | | | | | (i) | (ii) | (i) | (ii) |
| | | United Spirits Ltd | Other subsidiary companies | United Spirits Ltd | Other subsidiary companies | for the subsidiary's financial year ended 31.03.2011 | for the previous financial years of the subsidiary since it became a subsidiary | for the subsidary's financial year ended 31.03.2011 | for the previous financial years of the subsidiary since it became a subsidiary (Rs. Million) |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 22 | McDowell Beverages Ltd | 50,000 Shares | - | 100% | - | 0.094 | (0.178) | - | - |
| 23 | United Alcobev Ltd | 50,000 Shares | - | 100% | - | (0.069) | (0.175) | - | - |
| 24 | United Vintners Ltd | 50,000 Shares | - | 100% | - | (6.791) | (30.397) | - | - |
| 25 | McDowell and Company Ltd | 50,000 Shares | - | 100% | - | (0.103) | (0.323) | - | - |
| 26 | Royal Challengers Sports Pvt. Ltd | 14,690 Shares | - | 100% | - | (54.292) | (116.969) | - | - |
| 27 | Jasmine Flavours and Fragrances P Ltd | 10,000 Shares | - | 100% | - | (0.070) | (0.267) | - | - |
| 28 | Whyte and Mackay Group Limited | - - | 4,600,349,728 Shares | - | 100% | 1,777.252 | 3,584.363 | - | - |
| 29 | Liquidity Inc., | 4,000,000 Shares | - | 51% | - | (55.611) | (157.166) | - | - |
| 30 | United Spirits Trading (Shanghai) Company Ltd | 500,000 Shares | - | 100% | - | (1.844) | (31.773) | - | - |
| 31 | Tern Distilleries Private Limited | 4,000,000 Shares | - | 100% | - | (6.213) | (1.743) | - - | - - |

## Statement Pursuant to Section 212(1)(f) of the Companies Act, 1956 as at March 31, 2011

**Material changes that have occurred between the close of subsidiary's financial year and March 31, 2011**

(Rs. Million)

| Sl. No. | Name of the subsidiary | Subsidiary's Financial year ended on | Company's Interest in the Subsidiary | Subsidiary's Fixed Assets | Subsidiary's Investments | Moneys lent by the Subsidiary | Moneys borrowed by the subsidiary for the purposes other than that of meeting current liabilities |
|---|---|---|---|---|---|---|---|
| 1. | United Spirits Nepal P. Ltd. | 15.07.2010 | 82.46% | 1.278 | - | - | - |

**VIJAY MALLYA**
Chairman

**M.R.DORAISWAMY IYENGAR**
Director

**ASHOK CAPOOR**
Managing Director

**P.A.MURALI**
Chief Financial Officer

New Delhi
August 3, 2011

**V. S. VENKATARAMAN**
Company Secretary

Bangalore
August 3, 2011

## Statement Pursuant to Section 212(1)(e) of the Companies Act, 1956 as at March 31, 2011

## Details of Subsidiary Companies

(Amount in Millions)

| | Name of the Subsidiary | R.G. Shaw & Company Limited | | Palmer Investment Group Limited | | Montrose International S.A. | | Shaw Scott & Company Limited | | Shaw Darby & Company Limited | | Thames Rice Milling Company Limited | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | GBP | INR | USD | INR | USD | INR | GBP | INR | GBP | INR | GBP | INR |
| 1. | Capital | 0.077 | 5.502 | 15.000 | 669.000 | 0.500 | 22.300 | 0.106 | 7.556 | 0.131 | 9.362 | 0.090 | 6.451 |
| 2. | Reserves | 1.173 | 83.925 | 1.270 | 56.655 | 0.251 | 11.187 | 0.117 | 8.393 | 0.092 | 6.574 | 0.120 | 8.573 |
| 3. | Total Assets | 1.436 | 102.776 | 16.270 | 725.655 | 0.751 | 33.487 | 0.227 | 16.221 | 0.226 | 16.171 | 0.213 | 15.205 |
| 4. | Total Liabilities | 1.436 | 102.776 | 16.270 | 725.655 | 0.751 | 33.487 | 0.227 | 16.221 | 0.226 | 16.171 | 0.213 | 15.205 |
| 5. | Investments | 0.720 | 51.548 | 16.234 | 724.036 | - | - | 0.098 | 6.982 | 0.109 | 7.770 | 0.123 | 8.779 |
| 6. | Turnover | - | - | - | - | 2.269 | 104.132 | - | - | - | - | - | - |
| 7. | Profit before Taxation | 0.081 | 5.816 | 0.000 | 0.007 | 0.001 | 0.045 | 0.017 | 1.236 | 0.019 | 1.375 | 0.015 | 1.080 |
| 8. | Provision for Taxation | (0.010) | (0.747) | - | - | - | - | (0.002) | (0.134) | (0.003) | (0.217) | (0.002) | (0.165) |
| 9. | Profit after Taxation | 0.092 | 6.564 | 0.000 | 0.007 | 0.001 | 0.045 | 0.019 | 1.371 | 0.022 | 1.592 | 0.017 | 1.245 |
| 10. | Proposed Dividend | - | - | - | - | - | - | - | - | - | - | - | - |

| | Name of the Subsidiary | JIHL Nominees Limited | | USL Holdings (UK) Limited | | USL Holdings Limited | | United Spirits (Great Britain) Limited | | United Spirits (UK) Limited | | Ramanreti Investments and Trading Company Private Ltd |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | USD | INR | GBP | INR | USD | INR | GBP | INR | GBP | INR | INR |
| 1. | Capital | 0.000 | 0.000 | 0.001 | 0.072 | 0.050 | 2.230 | - | - | - | - | 0.500 |
| 2. | Reserves | 0.212 | 9.466 | (152.086) | (10,881.770) | 18.952 | 845.269 | (51.862) | (3,710.726) | (0.047) | (3.329) | (6.786) |
| 3. | Total Assets | 0.232 | 10.352 | 558.961 | 39,993.668 | 930.832 | 41,515.121 | 509.236 | 36,435.836 | 362.175 | 25,913.648 | 23.509 |
| 4. | Total Liabilities | 0.232 | 10.352 | 558.961 | 39,993.668 | 930.832 | 41,515.121 | 509.236 | 36,435.836 | 362.175 | 25,913.648 | 23.509 |
| 5. | Investments | - | - | - | - | 0.002 | 0.088 | 506.794 | 36,261.111 | - | - | 16.860 |
| 6. | Turnover | - | - | 1.167 | 83.309 | - | - | - | - | - | - | - |
| 7. | Profit before Taxation | 0.019 | 0.870 | 9.905 | 707.281 | 9.860 | 452.585 | (9.683) | (691.463) | 0.038 | 2.694 | (0.070) |
| 8. | Provision for Taxation | - | - | - | - | - | - | 1.477 | 105.473 | - | - | - |
| 9. | Profit after Taxation | 0.019 | 0.870 | 9.905 | 707.281 | 9.860 | 452.585 | (11.160) | (796.936) | 0.038 | 2.694 | (0.070) |
| 10. | Proposed Dividend | - | - | - | - | - | - | - | - | - | - | - |

## Details of Subsidiary Companies (Contd.)

(Amount in Millions)

| | Name of the Subsidiary | United Spirits Nepal P Ltd | | Asian Opportunities and Investments Limited | | Shaw Wallace Overseas Limited | | Shaw Wallace Breweries Limited | Four Seasons Wines Limited | United Vintners Limited | United Alcobev Limited | McDowell Beverages Limited | McDowell & Co (Scotland) Limited | | Bouvet Ladubay S.A.S | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | NRS | INR | USD | INR | GBP | INR | INR | INR | INR | INR | INR | GBP | INR | EURO | INR |
| 1. | Capital | 8.212 | 5.132 | 4.999 | 222.942 | 0.358 | 25.597 | 1,645.850 | 276.689 | 0.500 | 0.500 | 0.500 | 1.575 | 112.691 | 10.800 | 683.100 |
| 2. | Reserves | 61.249 | 38.281 | (9.337) | (416.438) | 0.157 | 11.265 | 3,715.356 | (263.123) | (37.218) | (0.274) | (0.314) | (1.242) | (88.835) | 3.757 | 237.628 |
| 3. | Total Assets | 121.770 | 76.106 | 42.335 | 1,888.152 | 0.370 | 26.480 | 6,688.089 | 1,023.178 | 33.530 | 0.549 | 0.549 | 10.878 | 778.292 | 24.062 | 1,521.919 |
| 4. | Total Liabilities | 121.770 | 76.106 | 42.335 | 1,888.152 | 0.370 | 26.480 | 6,688.089 | 1,023.178 | 33.530 | 0.549 | 0.549 | 10.878 | 778.292 | 24.062 | 1,521.919 |
| 5. | Investments | - | - | 27.189 | 1,212.626 | - | - | 58.573 | 26.343 | - | - | - | - | - | 0.208 | 13.153 |
| 6. | Turnover | 1,243.852 | 777.407 | - | - | - | - | - | 149.173 | 2.715 | - | - | - | - | 19.275 | 1,170.193 |
| 7. | Profit before Taxation | 100.406 | 62.754 | (4.031) | (185.022) | 0.001 | 0.082 | 284.219 | (68.625) | (6.791) | (0.069) | 0.094 | (0.193) | (13.813) | 0.990 | 60.119 |
| 8. | Provision for Taxation | 28.218 | 17.637 | - | - | (0.000) | (0.023) | 94.420 | - | - | - | - | - | - | 0.309 | 18.744 |
| 9. | Profit after Taxation | 72.187 | 45.117 | (4.031) | (185.022) | 0.001 | 0.059 | 189.798 | (68.625) | (6.791) | (0.069) | 0.094 | (0.193) | (13.813) | 0.682 | 41.375 |
| 10. | Proposed Dividend | 15.840 | 9.900 | - | - | - | - | - | - | - | - | - | - | - | - | - |

| | Name of the Subsidiary | Chapin Landias S.A.S | | Daffodils Flavours & Fragrances Private Limited | Liquidity Inc., | | Whyte and Mackay Group Limited | | Whyte and Mackay Limited | | Royal Challengers Sports P Ltd | Jasmine Flavours and Fragrances P Ltd | United Spirits (Trading) Shanghai Co. P Ltd | | McDowell and Company Limited | Tern Distilleries Private Limited |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | EURO | INR | INR | USD | INR | GBP | INR | GBP | INR | INR | INR | RMB | INR | INR | INR |
| 1. | Capital | 0.100 | 6.325 | 0.100 | 0.001 | 0.035 | 62.315 | 4,458.638 | 178.973 | 12,805.518 | 0.147 | 0.100 | 5.000 | 34.450 | 0.500 | 40.000 |
| 2. | Reserves | 0.034 | 2.176 | (1.305) | (3.321) | (148.117) | 44.788 | 3,204.581 | 160.838 | 11,507.959 | (171.260) | (0.338) | (5.433) | (37.433) | (0.425) | (53.745) |
| 3. | Total Assets | 0.134 | 8.501 | 29.489 | 6.772 | 302.018 | 304.632 | 21,796.420 | 937.479 | 67,076.622 | 5,523.597 | 27.754 | 6.901 | 47.550 | 0.570 | 387.545 |
| 4. | Total Liabilities | 0.134 | 8.501 | 29.489 | 6.772 | 302.018 | 304.632 | 21,796.420 | 937.479 | 67,076.622 | 5,523.597 | 27.754 | 6.901 | 47.550 | 0.570 | 387.545 |
| 5. | Investments | - | - | - | - | - | 0.171 | 12.235 | 483.555 | 34,598.360 | - | - | - | - | - | - |
| 6. | Turnover | 4.122 | 250.223 | - | 0.545 | 25.010 | 140.616 | 10,041.389 | 138.018 | 9,855.865 | 538.719 | - | 0.130 | 0.890 | - | 209.138 |
| 7. | Profit before Taxation | 0.005 | 0.302 | (0.034) | (1.206) | (55.357) | 31.603 | 2,256.770 | 37.519 | 2,679.232 | (78.416) | (0.070) | (0.269) | (1.844) | (0.103) | (6.213) |
| 8. | Provision for Taxation | 0.002 | 0.140 | 0.085 | 0.006 | 0.254 | 6.715 | 479.518 | 5.842 | 417.177 | (24.124) | - | - | - | - | - |
| 9. | Profit after Taxation | 0.003 | 0.162 | 0.119 | (1.212) | (55.611) | 24.888 | 1,777.252 | 31.677 | 2,262.055 | (54.292) | (0.070) | (0.269) | (1.844) | (0.103) | (6.213) |
| 10. | Proposed Dividend | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

**I Registration Details**

| | | | |
|---|---|---|---|
| Registration No. | L01551KA1999PLC024991 | State Code | 08 |
| Balance Sheet Date | 31 03 2011 | | |

**II Capital Raised during the period** (Rs. Million)

| | | | |
|---|---|---|---|
| Public issue | NIL | Rights issue | NIL |
| Bonus Shares | NIL | Private Placement | NIL |
| Others* | 52.006 | Naked Warrants / Pref. offer | NIL |

**III Position of Mobilisation and Deployment of Funds** (Rs. Million)

| | | | |
|---|---|---|---|
| Total Liabilities | 87121.147 | Total Assets | 87121.147 |
| **Sources of funds** | | | |
| Paid-up Capital | 1307.950 | Reserves & Surplus | 49729.727 |
| Secured Loans | 25179.658 | Unsecured Loans | 10903.812 |
| **Application of Funds** | | | |
| Net Fixed Assets | 9714.731 | Investments | 14532.508 |
| Net Current Assets | 62671.172 | Misc. Expenditure | NIL |
| Accumulated Losses | NIL | Deferred Tax Asset (Net) | 202.736 |

**IV Performance of Company** (Rs. Million)

| | | | |
|---|---|---|---|
| Turnover (Gross Revenue) | 64233.011 | Total Expenditure | 58307.862 |
| (+) Profit / (-) Loss Before Tax | +5816.078 | (+) Profit / (-) Loss After Tax (incl. Deferred Tax) | +3854.713 |
| Earning (Basic) per share in Rs. | 29.47 | | |
| Earnings (Diluted) per Share in Rs. | 29.47 | Dividend rate % | 25 |

V **Generic Name of Three Principal Products / Services of Company** (as per monetary items)

| | |
|---|---|
| Item Code No. (ITC Code) | 220830 00 |
| Product Description | WHISKY |
| Item Code No. (ITC Code) | 220820 01 |
| Product Description | BRANDY |
| Item Code No. (ITC Code) | 220840 01 |
| Product description | RUM |

* 5,200,639 shares @ Rs. 10 issued to shareholders of erstwhile BDL since merged with the company.

| | | | |
|---|---|---|---|
| **VIJAY MALLYA**<br>Chairman | **M.R.DORAISWAMY IYENGAR**<br>Director | **ASHOK CAPOOR**<br>Managing Director | **P.A.MURALI**<br>Chief Financial Officer |

New Delhi
August 3, 2011

**V. S. VENKATARAMAN**
Company Secretary

Bangalore
August 3, 2011

# Auditors' Report to the Board of Directors of United Spirits Limited

1. We have audited the attached Consolidated Balance Sheet of **United Spirits Limited** (the "Company") and its subsidiaries and associate companies; hereinafter referred to as the "Group" (refer Note 2 on Schedule 18 to the attached Consolidated Financial Statements) as at March 31, 2011, the related 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 financial statements based on our audit.

2. We conducted our audit in accordance with the 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. We did not audit the financial statements of (i) 75 subsidiaries included in the Consolidated Financial Statements, which constitute total assets of Rs. 28,642.970 Million and net assets of Rs. 18,971.854 Million as at March 31, 2011, total revenue of Rs. 11,990.787 Million, net profit of Rs. 2,053.518 Million and net cash outflows amounting to Rs. 449.585 Million for the year then ended; and (ii) two associate companies which constitute net loss of Rs. 13.779 Million for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion on the Consolidated Financial Statements to the extent they have been derived from such Financial Statements is based solely on the report of such other auditors.

4 We report that the Consolidated Financial Statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements and Accounting Standard (AS) 23 - Accounting for Investments in Associates in Consolidated Financial Statements notified under sub-section 3C of Section 211 of the Companies Act, 1956.

5. Based on our audit and on consideration of reports of other auditors on separate Financial Statements and on the other Financial information of the components of the Group as referred to above, and to the best of our information and according to the explanations given to us, in our opinion, 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 the Group as at March 31, 2011;

   b) In the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and

   c) In the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

**For Price Waterhouse**
Firm Registration Number: 007568S
Chartered Accountants

**Usha A. Narayanan**
**Partner**
Membership Number: 23997

New Delhi
August 3, 2011

UNITED SPIRITS

# Consolidated Financial Statement
# Balance Sheet as at March 31, 2011

| | Schedule | 2011 | 2010 |
|---|---|---|---|
| | | | Rs. Million |
| **SOURCES OF FUNDS** | | | |
| **Shareholders' Funds** | | | |
| Share Capital | 1 | **1,258.698** | 1,206.691 |
| Reserves and Surplus | 2 | **40,527.479** | 36,528.662 |
| **Minority Interest** | | **175.074** | 84.675 |
| **Loan Funds** | | | |
| Secured Loans | 3 | **52,843.689** | 48,700.113 |
| Unsecured Loans | 4 | **10,966.876** | 6,360.442 |
| **Term Liability towards Franchisee rights [Schedule 19 Note 3(a)]** | | **3,296.182** | 3,443.896 |
| | | **109,067.999** | 96,324.479 |
| **APPLICATION OF FUNDS** | | | |
| **a) Fixed Assets** | 5 | | |
| Gross Block | | **26,971.561** | 23,744.602 |
| Less: Depreciation | | **7,572.506** | 6,493.258 |
| Net Block | | **19,399.055** | 17,251.344 |
| Capital Work in Progress | | **1,290.905** | 942.714 |
| | | **20,689.960** | 18,194.058 |
| **b) Goodwill on Consolidation** | | **44,320.104** | 42,443.639 |
| **Investments** | 6 | **1,544.217** | 1,265.359 |
| **Deferred Tax Asset (Net) [Schedule 19 Note 16(b)]** | | **325.313** | 714.503 |
| **Foreign Currency Monetory Item Translation Difference** | | **-** | 1,412.917 |
| **Current Assets, Loans and Advances** | | | |
| Inventories | 7 | **21,168.196** | 17,462.479 |
| Sundry Debtors | 8 | **14,825.126** | 13,401.218 |
| Cash and Bank Balances | 9 | **6,369.964** | 7,686.307 |
| Other Current Assets | 10 | **3,207.020** | 3,219.160 |
| Loans and Advances | 11 | **16,272.073** | 7,720.609 |
| | | **61,842.379** | 49,489.773 |
| **Less: Current Liabilities and Provisions** | 12 | | |
| Liabilities | | **18,330.755** | 14,796.314 |
| Provisions | | **1,770.866** | 2,847.579 |
| | | **20,101.621** | 17,643.893 |
| **Net Current Assets** | | **41,740.758** | 31,845.880 |
| **Miscellaneous Expenditure (to the extent not written off)** | 13 | **447.647** | 448.123 |
| | | **109,067.999** | 96,324.479 |
| Statement on Significant Accounting Policies | 18 | | |
| Notes on Accounts | 19 | | |

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

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

**For Price Waterhouse**
Firm Registration Number: 007568S
Chartered Accountants

**USHA A. NARAYANAN**
Partner
Membership Number: 23997

New Delhi
August 3, 2011

**VIJAY MALLYA**
Chairman

**M.R.DORAISWAMY IYENGAR**
Director

New Delhi
August 3, 2011

**V.S.VENKATARAMAN**
Company Secretary

Bangalore
August 3, 2011

**ASHOK CAPOOR**
Managing Director

**P.A.MURALI**
Chief Financial Officer

# Consolidated Financial Statement
## Profit and Loss Account for the year ended March 31, 2011

| | Schedule | 2011 | Rs. Million 2010 |
|---|---|---|---|
| **INCOME** | | | |
| Sales (Gross) | | **136,912.220** | 105,189.937 |
| Less: Excise Duty | | **68,325.727** | 46,659.524 |
| | | **68,586.493** | 58,530.413 |
| Income arising from Sale by Manufacturers under 'Tie-up' agreements (tie-up units) | | **4,217.395** | 3,460.158 |
| Income from Brand Franchise | | **499.222** | 719.120 |
| Income from IPL Franchise | | **458.719** | 913.381 |
| Other Income | 14 | **1,435.715** | 848.721 |
| Exchange Gain (Net) | | **1,014.669** | - |
| | | **76,212.213** | 64,471.793 |
| **EXPENDITURE** | | | |
| Materials | 15 | **38,526.703** | 31,778.412 |
| Manufacturing and Other Expenses | 16 | **23,710.360** | 21,529.361 |
| Interest and Finance charges | 17 | **4,984.717** | 6,068.886 |
| Exchange Loss (Net) | | **-** | 3,145.303 |
| | | **67,221.780** | 62,521.962 |
| **Profit/ (Loss) before Exceptional and Other Non Recurring items, Depreciation and Taxation** | | **8,990.433** | 1,949.831 |
| Depreciation | | **1,023.272** | 950.207 |
| **Profit/ (Loss) before Exceptional and Other Non-Recurring Items and Taxation** | | **7,967.161** | 999.624 |
| Exceptional and other non recurring items (Net) [Schedule 19 Note 11] | | **368.399** | 699.953 |
| **Profit/ (Loss) before Taxation and before share in Profits /(Losses) of Associates** | | **8,335.560** | 1,699.577 |
| Provision for Taxation: | | | |
| Current Tax | | **1,927.827** | 1,781.494 |
| Deferred Tax Credit/ (Charge) | | **724.463** | 150.018 |
| **Profit/ (Loss) after Taxation and before share in Profits/(Losses) of Associates** | | **5,683.270** | (231.935) |
| Share in Profits/ (losses) of Associates (Net) | | **(13.779)** | (3.843) |
| **Profit/ (Loss) before Minority Interest** | | **5,669.491** | (235.778) |
| Minority Interest in Profit/(Loss) | | **(25.716)** | (8.703) |
| **Net Profit/ (Loss) for the year** | | **5,695.207** | (227.075) |
| Profit brought forward from previous year | | **2,061.867** | 3,188.739 |
| Profit transferred on Amalgamation [Schedule 19 Note 2(A)(II)(c)] | | **4.030** | - |
| | | **7,761.104** | 2,961.664 |
| **Appropriations:** | | | |
| Proposed Dividend - Equity Shares | | | |
| Interim | | **-** | 8.997 |
| Final | | **324.574** | 304.826 |
| Corporate Tax on Proposed Dividend | | **54.309** | 52.149 |
| Transfer to General Reserve | | **500.000** | 533.825 |
| **Profit carried to Balance Sheet** | | **6,882.221** | 2,061.867 |
| Basic/ Diluted Earnings Per Share (Rs.) (Face Value of Rs. 10 each) | | **45.25** | (2.05) |
| Statement on Significant Accounting Policies | 18 | | |
| Notes on Accounts | 19 | | |

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

**For Price Waterhouse**
Firm Registration Number: 007568S
Chartered Accountants

**USHA A. NARAYANAN**
Partner
Membership Number: 23997

New Delhi
August 3, 2011

**VIJAY MALLYA**
Chairman

**ASHOK CAPOOR**
Managing Director

**M.R.DORAISWAMY IYENGAR**
Director

**P.A.MURALI**
Chief Financial Officer

New Delhi
August 3, 2011

**V.S.VENKATARAMAN**
Company Secretary

Bangalore
August 3, 2011

UNITED SPIRITS

# Consolidated Financial Statement
## Cash Flow Statement for the Year Ended March 31, 2011

| | | | | Rs. Million |
|---|---|---|---|---|
| | | **2011** | | 2010 |
| **A. CASH FLOW FROM OPERATING ACTIVITIES** | | | | |
| Net profit/(loss) before prior period Exceptional and Other Non-recurring items and Taxation | | **7,967.161** | | 999.624 |
| Adjustments for : | | | | |
| Depreciation | **1,023.272** | | 950.207 | |
| Unrealised Foreign Exchange Loss / (Gain) | **(1,507.024)** | | 5,742.568 | |
| Bad Debts/ Advances written off | **53.467** | | 49.747 | |
| Loss/(Gain) on Fixed Assets Sold/ Written Off (Net) | **(191.509)** | | (24.754) | |
| Liabilities no longer required written back | **(95.718)** | | (163.662) | |
| Provision for Doubtful Debts/ Advances/ Deposits (Net) | **302.343** | | 230.228 | |
| Provision for diminution in value of Investments / (Written back) | **-** | | 26.634 | |
| Provision for Onerous Lease / (Written back) | **(531.612)** | | 230.876 | |
| Provision - Others | **(641.291)** | | 30.989 | |
| Interest and Finance Charges | **5,574.963** | | 6,187.315 | |
| Income from investments | **(19.197)** | | (10.824) | |
| Interest Income | **(590.246)** | **3,377.448** | (118.429) | 13,130.895 |
| **Operating profit before working capital changes** | | **11,344.609** | | 14,130.519 |
| (Increase)/decrease in Trade and other receivables | **(8,455.665)** | | (5,712.730) | |
| (Increase)/decrease in Inventories | **(3,448.737)** | | 41.926 | |
| Increase/(decrease) in Trade payables | **2,391.445** | **(9,512.957)** | 1,093.453 | (4,577.351) |
| **Cash generated from operations** | | **1,831.652** | | 9,553.168 |
| Direct taxes paid | | **(2,119.895)** | | (2,547.614) |
| Fringe Benefit taxes paid | | **2.075** | | (3.953) |
| **Cash flow before Exceptional and Other Non - Recurring items** | | **(286.168)** | | 7,001.601 |
| Exceptional and Other Non-Recurring Items | | **(871.798)** | | 8,912.525 |
| **Cash generated/ (used in) from operations** | | **(1,157.966)** | | 15,914.126 |
| **B. CASH FLOW FROM INVESTING ACTIVITIES** | | | | |
| Purchase of fixed assets | **(2,616.594)** | | (2,866.068) | |
| Payment towards Franchise rights | **(147.714)** | | (987.517) | |
| Sale of fixed assets | **308.848** | | 131.992 | |
| Finance Lease repayments | **(8.259)** | | (10.049) | |
| Purchase of long term investments | **(87.143)** | | (2.476) | |
| Purchase of current investments | **-** | | (0.632) | |
| Investment in Associate | **(48.977)** | | (3.843) | |
| Disposal of Investments in Subsidiary | **0.600** | | - | |
| Consideration paid on acquisitions of shares [Schedule 19(Note 7(b)] | **(1,039.852)** | | (97.370) | |
| Interest received | **519.658** | | 105.799 | |
| Dividend received | **13.722** | | 10.824 | |
| **Net cash used in investing activities** | | **(3,105.711)** | | (3,719.340) |

# Consolidated Financial Statements
# Cash Flow Statement for the Year Ended March 31, 2011 (Contd.)

Rs. Million

| | | 2011 | | 2010 |
|---|---|---|---|---|
| **C. CASH FLOW FROM FINANCING ACTIVITIES** | | | | |
| Proceeds from issue of shares to QIBs | **-** | | 16,155.999 | |
| Expenses incurred on arrangement of borrowings | **(76.136)** | | - | |
| Expenses incurred on issue of shares to QIPs | **-** | | (696.274) | |
| Proceeds/(Repayment) of long term loans | | | | |
| Proceeds | **8,138.624** | | 14,490.856 | |
| Repayment | **(5,278.523)** | | (35,365.248) | |
| Proceeds/(Repayment) of fixed deposits | **3,156.435** | | 1,555.884 | |
| Proceeds/(Repayment) of short term loans | **1,450.000** | | 1,113.006 | |
| Working Capital Loan / Cash Credit from Banks (net) | **1,218.846** | | (186.771) | |
| Interest and Finance charges Paid *[including on Finance lease Rs. 1.350 Million (2010: Rs. 2.444 Million)]* | **(5,475.143)** | | (5,801.333) | |
| Dividends paid | **(304.415)** | | (227.942) | |
| Corporate Tax on distributed profit | **(52.149)** | | (36.679) | |
| **Net cash used in financing activities** | | **2,777.539** | | (8,998.502) |
| **Net increase in cash and cash equivalents** | | **(1,486.138)** | | 3,196.284 |
| **Cash and cash equivalents as at March 31, 2010** | | **7,686.307** | | 4,490.023 |
| **Cash and Cash Equivalents of Transferor companies** | | **169.795** | | - |
| **Cash and cash equivalents as at March 31, 2011** | | **6,369.964** | | 7,686.307 |
| | | **(1,486.138)** | | 3,196.284 |

**Notes:**

1. The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at March 31, 2011 and the related Profit and Loss Account for the year ended on that date.
2. The above Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard - 3 on Cash Flow Statements as notified under Section 211(3C) of the Companies Act, 1956 and reallocation required for this purpose are as made by the Company.
3. Previous year's figures have been regrouped wherever necessary in order to conform to this year's presentation.

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

**For Price Waterhouse**
Firm Registration Number: 007568S
Chartered Accountants

**USHA A. NARAYANAN**
Partner
Membership Number: 23997

New Delhi
August 3, 2011

**VIJAY MALLYA**
Chairman

**M.R.DORAISWAMY IYENGAR**
Director

New Delhi
August 3, 2011

**V.S.VENKATARAMAN**
Company Secretary

Bangalore
August 3, 2011

**ASHOK CAPOOR**
Managing Director

**P.A.MURALI**
Chief Financial Officer

Rs. Million

| | 2011 | 2010 |
|---|---|---|
| **1. SHARE CAPITAL** | | |
| **Authorised** | | |
| 395,000,000 (2010: 245,000,000) Equity Shares of Rs. 10/- each | **3,950.000** | 2,450.000 |
| 159,200,000 (2010: 84,200,000) Preference Shares of Rs. 10/- each | **1,592.000** | 842.000 |
| | **5,542.000** | 3,292.000 |
| **Issued, Subscribed and Paid-up** | | |
| 130,794,968 (2010:125,594,329) Equity Shares of Rs. 10/- each fully paid up | **1,307.950** | 1,255.943 |
| Less: 4,925,231 (2010: 4,925,231) Equity Shares held by Subsidiaries | **49.252** | 49.252 |
| | **1,258.698** | 1,206.691 |

**Notes :**

Of the above,

1. 51,719,968 (2010: 51,719,968) Equity Shares were allotted as fully paid up on July 9, 2001 to the shareholders of the erst-while McDowell & Company Limited, pursuant to the schemes of Amalgamation for consideration other than cash.
2. 34,010,521 (2010: 34,010,521) Equity Shares were alloted as fully paid on November 6, 2006 to Equity Shareholders of erstwhile Herbertsons Limited, Triumph Distillers & Vintners Private Limited, Baramati Grape Industries Limited, United Distillers India Limited, and Shaw Wallace Distilleries Limited pursuant to a Scheme of Amalgamation for consideration other than cash.
3. 8,751,381 (2010: 8,751,381) Equity shares of Rs. 10/- each fully paid up represent 17,502,762 (2010: 17,502,762) Global Depository Shares issued by the Company on March 29, 2006.
4. 5,681,326 (2010: 5,681,326) Equity shares of Rs. 10/- each fully paid up were alloted consequent to conversion of 100,000, 2% Convertible Bonds in Foreign Currency during 2008.
5. 7,749,121 (2010: 7,749,121) Equity Shares were alloted as fully paid up on July 24, 2009 to the shareholders of the erstwhile Shaw Wallace & Company Limited, pursuant to the schemes of Amalgamation for consideration other than cash.
6. 17,681,952 (2010: 17,681,952) Equity shares of Rs. 10/- each fully paid up were alloted to eligible Qualified Institutional Buyer's through a Qualified Instituions Placement on October 23, 2009
7. 5,200,639 Equity Shares were alloted as fully paid up on January 14, 2011 to the shareholders of the erstwhile Balaji Distilleries Limited, pursuant to the scheme of Amalgamation for consideration other than cash.

Rs. Million

| | | 2011 | | 2010 |
|---|---|---|---|---|
| **2. RESERVES AND SURPLUS** | | | | |
| Central Subsidy | | | | |
| As per Last Balance Sheet | **7.500** | | 1.500 | |
| Add: Arising on acquisition | **-** | | 6.000 | |
| | | **7.500** | | 7.500 |
| Capital Redemption Reserve | | | | |
| As per last Balance Sheet | | **578.946** | | 578.946 |
| Capital Reserve on Consolidation | | **76.791** | | 76.791 |
| Securities Premium Account | | | | |
| As per last Balance Sheet | **25,176.823** | | 9,893.918 | |
| Add: On issue of equity shares alloted to QIBs | **-** | | 15,979.180 | |
| | **25,176.823** | | 25,873.098 | |
| Less: Expenses incurred on QIP issue | **-** | | 696.274 | |
| | | **25,176.823** | | 25,176.823 |
| Employee Housing Fund | | | | |
| As per last Balance Sheet | | **0.625** | | 0.625 |
| Foreign Currency Translation Reserve | | **(1,715.734)** | | (719.601) |
| Contingency Reserve | | | | |
| As per last Balance Sheet | | **110.000** | | 110.000 |
| General Reserve | | | | |
| As per last Balance Sheet | **9,235.711** | | 8,701.886 | |
| Add: Additions during the year | | | | |
| (a) Reserve arising on amalgamation [Schedule 19 Note 2A] | **(325.404)** | | - | |
| (b) Transfer from Profit and Loss Account | **500.000** | | 533.825 | |
| | | **9,410.307** | | 9,235.711 |
| Surplus in Profit and Loss Account | | **6,882.221** | | 2,061.867 |
| | | **40,527.479** | | 36,528.662 |

Rs. Million

| | 2011 | 2010 |
|---|---|---|
| **3. SECURED LOANS** | | |
| Term Loans | | |
| From Banks [Note (i)] | **43,651.479** | 40,833.858 |
| [Repayable within one year: Rs. 6,223.595 Million (2010: Rs. 3,465.857 Million)] | | |
| Working Capital Loan / Cash Credit from Banks [Note (ii)] | **9,183.794** | 7,849.580 |
| Finance Lease [Note (iii)] | **8.416** | 16.675 |
| | **52,843.689** | 48,700.113 |

**Notes:**

(i) Out of the above loans:

| | 2011 | 2010 |
|---|---|---|
| (a) Secured by charge on certain fixed assets of the Company including Land and Building. | **367.001** | 879.222 |
| (b) Secured by charge on certain fixed assets of the Company including Land and Buildings, and also pledge of certain investments held by other company. | **687.477** | 1,374.977 |
| (c) Foreign Currency External Commercial Borrowings secured by charge on specific fixed deposit with bank. | **-** | 1,571.500 |
| (d) Secured by hypothecation of maturing stock held in overseas branch and charge on certain fixed assets including Land and Building and pledge of certain investments held by the other companies. | **2,109.500** | 1,646.300 |
| (e) Secured by a charge on certain fixed assets of the Company including Land and Building, pledge of shares held by the USL Benefit Trust and hypothecation of certain Trademarks of the Company. | **12,515.056** | 12,844.556 |
| (f) Secured by a charge on certain fixed assets of the Company. | **664.500** | - |
| (g) Secured by a charge on fixed and floating securities over the group's assets including a pledge on Group's maturing stock and pledge over the share capital of subsidiary companies in United Kingdom. | **22,992.610** | 21,888.532 |
| (h) Secured by charge on property. | **235.915** | 249.385 |
| (i) Secured by fixed assets and inventory. | **288.420** | 379.386 |
| (j) Secured by guarantee of the holding company. | **3,791.000** | - |

(ii) Secured by charge on certain fixed assets of the Company including land and building and hypothecation of inventories (except those held outside India), book debts and other current assets.

(iii) Secured against assets acquired under lease agreements.

| | 2011 | 2010 |
|---|---|---|
| **4. UNSECURED LOANS** | | |
| Fixed Deposits | **5,358.220** | 2,201.785 |
| [Repayable within one year Rs. 2,338.839 Million (2010: Rs. 709.807 Million)] | | |
| Long term loan from a bank | **750.000** | 750.000 |
| Short term loan from banks | **4,720.000** | 3,270.001 |
| [Repayable within one year Rs. 4,099.722 Million (2010: Rs. 3,270.001 Million)] | | |
| From Others | **63.064** | 63.064 |
| Inter Corporate Deposit [Schedule 19 Note 9] | **75.592** | 75.592 |
| [Including interest accrued and due Rs. 40.592 Million (2010: Rs. 40.592 Million)] | | |
| | **10,966.876** | 6,360.442 |

# Schedules forming part of Balance Sheet as at March 31, 2011 (Contd.)

## 5. FIXED ASSETS

Rs. Million

| | GROSS BLOCK | | | | | | DEPRECIATION | | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | Translation Adjustments | On Amalgamation (Note 4) | Additions | Deletion/ Adjust-ments | 2011 | 2010 | Translation Adjustments | On Amalgamation (Note 4) | For the year | Deletion/ Adjust-ments | 2011 | 2011 | 2010 |
| **Tangible** | | | | | | | | | | | | | | |
| Land (Note 1 below) | | | | | | | | | | | | | | |
| Freehold | 2,643.568 | 80.546 | 474.600 | 0.065 | - | **3,198.779** | - | - | - | - | - | **-** | **3,198.779** | 2,643.568 |
| Leasehold | 185.608 | (73.345) | - | - | - | **112.263** | - | - | - | - | - | **-** | **112.263** | 185.608 |
| Buildings (Notes 2 and 3 below) | 4,954.725 | 148.333 | 80.038 | 716.712 | 36.338 | **5,863.470** | 1,093.115 | (74.139) | 5.667 | 247.623 | 17.369 | **1,254.898** | **4,608.573** | 3,861.610 |
| Plant and Machinery | 9,177.728 | 220.056 | 248.750 | 1,387.703 | 231.704 | **10,802.533** | 4,375.841 | 246.640 | 42.012 | 515.606 | 144.053 | **5,036.045** | **5,766.488** | 4,801.887 |
| Furniture and Fixtures and Office Equipments : | | | | | | | | | | | | | | |
| Finance Lease | 21.398 | (0.618) | - | - | 13.756 | **7.024** | 14.274 | (1.133) | - | 4.004 | 13.756 | **3.389** | **3.635** | 7.124 |
| Others | 1,123.292 | (190.909) | 6.630 | 139.375 | 6.989 | **1,071.399** | 516.415 | (46.621) | 1.615 | 112.751 | 5.021 | **579.139** | **492.260** | 606.877 |
| Vehicles : | | | | | | | | | | | | | | |
| Finance Lease | 16.617 | - | - | - | 0.839 | **15.778** | 9.168 | - | - | 3.578 | 0.839 | **11.907** | **3.871** | 7.449 |
| Others | 165.045 | 31.020 | 30.887 | 25.342 | 18.607 | **233.687** | 157.447 | (8.114) | 8.471 | 18.947 | 14.987 | **161.764** | **71.923** | 7.598 |
| Aircraft | 186.290 | - | - | - | - | **186.290** | 48.035 | - | - | 12.851 | - | **60.886** | **125.404** | 138.255 |
| **Intangible** | | | | | | | | | | | | | | |
| Trademark, Formulae and License | 337.343 | 220.707 | - | 0.206 | 10.906 | **547.350** | 81.643 | 83.378 | - | 9.252 | 5.775 | **168.498** | **378.852** | 255.700 |
| Franchisee Rights | 4,932.988 | - | - | - | - | **4,932.988** | 197.320 | - | - | 98.660 | - | **295.980** | **4,637.008** | 4,735.668 |
| | 23,744.602 | 435.790 | 840.905 | 2,269.403 | 319.139 | **26,971.561** | 6,493.258 | 200.011 | 57.765 | 1,023.272 | 201.800 | **7,572.506** | **19,399.055** | 17,251.344 |
| 2010 | 22,919.456 | (743.972) | 182.535 | 2,212.274 | 825.691 | **23,744.602** | 6,649.966 | (416.281) | 27.818 | 950.202 | 718.453 | **6,493.258** | | |
| Capital Work-in-Progress (including Advances) | | | | | | | | | | | | | **1,290.905** | 942.714 |
| | | | | | | | | | | | | | **20,689.960** | 18,194.058 |

**Notes:**

1. The Company is in the process of registering certain freehold and leasehold land in its own name.
2. Cost of buildings includes the following payments made for the purpose of acquiring the right of occupation of Mumbai godown space:
   i) 660 equity shares (unquoted) of Rs. 100 each fully paid in Shree Madhu Industrial Estate Limited Rs. 0.066 Million (2010: Rs. 0.066 Million). Application has been made for duplicate share certificates and the same is in the process.
   ii) 199, 6% Debentures (unquoted) of Rs. 1,000 each fully paid in Shree Madhu Industrial Estate Limited Rs. 0.199 Million (2010: Rs. 0.199 Million). Application has been made for duplicate debenture certificate and the same is in the process.
   iii) Deposit with Shree Madhu Industrial Estate Limited Rs. 0.132 Milllion (2010 : Rs. 0.132 Million).
3. Include value of fully paid shares Rs. 0.006 Million (2010: Rs. 0.006 Million) held in Co-operative Housing Societies.
4. Includes additions/deletions (Gross Block) and depreciation of the transferor company for the year ended March 31, 2010 [Schedule 19 Note 2(A)].

## Schedules forming part of Balance Sheet as at March 31, 2011 (Contd.)

| | | 2011 | | Rs. Million 2010 |
|---|---|---|---|---|
| **6. INVESTMENTS** | | | | |
| **CURRENT** | | | | |
| **Unquoted Investments** | | | | |
| **Units (Fully Paid)** | | | | |
| Mutual funds Investments | | **23.365** | | 22.198 |
| Other | | **150.000** | | - |
| **Total Current Investments** | | **173.365** | | 22.198 |
| **LONG TERM** | | | | |
| **Quoted Investments** | | | | |
| **A. Trade** | | | | |
| **Fully Paid Equity Shares** | | **87.268** | | 0.532 |
| **B. Non-Trade** | | | | |
| **Fully Paid Equity Shares** | | **4.147** | | 4.147 |
| | | **91.415** | | 4.679 |
| Units (Fully Paid) (Note 1) | | **8.374** | | 4.066 |
| **Total Quoted Investments (A+B)** | | **99.789** | | 8.745 |
| **Unquoted Investments** | | | | |
| **C. Trade** | | | | |
| **Fully paid Equity Shares** | | **14.187** | | 13.584 |
| Associates** | **61.540** | | 12.567 | |
| Add: Accumulated Profits/ (Losses) of Associates (net of dividend received) | **(26.346)** | | (12.567) | |
| | | **35.194** | | - |
| *** Including Goodwill on acquisition of Associates Rs. 3.518 Million (2010: Rs. 3.518 Million) and Capital Reserve of Rs. 81.001 Million (2010: Nil)* | | | | |
| | | **49.381** | | 13.584 |
| **D. Non-Trade** | | | | |
| In Government Securities | | **0.200** | | 0.200 |
| In Fully Paid Debentures | | **0.048** | | 0.048 |
| Fully Paid Equity Shares | | **10.838** | | 9.988 |
| | | **11.086** | | 10.236 |
| **E. Others (Note 2)** | | **1,238.109** | | 1,238.109 |
| **Total Unquoted Investments (C+D+E)** | | **1,298.576** | | 1,261.929 |
| **Total Long Term Investments (A+B+C+D+E)** | | **1,398.365** | | 1,270.674 |
| **Total Current and Long Term Investments** | | **1,571.730** | | 1,292.872 |
| Less: Provision for diminution in the value of Investments | | **27.513** | | 27.513 |
| **Total** | | **1,544.217** | | 1,265.359 |
| Aggregate Value of Quoted Investments | | | | |
| - Book Value | | **99.789** | | 8.745 |
| - Market Value | | **143.778** | | 94.141 |
| Aggregate book value of Unquoted Investments | | **1,444.428** | | 1,256.614 |
| Additions during the year | | **129.458** | | 6.951 |
| Taken over on amalgamation | | **150.000** | | - |
| Sold during the year | | **0.600** | | 8,212.572 |

**Notes:**

1. Investments in units of Unit Trust of India represent those made under Rule 3A of the Companies (Acceptance of Deposit) Rules, 1975.
2. Rs. 41.140 Million (2010: Rs. 41.140 Million) pertaining to 72,416,505 (2010: 72,416,505) Equity Shares of SWBL whose beneficial ownership vested with SWFSL are kept with escrow agent in view of court order. Pursuant to a scheme of amalgamation, such beneficial interest are held in trust by the trustee of SWFSL benefit trust for the benefit trust for the benefit of SWBL.

Rs. Million

| | 2011 | 2010 |
|---|---|---|
| **7. INVENTORIES** | | |
| Raw Materials including materials in transit | **1,285.100** | 1,279.345 |
| Packing Materials, Stores and Spares | **1,539.573** | 1,040.209 |
| Finished goods including goods in transit | **4,111.096** | 3,377.668 |
| Work-in-Progress | **14,232.427** | 11,765.257 |
| | **21,168.196** | 17,462.479 |
| **8. SUNDRY DEBTORS** | | |
| (Unsecured) | | |
| Exceeding six months: | | |
| Considered Good | **208.017** | 143.397 |
| Considered Doubtful | **157.127** | 126.941 |
| | **365.144** | 270.338 |
| Others: Considered Good | **14,617.109** | 13,257.821 |
| | **14,982.253** | 13,528.159 |
| Less: Provision for Doubtful debts | **157.127** | 126.941 |
| | **14,825.126** | 13,401.218 |
| **9. CASH AND BANK BALANCES** | | |
| Cash on Hand | **4.928** | 5.472 |
| Remittance in Transit/ Cheques on Hand | **4.744** | 20.805 |
| Balances with Scheduled Banks: | | |
| On Current Accounts [Notes (i) and (ii)] | **4,914.373** | 3,145.214 |
| On Unpaid Dividend Account | **19.502** | 17.330 |
| On Deposit Accounts [Note (iii) to (vi)] | **1,426.417** | 4,497.486 |
| | **6,369.964** | 7,686.307 |

**Notes:**

(i) includes Rs. 28.199 Million (2010: Rs. 28.389 Million) in Exchange Earners Foreign Currency (EEFC) Account and Rs. 7.862 Million (2010: Rs. 13.575 Million) in Foreign Currency

(ii) includes Nil (2010: Rs. 1,571.500 Million) pledged against a foreign currency loan.

(iii) (a) includes Rs. 0.464 Million (2010: Rs. 0.464 Million) pledged with Government Departments.

(b) includes Rs. 1.300 Million (2010: Rs. 1.450 Million) as margin.

(iv) includes Nil (2010: Rs. 133.926 Million) pledged as Security against loan from a bank.

(v) includes Rs. 162.070 Million (2010: Nil) held in a Escrow account towards acquisition of Pioneer Distilleries Limited.

(vi) Refer Schedule 19 Note 7 (c).

| | 2011 | 2010 |
|---|---|---|
| **10. OTHER CURRENT ASSETS** | | |
| (Unsecured Considered Good except otherwise stated) | | |
| Income accrued on Investments, Deposits, Loans and Advances | **129.549** | 58.961 |
| Other Deposits - Considered Good | **3,072.715** | 3,155.326 |
| - Considered Doubtful | **13.697** | 13.197 |
| Fixed assets held for sale | **4.756** | 4.873 |
| | **3,220.717** | 3,232.357 |
| Less: Provision for Doubtful Deposits | **13.697** | 13.197 |
| | **3,207.020** | 3,219.160 |

Rs. Million

| | 2011 | 2010 |
|---|---|---|
| **11. LOANS AND ADVANCES** | | |
| (Unsecured, considered good except where otherwise stated) | | |
| Advances recoverable in cash or in kind or for value to be received: | | |
| Loans and Advances to Tie-up units - Considered Good | **2,523.636** | 2,312.291 |
| - Considered Doubtful | **21.519** | 21.519 |
| Advances Income Tax (Net of Provisions) | **1,454.698** | 1,257.363 |
| Taxes and Duties Paid | **1,038.835** | 831.285 |
| Other Advances - Considered Good | **11,254.904** | 3,319.670 |
| - Considered Doubtful | **1,021.998** | 747.477 |
| | **17,315.590** | 8,489.61 |
| Less: Provision for Doubtful Advances | **1,043.517** | 768.996 |
| | **16,272.073** | 7,720.609 |
| **12. CURRENT LIABILITIES AND PROVISIONS** | | |
| **A. Liabilities** | | |
| Acceptances* | **1,378.616** | 1,115.281 |
| Sundry Creditors | **13,304.384** | 10,280.020 |
| Dues to Directors | **62.652** | 51.620 |
| Investors Education and Protection Fund [Schedule 19 Note 8] | | |
| Unclaimed Debentures | **0.001** | 0.001 |
| Unclaimed Dividends | **19.409** | 18.998 |
| Unclaimed Fixed Deposits | **53.819** | 13.678 |
| Security Deposit | **128.043** | 121.624 |
| Advances Received from Customers | **323.561** | 362.981 |
| Interest accrued but not due | **1,683.734** | 1,965.905 |
| Other Liabilities | **1,376.536** | 866.206 |
| | **18,330.755** | 14,796.314 |

* Bills drawn against inland letters of credit of Rs. 1,055.713 Million (2010: Rs.1,115.281 Million) and secured by a charge on debtors, inventories and other current assets.

| | 2011 | 2010 |
|---|---|---|
| **B. Provisions** | | |
| Proposed Dividend | | |
| Equity Shares - Final | **324.574** | 304.826 |
| Corporate Tax on Proposed Dividend | **54.309** | 52.149 |
| Fringe Benefit Tax (Net of Payments) | **1.507** | 4.514 |
| Provision - Others | **43.008** | 28.297 |
| Onerous Lease Provision [Schedule 19 Note 17] | **521.530** | 1,002.175 |
| Employee Benefits | **825.938** | 1,455.618 |
| | **1,770.866** | 2,847.579 |
| **13. MISCELLANEOUS EXPENDITURE** | | |
| Expenditure Incurred for Raising Borrowed Funds | | |
| As per the last Balance Sheet | **448.123** | 733.307 |
| Add : Additions during the year | **76.136** | - |
| | **524.259** | 733.307 |
| Less : Amortisation during the year | **99.820** | 267.286 |
| | **424.439** | 466.021 |
| Less: Translation Adjustments | **(23.208)** | 17.898 |
| | **447.647** | 448.123 |

| | 2011 | 2010 |
|---|---|---|
| | | Rs. Million |
| **14. OTHER INCOME** | | |
| Income from Investments: | | |
| Dividend income from other investments (Gross) | **19.197** | 10.824 |
| Lease Rent | **151.117** | 270.528 |
| Profit on Sale of Fixed Assets (Net) | **191.756** | 24.927 |
| Profit on Sale of Investments | **0.202** | - |
| Liabilities no longer required written back | **95.718** | 163.662 |
| Bad debts/ Advances recovered | **0.093** | 0.161 |
| Scrap Sales | **242.920** | 222.617 |
| Insurance Claims | **5.303** | 2.850 |
| Provision for Onerous Lease written back | **531.612** | - |
| Miscellaneous | **197.797** | 153.152 |
| | **1,435.715** | 848.721 |
| **15. MATERIALS** | | |
| Raw Materials Consumed | **18,341.604** | 14,183.696 |
| Purchase of Finished Goods | **7,784.988** | 5,494.544 |
| Packing Materials Consumed | **15,433.721** | 11,840.227 |
| Movement in Stocks | | |
| Opening Stock: | | |
| Work-in-Progress | **11,765.257** | 11,861.333 |
| Finished Goods | **3,377.668** | 3,320.363 |
| | **15,142.925** | 15,181.696 |
| Add :Stocks of the Transferor Companies as on April 1, 2010 [Schedule 19 Note (2A)] | | |
| Work-in-Progress | **29.356** | - |
| Finished Goods | **80.001** | - |
| | **109.357** | - |
| Closing Stock: | | |
| Work-in-Progress | **14,232.427** | 11,765.257 |
| Finished Goods | **4,111.096** | 3,377.668 |
| | **18,343.523** | 15,142.925 |
| (Increase)/ Decrease in Stocks | **(3,091.241)** | 38.771 |
| Excise Duty on Opening/Closing Stock of Finished Goods (Net) | **57.631** | 221.174 |
| | **38,526.703** | 31,778.412 |

## Schedules forming part of Profit and Loss Account for the year ended March 31, 2011 (Contd.)

| | 2011 | Rs. Million 2010 |
|---|---|---|
| **16. MANUFACTURING AND OTHER EXPENSES** | | |
| Employee Cost: | | |
| Salaries, Wages and Bonus | **4,506.322** | 4,162.998 |
| Contribution to Provident and Other Funds | **809.360** | 435.929 |
| Workmen and Staff Welfare | **186.233** | 134.298 |
| Actuarial Loss/ (Gain) on Pension | **(877.502)** | 576.529 |
| | **4,624.413** | 5,309.754 |
| Direct Expenses on IPL Franchise | **436.191** | 718.393 |
| Power and Fuel | **590.568** | 582.724 |
| Stores and Spares Consumed | **195.124** | 115.032 |
| Repairs and Maintenance: | | |
| Buildings | **249.536** | 66.001 |
| Plant and Machinery | **218.448** | 221.142 |
| Others | **145.075** | 176.463 |
| Rent | **803.998** | 461.231 |
| Rates and Taxes | **572.768** | 539.397 |
| Insurance | **128.874** | 137.854 |
| Travelling and Conveyance | **565.432** | 613.410 |
| Legal and Professional | **797.815** | 810.488 |
| Freight Outwards | **1,845.543** | 1,280.669 |
| Advertisement and Sales Promotion | **8,697.015** | 6,803.122 |
| Commission on Sales | **445.976** | 452.006 |
| Royalty/ Brand Fee/ Trade Mark Licence Fees | **-** | 58.269 |
| Cash Discount | **711.383** | 557.477 |
| Sales Tax | **245.566** | 246.812 |
| Fixed Assets Written Off | **0.247** | 0.173 |
| Directors' Remuneration: | | |
| Sitting Fee | **2.248** | 2.386 |
| Commission | **62.210** | 51.178 |
| Bad Debts and Advances Written Off | **53.467** | 49.747 |
| Provision for Doubtful Debts/ Advances / Deposits (Net) | **302.343** | 230.228 |
| Provision for Onerous Lease | **-** | 230.876 |
| Provision for Diminution in Value of Investments | **-** | 26.634 |
| Research and Development | **54.298** | 36.308 |
| Others: | | |
| Personnel and Administration | **481.113** | 402.942 |
| Selling and Distribution | **1,040.107** | 985.797 |
| Miscellaneous | **440.602** | 362.848 |
| | **23,710.360** | 21,529.361 |
| **17. INTEREST AND FINANCE CHARGES** | | |
| Interest on: | | |
| Fixed Loans | **3,492.833** | 3,739.372 |
| Others Loans | **1,763.912** | 1,469.209 |
| Amortisation of Expenditure Incurred for Raising Borrowed Funds | **99.820** | 267.286 |
| Finance Charges (including Bill discounting charges) | **218.398** | 711.448 |
| | **5,574.963** | 6,187.315 |
| Less: Interest Income: | | |
| On Investments | **7.957** | 6.308 |
| On Deposits and Other Accounts (Gross) | **574.848** | 111.915 |
| [Tax Deducted at Source Rs. 40.714 Million (2010: Rs. 5.150 Million) | | |
| On Income Tax Refunds | **7.441** | 0.206 |
| | **4,984.717** | 6,068.886 |

## 18. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

### 1. Basis of Preparation of Consolidated Financial Statements

The Consolidated Financial Statements relate to United Spirits Limited (the Company) and its subsidiaries and associates (the Group). The Consolidated Financial Statements are prepared in accordance with Accounting Standard (AS) 21 on Consolidated Financial Statements and AS 23 on Accounting for Investments in Associates in Consolidated Financial Statement as specified in the Companies (Accounting Standard) Rules, 2006, and the relevant provisions of the Companies Act, 1956 of India. The Consolidated Financial Statements are prepared by adopting uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate Financial Statements. Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

On occasion, a subsidiary company whose Financial Statements are Consolidated may issue its shares to third parties as either a public offering or private placement at per share amounts in excess of or less than the Company's average per share carrying value. With respect to such transactions, the resulting gains or losses arising from the dilution of interest are recorded as Capital Reserve/Goodwill. Gains or losses arising on the direct sale by the Company of its profit and loss account. Such gains or losses are the difference between the sale proceeds and the net carrying value of the investments.

### 2. Subsidiary and Associate Companies considered in the Consolidated Financial Statements:

**(A) Subsidiary Companies:**

| Sl No. | Name of the Company | Country of Incorporation | Proportion of owner-ship interest (%) | | Proportion of voting power held directly or indirectly, if different from proportion of ownership interest(%) | |
|---|---|---|---|---|---|---|
| | | | **2011** | 2010 | **2011** | 2010 |
| 1 | Asian Opportunities & Investments Limited (AOIL) | Mauritius | **100** | 100 | **-** | - |
| 2 | United Spirits Nepal Private Limited | Nepal | **82.47** | 82.47 | **-** | - |
| 3 | Ramanretti Investments & Trading Ltd. (RITL) | India | **100** | 100 | **-** | - |
| 4 | Shaw Wallace Breweries Limited (SWBL) | India | **100** | 100 | **-** | - |
| 5 | Palmer Investment Group Ltd.(PIG) | British Virgin Islands | **100** | 100 | **-** | - |
| 6 | RG Shaw & Company Ltd. (RGSC) | U.K. | **100** | 100 | **-** | - |
| 7 | Shaw Scott & Company Ltd. (SSC) | U.K. | **100** | 100 | **-** | - |
| 8 | Shaw Darby & Company Ltd. (SDC) | U.K. | **100** | 100 | **-** | - |
| 9 | Tern Distilleries Private Limited (Tern) | India | **100** | 100 | **-** | - |
| 10 | Thames Rice Milling Company Limited (TRMC) | U.K. | **100** | 100 | **-** | - |
| 11 | Shaw Wallace Overseas Limited (SWOL) | U.K. | **100** | 100 | **-** | - |
| 12 | JIHL Nominees Limited(JIHL) | Jersey Islands | **100** | 100 | **-** | - |
| 13 | Montrose International S.A (MI) | Panama | **100** | 100 | **-** | - |
| 14 | USL Holdings Limited (UHL) | British Virgin Islands | **100** | 100 | **-** | - |
| 15 | Spring Valley Investments Holding Inc. (SVIH)(i) | British Virgin Islands | **-** | 100 | **-** | - |

**(A) Subsidiary Companies: (Contd.)**

| Sl No. | Name of the Company | Country of Incorporation | Proportion of owner-ship interest (%) | | Proportion of voting power held directly or indirectly, if different from proportion of ownership interest(%) | |
|---|---|---|---|---|---|---|
| | | | **2011** | 2010 | **2011** | 2010 |
| 16 | USL Holdings (UK) Limited (UHUKL) | U.K | **100** | 100 | **-** | - |
| 17 | United Spirits (UK) Limited (USUKL) | U.K | **100** | 100 | **-** | - |
| 18 | United Spirits (Great Britain) Limited (USGBL) | U.K | **100** | 100 | **-** | - |
| 19 | Four Seasons Wines Limited (FSWL) | India | **51** | 51 | **-** | - |
| 20 | United Vintners Limited (UVL) | India | **100** | 100 | **-** | - |
| 21 | United Alcobev Limited (UAL) | India | **100** | 100 | **-** | - |
| 22 | McDowell Beverages Limited (MBL) | India | **100** | 100 | **-** | - |
| 23 | McDowell (Scotland) Limited (MSL) | Scotland | **100** | 100 | **-** | - |
| 24 | Bouvet Ladubay S.A.S (BL) | France | **100** | 100 | **-** | - |
| 25 | Chapin Landias S.A.S (CL) | France | **100** | 100 | **-** | - |
| 26 | Herbertsons Limited (HL)(i) | India | **-** | 100 | **-** | - |
| 27 | Daffodils Flavours & Fragrances Private Limited (DFFPL) | India | **100** | 100 | **-** | - |
| 28 | Jasmine Flavours and Fragrances Private Limited | India | **100** | 100 | **-** | - |
| 29 | Royal Challengers Sports Private Limited | India | **100** | 100 | **-** | - |
| 30 | McDowell and Company Limited | India | **100** | 100 | **-** | - |
| 31 | Liquidity Inc. | USA | **51** | 51 | **-** | - |
| 32 | USL Shanghai Trading Company Limited (USLS) | China | **100** | 100 | **-** | - |
| | **Whyte and Mackay Group** | | | | | |
| 33 | Whyte and Mackay Group Limited | U.K | **100** | 100 | **-** | - |
| 34 | Bruce & Company (Leith) Limited | U.K | **100** | 100 | **-** | - |
| 35 | Charles Mackinlay & Company Limited | U.K | **100** | 100 | **-** | - |
| 36 | Dalmore Distillers Limited | U.K | **100** | 100 | **-** | - |
| 37 | Dalmore Whyte & Mackay Limited | U.K | **100** | 100 | **-** | - |
| 38 | Edinburgh Scotch Whisky Company Limited | U.K | **100** | 100 | **-** | - |
| 39 | Ewen & Company Limited | U.K | **100** | 100 | **-** | - |
| 40 | Fettercairn Distillery Limited | U.K | **100** | 100 | **-** | - |
| 41 | Findlater Scotch Whisky Limited | U.K | **100** | 100 | **-** | - |
| 42 | Glayva Liqueur Limited | U.K | **100** | 100 | **-** | - |
| 43 | Glentalla Limited | U.K | **100** | 100 | **-** | - |
| 44 | GPS Realisations Limited | U.K | **100** | 100 | **-** | - |
| 45 | Grey Rogers & Company Limited | U.K | **100** | 100 | **-** | - |
| 46 | Hay & MacLeod Limited | U.K | **100** | 100 | **-** | - |
| 47 | Invergordon Distillers (Holdings) Limited | U.K | **100** | 100 | **-** | - |
| 48 | Invergordon Distillers Group Limited | U.K | **100** | 100 | **-** | - |
| 49 | Invergordon Distillers Limited | U.K | **100** | 100 | **-** | - |
| 50 | Invergordon Gin Limited | U.K | **100** | 100 | **-** | - |
| 51 | Isle of Jura Distillery Company Limited | U.K | **100** | 100 | **-** | - |
| 52 | Jarvis Halliday & Company Limited | U.K | **100** | 100 | **-** | - |

**(A) Subsidiary Companies: (Contd.)**

| Sl No. | Name of the Company | Country of Incorporation | Proportion of owner-ship interest (%) | | Proportion of voting power held directly or indirectly, if different from proportion of ownership interest(%) | |
|---|---|---|---|---|---|---|
| | | | **2011** | 2010 | **2011** | 2010 |
| 53 | John E McPherson & Sons Limited | U.K | **100** | 100 | **-** | - |
| 54 | Kensington Distillers Limited | U.K | **100** | 100 | **-** | - |
| 55 | Kyndal Spirits Limited | U.K | **100** | 100 | **-** | - |
| 56 | Leith Distillers Limited | U.K | **100** | 100 | **-** | - |
| 57 | Loch Glass Distilling Company Limited | U.K | **100** | 100 | **-** | - |
| 58 | Longman Distillers Limited | U.K | **100** | 100 | **-** | - |
| 59 | Lycidas (437) Limited | U.K | **100** | 100 | **-** | - |
| 60 | Pentland Bonding Company Limited | U.K | **100** | 100 | **-** | - |
| 61 | Ronald Morrison & Company Limited | U.K | **100** | 100 | **-** | - |
| 62 | St Vincent Street (437) Limited | U.K | **100** | 100 | **-** | - |
| 63 | Tamnavulin-Glenlivet Distillery Company Limited | U.K | **100** | 100 | **-** | - |
| 64 | TDL Realisations Limited | U.K | **100** | 100 | **-** | - |
| 65 | The Sheep Dip Whisky Company Limited | U.K | **100** | 100 | **-** | - |
| 66 | W & S Strong Limited | U.K | **100** | 100 | **-** | - |
| 67 | Watson & Middleton Limited | U.K | **100** | 100 | **-** | - |
| 68 | Whyte & Mackay Distillers Limited | U.K | **100** | 100 | **-** | - |
| 69 | William Muir Limited | U.K | **100** | 100 | **-** | - |
| 70 | WMB Realisations Limited | U.K | **100** | 100 | **-** | - |
| 71 | Whyte and Mackay Property Limited | U.K | **100** | 100 | **-** | - |
| 72 | Whyte and Mackay de Venezuela CA | Venezuela | **100** | 100 | **-** | - |
| 73 | KI Trustees Limited | U.K | **100** | 100 | **-** | - |
| 74 | Wauchope Moodle & Company Limited | U.K | **100** | 100 | **-** | - |
| 75 | Whyte and Mackay Limited | U.K | **100** | 100 | **-** | - |
| 76 | Whyte and Mackay Warehousing Limited | U.K | **100** | 100 | **-** | - |
| 77 | Whyte and Mackay Holdings Limited | U.K | **100** | 100 | **-** | - |

**(B) Associate Companies** (Note 4 below)

| Sl No. | Name of the Company | Country of Incorporation | Proportion of owner-ship interest (%) | |
|---|---|---|---|---|
| | | | **2011** | 2010 |
| 1 | Wine Soc of India Private Limited | India | **25.48** | 20.47 |
| 2 | Sovereign Distilleries Limited | India | **41.54** | Nil |

**Note:**

(i) During, the year, ceased to be wholly owned subsidiary of the Company.

**3. Principles of Consolidation**

These Consolidated Financial Statements have been prepared by consolidation of the Financial Statements of the Company and its subsidiaries on a line-by-line basis after fully eliminating the inter-Company transactions.

**4. Accounting for Investment in Associates**

a) Accounting for Investments in Associate Companies has been carried out under the Equity Method of accounting prescribed under AS 23 wherein Goodwill/Capital Reserve arising at the time of acquisition and the Group's share of profits or losses after the date of acquisition have been adjusted in the investment value.

b) U B Distilleries Limited (UBDL)

UBDL, which was an associate company of erstwhile HL in view of significant influence, ceased its operations in 2003-04, consequent to the order of the Hon'ble Supreme Court of India vesting the distillery unit with the state of Bihar. Since the Company does not have any investment /significant influence in UBDL, the same has not been accounted for as an associate in these Consolidated Financial Statements under the Equity Method.

**5. Basis of presentation of Financial Statements**

The Consolidated Financial Statements of the Group have been prepared under historical cost convention, except as otherwise stated, in accordance with the Generally Accepted Accounting Principles (GAAP) in India, the Accounting Standards as specified in the Companies (Accounting Standard) Rules, 2006, and the relevant provisions of the Companies Act,1956 of India.

**6. Fixed Assets**

(a) Fixed assets are stated at their original cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation of the assets concerned, except amounts adjusted on revaluation and amalgamation. Interest on borrowings attributable to qualifying assets are capitalised and included in the cost of fixed assets as appropriate.

(b) The costs of Fixed Assets acquired in amalgamations are determined at their fair values, on the date of acquisition or nearer thereto, or as approved under the schemes of amalgamation.

(c) Assets held for disposal are stated at their net book value or estimated net realisable values, whichever is lower.

(d) Goodwill on consolidation represents the difference between the Company's share in the net worth of a subsidiary and cost of acquisition at each point of time of making the investment in the subsidiary. Negative goodwill is shown separately as Capital Reserve on consolidation.

(e) Intangible assets are stated at the consideration paid for acquisition less accumulated amortisation.

**7. Leases**

Assets acquired under Leases, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Such leases are capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

Assets acquired on leases, where a significant portion of the risk and rewards of ownership are retained by the lessor, are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on accrual basis.

Income from operating leases is credited to profit and loss account on a straight line basis over the lease term.

**8. Depreciation and Amortisation**

a) Depreciation is provided on the Straight Line Method, including on assets revalued, at rates prescribed in Schedule XIV to the Companies Act, 1956 (Schedule XIV) of India except for the following, which are based on Management's estimate of useful life of the assets concerned:

i) Computers, Vehicles and Aircrafts over a period of three, five and eleven years respectively;

ii) In respect of certain items of Plant and Machinery for which separate rates are prescribed in Schedule XIV based on the number of shifts, depreciation is provided for the full year on triple shift basis;

iii) In respect of fixed assets of Whyte and Mackay Group, depreciation is provided based on Management estimate of useful lives of the assets concerned as below:

| | |
|---|---|
| Buildings | 50 years |
| Plant and Machinery | 10 to 20 years |
| Vehicles | 4 years |
| Computers | 3 years |

Also refer Note 5 (b) on Schedule 19

b) Fixed assets acquired on amalgamation, over the remaining useful life computed based on rates prescribed in Schedule XIV, as below:

| | |
|---|---|
| Buildings – Factory | 1 to 30 years |
| -Non Factory | 1 to 54 years |
| Plant & Machinery | 1 to 20 years |
| Vehicles | 1 to 4 years |
| Computers | 1 to 2 years |

c) Assets taken on finance lease are depreciated over their estimated useful life or the lease term, whichever is lower.

d) Leasehold Land are not amortised.

e) Goodwill arising on amalgamation is charged to the Profit and Loss Account in the year of amalgamation.

f) Goodwill arising on Consolidation is not amortised.

g) Leasehold improvements are amortised over the period of lease.

h) Intangible assets are amortised, on a straight line basis, commencing from the date the asset is available for its use, over their respective individual estimated useful lives as estimated by the Management:

| | |
|---|---|
| Trademark , formulae and License | 10 Years |
| Franchise Rights in Perpetuity | 50 Years (Refer Schedule 19 Note 3) |

**9. Impairment**

Impairment loss, if any, is provided to the extent the carrying amounts of assets exceed their recoverable amounts.

Recoverable amount is higher of the net selling price of an asset and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

**10. Investments**

Long-term Investments are stated at cost to the Company. Provision for diminution in the value is made to recognise a decline, other than temporary, in the value of long-term investments.

Current investments are valued at cost or market value, whichever is less.

**11. Inventories**

Inventories are valued at lower of cost and net realisable value. The costs are, in general, ascertained under Weighted Average Method. Finished goods and Work-in-Progress include appropriate manufacturing overheads and borrowing costs, as applicable. Excise / Customs duty payable on stocks in bond is added to the cost. Due allowance is made for obsolete and slow moving items.

**12. Revenue Recognition**

Sales are recognised when goods are despatched from distilleries/ warehouses of the Company in accordance with the terms of sale except where such terms provide otherwise, where sales are recognised based on such terms. Gross Sales are inclusive of excise duty but are net of trade discounts and sales tax, where applicable.

Income arising from sales by manufacturers under "Tie-up" agreements (Tie-up units) and income from brand franchise are recognised in terms of the respective contracts on sale of the products by the Tie-up units/ Franchisees. Income from brand franchise is net of service tax, where applicable.

Dividend income on investments are recognised and accounted for when the right to receive the payment is established.

**13. Foreign Currency Transactions**

Transactions in foreign currency are recognised at the rates of exchange prevailing on the dates of the transactions.

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

Exchange differences arising on a monetary item that, in substance, forms part of an enterprise's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the enterprise's Financial Statements until the disposal of the net investment.

Exchange differences arising on reporting of long term foreign currency monetary items, with the exception of exchange differences arising on a monetary item that, in substance, forms part of an enterprise's net investment in a non-integral foreign operation, at rates different from those at which they were initially recorded during the period or reported in previous Financial Statements are accounted as below:

(a) In so far as they relate to the acquisition of depreciable capital assets, are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset; and

(b) In other cases, the said exchange differences are accumulated in a 'Foreign Currency Monetary Item Translation Difference Account' and amortised over the balance period of such long term asset/liability but not beyond March 31, 2011.

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

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

For forward exchange contracts and other derivatives that are not covered by AS-11 'The Effects of Changes in Foreign Exchange Rates', the Company follows the guidance in the announcement of the Institute of Chartered Accountants of India (ICAI) dated March 29, 2008 whereby for each category of derivatives, the Company records any net mark- to- market losses. Net mark-to-market gains are not recorded for such derivatives. [Also refer Schedule 19 Note 18].

***Foreign Company:***

In respect of overseas subsidiary companies, Income and Expenses are translated at average exchange rate for the year. Assets and Liabilities, both monetary and non-monetary, are translated at the year-end exchange rates. The differences arising out of translation are included in the foreign currency translation reserve. Any Goodwill or Capital Reserve arising on acquisition of non integral operation is translated at closing rate.

**14. Employee Benefits**

**a) Defined-contribution plans**

These are plans in which the Group pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the employees' provident fund with the government, superannuation fund and certain state plans like Employees' State Insurance and Employees' Pension Scheme. The Group's payments to the defined contribution plans are recognised as expenses during the period in which the employees perform the services that the payments cover.

**b) Defined-benefit plans**

**Gratuity:**

The Group provides for gratuity, a defined benefit plan (the Gratuity Plan), to its employees. Liability with regard to gratuity plan is accrued based on actuarial valuation, based on Projected Unit Credit Method at the balance sheet date, carried out by an independent actuary. Actuarial Gains and Losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognised immediately in the Profit and Loss Account as income or expense.

**Pension**:

Whyte and Mackay Group operates and contributes in a defined benefit pension scheme (the Pension Plan). Liability with regard to Pension Plan is accrued based on actuarial valuation, based on Projected Unit Credit Method at the balance sheet date, carried out by an independent actuary. Actuarial Gains and Losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognised immediately in the Profit and Loss Account as income or expense.

**Provident Fund:**

Group's Provident Funds administered by trusts set up any company in the Group where the company's obligation is to provide the agreed benefit to the employees and the actuarial risk and investment risk fall, in substance, on the company, are treated as a defined benefit plan. Liability with regard to such provident fund plans are accrued based on actuarial valuation, based on Projected Unit Credit Method, carried out by an independent actuary at the balance sheet date. Actuarial Gains and Losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognised immediately in the Profit and Loss Account as income or expense.

**Death Benefit:**

Death Benefit payable at the time of death is actuarially ascertained at the year-end and provided for in the accounts.

c) **Other long term employee benefits:**

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the balance sheet date based on an actuarial valuation.

d) **Short term employee benefits:**

Undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the services. These benefits include compensated absences (e.g., paid annual leave), performance incentives, etc.

**15. Expenditure on account of Voluntary Retirement Scheme**

Expenditure on account of Voluntary Retirement Scheme of employees is expensed in the period in which it is incurred.

**16. Research and Development**

Revenue expenditure on research and development is charged to Profit and Loss Account in the period in which it is incurred. Capital Expenditure is included as part of fixed assets and depreciated on the same basis as other fixed assets.

**17. Taxes on Income**

Provision for income tax comprises current taxes and deferred taxes. Current tax is determined as the amount of tax payable in respect of taxable income for the period in accordance with the applicable laws.

Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognised and carried forward to the extent that there is a reasonable / virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised.

**18. Earnings/ (Loss) per Share (EPS)**

Basic EPS is arrived at based on Net Profit after Taxation available to equity shareholders to the weighted average number of equity shares outstanding during the year. The Diluted EPS is calculated on the same basis as Basic EPS, after adjusting for the effects of potential dilutive equity shares unless impact is anti-dilutive.

**19. Provisions**

A provision is recognised when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions, other than employee benefits, are not discounted to their present value and are determined based on Management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current Management estimates.

**Onerous Lease Provision:**

When a leasehold property ceases to be used in the business or a commitment is entered into which would cause this to occur, provision is made for the entire amount by which the recoverable amount of interest in the property is expected to be insufficient to cover future obligations relating to the lease.

**20. Contingencies**

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and, to the extent not provided for, are disclosed by way of notes on the accounts.

**21. Share issue expenses**

Share issue expenses incurred are adjusted to the Securities Premium Account as permitted by Section 78(2) of the Companies Act, 1956.

**22. Expenditure**

Expenses are net of taxes recoverable, where applicable.

**23. Government grants**

Government grants related to revenue expenses are recognised on a systematic basis in the profit and loss account over the periods necessary to match them with the related costs which they are intended to compensate.

**24. Miscellaneous Expenditure (to the extent not written off)**

Expenditure incurred for raising borrowed funds represents ancillary costs incurred in connection with the arrangement of borrowings and is amortised over the tenure of the respective borrowings. Amortisation of such Miscellaneous Expenditure is included under Interest and Finance charges.

**25. 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.

**19. NOTES ON ACCOUNTS**

**1. Contingent Liabilities**

| | | | |
|---|---|---|---|
| | | | Rs. Million |
| | | **2011** | 2010 |
| a) | Guarantees given by the Company's bankers for which Counter Guarantees have been given by the Company | **217.832** | 172.755 |
| b) | Disputed claims against the Company not acknowledged as debts, currently under appeal/ sub judice: | | |
| | (i) Excise demands for excess wastages and distillation losses | **235.882** | 191.219 |
| | (ii) Other miscellaneous claims | **237.312** | 250.475 |
| | (iii) Income Tax demand (including interest) under appeal | **2,541.946** | 2,478.300 |
| | (iv) Sales Tax demands under appeal in various states | **705.070** | 557.912 |
| c) | Bills Receivable discounted – since fully settled | **746.215** | 480.150 |
| d) | Claims from suppliers not acknowledged as debts | **89.297** | 72.391 |

The Management is hopeful of succeeding in the above appeals/ disputes based on legal opinions / legal precedents.

**2.** A. (I) The rehabilitation scheme inter alia containing the scheme of arrangement between Balaji Distilleries Limited (BDL), Chennai Breweries Private Limited ('CBPL') and the Company (the Scheme) and their respective shareholders and creditors with April 01, 2009 as the appointed date has been approved by the Honourable Appellate Authority for Industrial and Financial Reconstruction (AAIFR), vide its order dated November 29, 2010. Upon necessary filing with the Registrar of Companies, the scheme has become effective on December 27, 2010 and the effect thereof have been given in these accounts. Consequently,

a) In terms of the Scheme the entire business and undertaking of BDL, as a going concern (post transfer of the brewery division undertaking to its wholly owned subsidiary CBPL) ("Balaji") stands transferred to and vested in the Company with effect from April 1, 2009 being the Merger Appointed Date.

b) In consideration of the amalgamation, the Company has issued 5,200,639 equity shares of Rs. 10/- each aggregating to Rs. 52.006 Million in the ratio of 2 (Two) fully paid up Equity shares of the face value of Rs. 10/- each of the Company for every 55 (Fifty Five) fully paid up equity shares of Rs. 10/- each held in BDL.

Pursuant to the scheme, the Authorised share capital of the Company stands increased and reclassified, without any further act or deed on the part of the company, including payment of stamp duty and Registrar of Companies fees, by Rs. 2,250.000 Million, being the authorised share capital of the transferor company, and Memorandum of Association and Articles of Association of the Company stand amended accordingly without any further act or deed on the part of the company.

(II) Accounting for Amalgamation :

The amalgamation of the Transferor Companies with the Company is accounted for on the basis of the purchase Method as envisaged in the Accounting Standard (AS) -14 on Accounting for Amalgamations specified in the Companies (Accounting Standard) Rules 2006 and in terms of the scheme, as below,

a) All tangible asset and liabilities of the BDL at their respective fair Values.

**19. NOTES ON ACCOUNTS (Contd.)**

b) Rs. 325.404 Million being the difference between the value of net assets of the Transferor Companies transferred to the company (determined as stated above) and the face value of equity shares allotted in BDL is adjusted to General Reserve of the Company. This accounting treatment of the reserve has been prescribed in the Scheme and approved by AAIFR. Had the scheme not prescribed this treatment, this amount would have been debited to Goodwill, which would have been charged to the profit & loss account as per the accounting policy of the Company having corresponding impact on the results for the year ended March 31,2011.

c) From April 01, 2009 BDL had carried out the business of Balaji in trust on behalf of the Company. Accordingly, Profit for the year ended March 31, 2010 of the Balaji after making the following adjustments have been added to the Profit and Loss Account:

| | Rs. Million |
|---|---|
| Profit/(Loss) After taxation for the year ended March 31, 2010 as per audited accounts audited by the auditors of BDL | (53.572) |
| Less: Profit/(Loss) Transferred to CBPL | (70.156) |
| Profit after Taxation relating to BDL for the year ended March 31, 2010 | 16.584 |
| Amalgamation Adjustments | (12.554) |
| Amount Transferred to Profit and Loss Account on Amalgamation | **4.030** |

d) Pursuant to the Scheme, the bank accounts, agreements, licences and certain immovable properties are in the process of being transferred in the name of the company.

B. The Board of Directors of the erstwhile Central Distilleries & Breweries Limited (CDBL) (amalgamated with erstwhile Shaw Wallace Distilleries Ltd.(SWDL), which was amalgamated with the Company in an earlier year) on April 29, 1986 decided to issue 134,700 Equity Shares of Rs. 10 each, the allotment whereof was stayed by the Hon'ble High Court of Delhi on September 13,1988. The Hon'ble High Court of Delhi had vacated its order and has ordered to keep in abeyance the allotment on 72,556 shares and the matter is sub-judice. The holders, in exchange of these shares will be entitled to 17,776 equity shares of Rs. 10 each of the Company pursuant to a Scheme of Arrangement. Necessary adjustments in this respect will be carried out on disposal of the matter pending before the aforesaid Court.

**3.** (a) The Group through Royal Challengers Sports Private Limited, a subsidiary Company, holds the perpetual right to the Bangalore Franchise of BCCI-IPL. Although this right is perpetual it would be prudent to consider this as having a 'finite' rather than an 'infinite' life. The limited over version of the game of cricket which was first introduced in 1970s is continuing even now after 38 years and an even shorter version (20 over) has only recently being introduced and is more popular than the 50 over format. The Management has held discussion internally as well as with other experts in the field on the subject of useful life and the period of amortisation.

Although the Management regards the useful life as indefinite, as a measure of prudence a useful life of 50 years is considered as appropriate and the rights are amortised over 50 years having regard to the following factors:

- The game of cricket has been in existence for over 100 years and there is no indication of interest in the game and the commercial prospects waning.
- The shorter version of the game is increasingly popular.
- The commercial exploitation of the shorter version is on an increasing scale and is expected to reach the scale which other games like soccer have reached.

**19. NOTES ON ACCOUNTS (Contd.)**

- This industry (cricket) is, therefore, highly stable and the market demand for this game is likely to remain for more than 50 years with its spread to many countries.
- IPL and its teams have acquired brand status and teams are not identified with countries or geographies but with brand names.
- The franchisees have the intent and ability to provide the necessary financial and other resources required to obtain the expected future economic benefits from this for atleast 50 years

The carrying value of the capitalized Rights would be assessed for impairment at every Balance Sheet Date.

The carrying amount of Franchise Rights as at March 31, 2011 is Rs. 4,637.008 Million (2010: Rs. 4,735.668 Million) to be amortised over the remaining period of 47 years (2010: 48 years).

Term liability towards franchisee rights at the year end aggregating to Rs. 3,296.182 Million (2010: Rs. 3,443.896 Million) is payable over a period of 7 years (2010: 8 years), of which Rs. 837.044 Million (2010: Rs. 492.379 Million) is payable within one year.

(b) The governing bodies of this sport in India and globally, over a period of last 7 to 15 years have experienced an annualised growth of 19% to 35% in their Media/Central Rights. The Management believes that given the sheer appeal of this format, which has surpassed all expectations, an annualised growth of 20% from 2015 to 2025, a 15% annualized growth from 2026 to 2035 and a 4% annualised growth for the balance period of life. The Gate Receipts and Merchandising revenues are based on specific interventions designed to increase the same in the near to medium term, including geographical expansion in the case of Merchandising revenue, with a 5% - 7% inflation / premiumisation assumptions built in. The key assumption in Local Rights has been indexed to Central Rights. Based on the facts above, the Management believes that there is no impairment on the Franchise Rights.

Management has tested for impairment of Franchise Rights at the Balance Sheet date based on the cash flow projection using the above assumptions, which did not indicate any impairment.

**4. Employee Benefits**

**a) Defined Contribution Plans**

The Group offers its employees defined contribution plan in the form of Provident Fund (PF) with the government, Superannuation Fund (SF) and certain state plans such as Employees' State Insurance (ESI) and Employees' Pension Scheme (EPS). PF and EPS cover substantially all regular employees while the SF covers certain executives and the ESI covers certain workers. Contribution to SF is made to trust managed by the Group, while other contributions are made to the Government's funds. While both the employees and the Group pay predetermined contributions into the provident fund and the ESI Scheme, contributions into the pension fund and the superannuation fund are made only by the Group. The contributions are normally based on a certain proportion of the employee's salary.

During the year, the Group has recognised the following amounts in the Profit and Loss Account, which are included in Contribution to Provident and other funds in Schedule 16:

| | | Rs. Million |
|---|---|---|
| | **2011** | 2010 |
| Provident Fund and Employees' Pension Scheme* | **99.452** | 66.701 |
| Superannuation Fund | **104.062** | 59.264 |
| Employees' State Insurance | **15.294** | 8.733 |
| | **218.808** | 134.698 |

*Excluding contribution to PF made to trusts managed by the Company

**19. NOTES ON ACCOUNTS (Contd.)**

**b) Defined Benefit Plans**

**Gratuity:**

The Group provides for gratuity, a defined benefit plan (the Gratuity Plan), to its employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, of an amount based on the respective employee's last drawn salary and years of employment with the Group. The Group has employees' gratuity funds managed by the Group as well as by Insurance Companies.

**Pension**:

Whyte and Mackay Group operates and contributes in a defined benefit pension scheme, under which amounts are held in a separately administered trust.

**Provident Fund:**

For certain executives and workers of the Group, contributions are made as per applicable Indian laws towards Provident Fund to certain Trusts set up and managed by the Group, where the Company's obligation is to provide the agreed benefit to the employees and the actuarial risk and investment risk fall, in substance, on the Group. Having regard to the assets of the Fund and the return on the investments, shortfall in the assured rate of interest notified by the Government, which the Group is obliged to make good is determined actuarially.

**Death Benefit:**

The Company provides for Death Benefit, a defined benefit plan, (the Death Benefit Plan) to certain categories of employees. The Death Benefit Plan provides a lump sum payment to vested employees, on Death, of an amount based on the respective employee's last drawn salary and remaining years of employment with the Company after adjustments for any compensation received from the insurance Company and restricted to limits set forth in the said plan. The Death Benefit Plan is Non-Funded.

## 19. NOTES ON ACCOUNTS (Contd.)

### b) Defined Benefit Plans (Contd.)

Rs. Million

| Particulars | 2011 | | | | | | 2010 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Funded | | | Non-Funded | | | Funded | | | Non-Funded | | |
| | Gratuity | Pension Fund | PF | Pension | Pension Fund | Death-Benefit | Gratuity | Pension Fund | PF | Gratuity | Pension Fund | Death-Benefit |
| **A) Reconciliation of opening and closing balances of the present value of the defined benefit obligation** | | | | | | | | | | | | |
| **Obligation at the beginning of the year** | **747.654** | **8,210.490** | **1,296.174** | **4.571** | **24.212** | **16.673** | 631.202 | 6,971.705 | 1,168.835 | 5.741 | 27.375 | 14.811 |
| **On Amalgamation** | **35.540** | **-** | **-** | **-** | **-** | **-** | - | - | - | - | - | - |
| Contributions by plan participants | **-** | **14.639** | **109.007** | **-** | **-** | **-** | - | 47.014 | 95.211 | - | - | - |
| Current service cost | **46.548** | **55.843** | **81.615** | **0.305** | **3.843** | **1.769** | 34.334 | 82.903 | 39.895 | (1.057) | 2.585 | 1.862 |
| Interest cost | **59.627** | **491.372** | **112.392** | **0.383** | **-** | **-** | 46.726 | 505.650 | 88.933 | 0.014 | - | - |
| Actuarial (gain)/ loss on obligations | **143.134** | **(634.835)** | **-** | **0.917** | **-** | **-** | 71.922 | 2,050.336 | - | (0.110) | - | - |
| Past service cost - (vested benefits) | **-** | **-** | **-** | **-** | **-** | **-** | 4.656 | - | - | - | - | - |
| Benefits paid | **(78.258)** | **(365.334)** | **(139.291)** | **-** | **(5.254)** | **-** | (39.371) | (805.489) | (96.700) | - | (5.748) | - |
| Exchange Fluctuation | **1.077** | **425.235** | **-** | **0.146** | **-** | **-** | (1.815) | (641.630) | - | (0.017) | - | - |
| **Obligation at the end of the year** | **955.322** | **8,197.410** | **1,459.897** | **6.322** | **22.801** | **18.442** | 747.654 | 8,210.490 | 1,296.174 | 4.571 | 24.212 | 16.673 |
| **B) Reconciliation of opening and closing balances of the fair value of plan assets** | | | | | | | | | | | | |
| Plan Assets at the beginning of the year | **613.984** | **7,306.164** | **1,233.898** | **-** | **-** | **-** | 504.069 | 6,078.217 | 1,095.733 | - | - | - |
| On Amalgamation | **27.298** | **-** | **-** | **-** | **-** | **-** | - | - | - | - | - | - |
| Contributions by plan participants | **-** | **14.639** | **109.007** | **-** | **-** | **-** | - | 47.014 | 95.211 | - | - | - |
| Contributions by the Company | **120.991** | **256.433** | **79.876** | **-** | **-** | **-** | 102.885 | 332.833 | 67.392 | - | - | - |
| Expected return on plan assets | **60.886** | **486.374** | **100.695** | **-** | **-** | **-** | 42.539 | 379.390 | 90.295 | - | - | - |
| Actuarial gains / (losses) | **(18.606)** | **47.131** | **(26.618)** | **-** | **-** | **-** | (9.245) | 1,565.945 | (18.033) | - | - | - |
| Reversal of Exit Loan | **-** | **-** | **-** | **-** | **-** | **-** | 6.020 | - | - | - | - | - |
| Benefits paid | **(78.258)** | **(487.373)** | **(139.291)** | **-** | **-** | **-** | (39.371) | (520.051) | (96.700) | - | - | - |
| Transfer from Other Trust | **-** | **-** | **-** | **-** | **-** | **-** | 7.723 | - | - | - | - | - |
| Exchange Fluctuation | **0.369** | **502.065** | **-** | **-** | **-** | **-** | (0.635) | (577.184) | - | - | - | - |
| **Plan assets at the end of the year** | **726.664** | **8,125.433** | **1,357.567** | **-** | **-** | **-** | 613.984 | 7,306.164 | 1,233.898 | - | - | - |
| **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 at the end of the year | **955.322** | **8,197.410** | **1,459.897** | **6.322** | **22.801** | **18.442** | 747.654 | 8,210.490 | 1,296.174 | 4.571 | 24.212 | 16.673 |
| Fair value of plan assets at the end of the year | **726.664** | **8,125.433** | **1,357.567** | **-** | **-** | **-** | 613.984 | 7,306.164 | 1,233.898 | - | - | - |
| **Liability/ (Asset) Recognised in Balance Sheet** *[Included under Provisions in Schedule 12(B)]* | **228.658** | **71.977** | **102.330** | **6.322** | **22.801** | **18.442** | 133.669 | 904.326 | 62.276 | 4.571 | 24.212 | 16.673 |
| **(Net Asset) Recognised in Balance Sheet -** *[Included under Loans and Advances in Schedule 11]* | **-** | **-** | **-** | - | - | - | - | - | - | - | - | - |

## 19. NOTES ON ACCOUNTS (Contd.)

### b) Defined Benefit Plans (Contd.)

Rs. Million

| Particulars | 2011 | | | | | | 2010 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Funded | | | Non-Funded | | | Funded | | | Non-Funded | | |
| | Gratuity | Pension Fund | PF | Pension | Pension Fund | Death-Benefit | Gratuity | Pension Fund | PF | Gratuity | Pension Fund | Death-Benefit |
| **D) Expenses recognised in the Profit and Loss Account** | | | | | | | | | | | | |
| Current service cost | **46.548** | **55.843** | **81.615** | **0.305** | **3.843** | **1.769** | 34.334 | 82.903 | 39.895 | (1.057) | 2.585 | 1.862 |
| Interest cost | **59.627** | **491.372** | **112.392** | **0.383** | **-** | **-** | 46.726 | 505.650 | 88.933 | 0.014 | - | - |
| Expected return on plan assets | **(60.886)** | **(486.374)** | **(100.695)** | **-** | **-** | **-** | (42.539) | (379.390) | (90.295) | - | - | - |
| Past service cost - vested benefits | **-** | **-** | **-** | **-** | **-** | **-** | 4.656 | - | - | - | - | - |
| Actuarial (gains)/losses | **161.740** | **(681.966)** | **26.618** | **0.917** | **-** | **-** | 81.168 | 484.391 | 18.033 | (0.110) | - | - |
| **Total Expenses recognised in the Profit and Loss Account** | **207.029** | **(621.124)** | **119.930** | **1.605** | **3.843** | **1.769** | 124.345 | 693.554 | 56.566 | (1.152) | 2.585 | 1.862 |
| Included in: | | | | | | | | | | | | |
| Contribution to Provident and Other Funds in Schedule 16 | **207.029** | **256.378** | **119.930** | **1.605** | **3.843** | **1.769** | 124.345 | 117.025 | 56.566 | (1.152) | 2.585 | 1.862 |
| Actuarial Gain on Pension Scheme in Schedule 16 | **-** | **(877.502)** | **-** | **-** | **-** | **-** | - | 576.529 | - | - | - | - |
| | **207.029** | **(621.124)** | **119.930** | **1.605** | **3.843** | **1.769** | 124.345 | 693.554 | 56.566 | (1.152) | 2.585 | 1.862 |

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| **E) Investment details of plan assets** | **Gratuity** | **PF** | **Pension** | Gratuity | PF | Pension |
| Government securities | **-** | **34%** | **-** | - | 34% | - |
| Securities guaranteed by Government | **1%** | **-** | **-** | - | - | - |
| Public Sector / Financial Institutional Bonds | **-** | **29%** | **-** | - | 39% | - |
| Special Deposit Scheme | **-** | **19%** | **-** | - | 15% | - |
| Fund balance with Insurance Companies | **95%** | **-** | **-** | 60% | - | - |
| Others (including bank balances) | **4%** | **18%** | **-** | 40% | 12% | - |
| | **100%** | **100%** | **-** | **100%** | 100% | - |

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 returns on matching government bonds.

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Gratuity | PF | Pension | Gratuity | PF | Pension |
| **F) Actual return on plan assets** | **6%** | **6%** | **-** | 6% | 6% | - |
| **G) Assumptions** | | | | | | |
| Discount Rate (per annum) | **8.0%** | **8.1%** | **-** | 8.1% | 8.1% | - |
| Expected Rate of Return on Plan Assets | **9.25%** | **8.0%** | **-** | 8.0% | 8.0% | - |
| Rate of increase in Compensation levels | **5.0%** | **Not Applicable** | **-** | 5.0% | Not Applicable | - |
| Average past service of employees (years) | **13.6** | **Not Applicable** | **-** | 13.7 | Not Applicable | - |
| **Mortality rates** | **LIC 1994-96 ultimate table** | **LIC 1994-96 ultimate table** | **Table PA00 year of birth – 117% loading for current pensioners and a 123% loading for future pensioners** | LIC 1994-96 ultimate table | LIC 1994-96 ultimate table | Table PA00 year of birth – 117% loading for current pensioners and a 123% loading for future pensioners |

### 19. NOTES ON ACCOUNTS (Contd.)

**b) Defined Benefit Plans** (Contd.)

Rs. Million

| Particulars | 2011 | | | 2010 | | | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gratuity | Pension | PF | Gratuity | Pension | PF | Gratuity | Pension | PF | Gratuity | Pension | PF |
| **H) Others (Funded)** | | | | | | | | | | | | |
| Present value of obligation | **955.322** | **8,197.410** | **1459.897** | 747.653 | 8,210.490 | 1,296.174 | 630.701 | 6,971.707 | 1,168.838 | 539.162 | 7,700.334 | 1052.977 |
| Present value of plan assets | **726.664** | **8,125.433** | **1,357.567** | 613.984 | 7,306.164 | 1,233.898 | 504.068 | 6,078.218 | 1,091.734 | 438.144 | 8,214.975 | 973.462 |
| Amount recognised in Balance sheet – Liability | **228.658** | **71.977** | **102.330** | 133.669 | 904.326 | 62.276 | 126.633 | 893.489 | 77.104 | 101.018 | (514.641) | 79.515 |
| Experience adjustments on Present value of obligation | **(80.729)** | **-** | **-** | (44.591) | - | 7.506 | (33.091) | - | (12.043) | (0.860) | - | - |
| Experience adjustments on Plan assets | **(18.607)** | **-** | **(25.559)** | (9.218) | - | 32.413 | (6.500) | - | 59.034 | (10.550) | - | 12.287 |
| **H) Others (Non-funded)** | | | | | | | | | | | | |
| Present value of obligation | **6.322** | **22.801** | **18.442** | 5.571 | 24.212 | 16.673 | - | 6.236 | 27.375 | 14.811 | - | 5.196 |
| Present value of plan assets | **-** | **-** | **-** | - | - | - | - | - | - | - | - | - |
| Amount recognised in Balance sheet – Liability | **6.322** | **22.801** | **18.442** | 5.571 | 24.212 | 16.673 | - | 6.236 | 27.375 | 14.811 | - | 5.196 |

The estimates of future increase in compensation levels, 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 per the best estimate of the Management, contribution of Rs. 200 million is expected to be paid to the plan during the year ending March 31, 2012.

**19. NOTES ON ACCOUNTS (Contd.)**

**5. Fixed Assets**

a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) - Rs. 717.612 Million (2010: Rs. 372.096 Million).

b) In view of different sets of environment in which foreign subsidiaries operate in their respective countries, provision for depreciation is made to comply with local laws and use of Management estimate. It is practically not possible to align rates of depreciation of such subsidiaries with those of the Company. However on review, the Management is of the opinion that provision of such depreciation is adequate.

Accounting policies followed by Whyte and Mackay Group in respect of depreciation on fixed assets are different from accounting policies of the Company as mentioned in Note 8 (a)(iii) Schedule 18. The proportion of the fixed assets in the Consolidated Financial Statement to which different accounting policies have been applied are as below:

Rs. Million

| | **2011** | | 2010 | |
|---|---|---|---|---|
| | **Gross Block** | **Proportion%** | Gross Block | Proportion% |
| **Building** | **2,280.257** | **39%** | 2,086.920 | 42% |
| **Plant & Machinery** | **5,492.758** | **51%** | 5,194.290 | 53% |
| **Vehicles** | **20.818** | **8%** | 22.548 | 7% |

**6. Investments**

The Board of CBPL, a wholly owned Subsidiary of the Company, at its meeting held on March 11, 2011 has considered and approved the amalgamation of CBPL into United Breweries Limited (UBL) with effect from close of business hours of March 31, 2011. Accordingly, the Company does not intend to carry out any operations in BDPL in the near future hence the investment has been excluded from consolidation.

**7. Current Assets, Loans and Advances**

a) Loans and Advances include:

(i) An amount of Rs. 498.991 Million (2010: Rs. 733.982 Million) due from the Tie-up units secured by the assets of the Tie-up units and/or equity shares of the Tie-up units.

(ii) Rs. 3 Million (2010: Rs. 3 Million) being amount paid to BDA Limited (BDA) towards reassignment of certain Liquor Brands/ Trade Marks pursuant to a Memorandum of Understanding dated March 20, 1992. Pending execution of the deed for such assignments and judicial resolutions of various disputes with BDA pertaining to control of BDA and ownership of the 'Officers Choice' and other brands currently sub-judice at various courts, the advance given to BDA has been provided for as a matter of prudence. All consequential adjustments arising out of the above matters will be made as and when ascertained.

b) Subsequent to the Balance Sheet date, the Company has acquired 73,22,280 equity shares from the Promoters of Pioneer Distilleries Limited on May 24, 2011 pursuant to the Share Purchase Agreement dated September 13, 2010 and 26,77,640 equity shares under the Open offer as per the SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997 and SEBI (Prohibition of Insider Trading) Regulations, 1992. Consequent to the above, Loans and Advances includes Rs. 1,039.820 Million paid towards cost of Investment as on March 31, 2011.

c) Bank Balance with scheduled bank includes Rs. 177.343 Million (2010: Rs. 168.069 Million) out of the proceeds of the beer business of erstwhile SWCL, sold in an earlier year which has been kept under escrow pending resolution of various taxation matters.

**19. NOTES ON ACCOUNTS (Contd.)**

d) The Company has, granted interest free loans in foreign currency amounting to Rs. 36,857.536 Million (2010: Rs. 39,557.598 Million), to USL Holdings Limited, BVI (USL Holdings) a subsidiary of the Company, for acquisition of long term strategic investments. Management is of the view that out of these loans, Rs. 33,411.109 Million (2010: Rs. 33,435.283 Million ), from the inception of the grant of loans, in substance, form part of the Company's net investment in the subsidiary, as the settlement of these loans is neither planned nor likely to occur in the foreseeable future and Management intends to convert these loans into investment in share capital of the subsidiary in near future. Accordingly, in accordance with AS 11 - The Effects of Changes in Foreign Exchange Rates (AS 11), exchange difference aggregating to Rs. 2,271.244 Million (debit) [2010: Rs. 2,247.069 Million (debit)] arising on such loans has been accumulated in a foreign currency translation reserve, which at the time of the disposal of the net investment in these subsidiaries would be recognised as income or as expenses.

In line with the above treatment, USL Holdings has accumulated Rs. 395.687 Million in a foreign currency translation reserve. The same would be recognized as income or expense at the time of the disposal of the net investment by the Company.

**8.** As required under Section 205C of the Companies Act, 1956, the Company has transferred Rs. 2.801 Million (2010: Rs. 2.882 Million) to the Investor Education and Protection Fund (IEPF) during the year. On March 31, 2011, no amount was due for transfer to the IEPF.

**9.** Inter corporate deposit and Interest accrued and due thereon Rs. 75.592 Million (2010: Rs. 75.592 Million) included under Unsecured Loan – other in Schedule 4 represents an obligation acquired on amalgamation of SWCL in an earlier year, where negotiation/ settlement has not been finalised and the same has been provided in terms of the decree and / or otherwise considered adequate by the Management. In the opinion of the Management, interest so far provided is adequate and no further provision is necessary in this respect. Adjustments, if any, shall be carried out as and when the amounts are determined on final disposal / settlement of the matter.

**10. Borrowing Costs**

Rs. Million

| | | 2011 | 2010 |
|---|---|---|---|
| a) | Interest included in the Closing Stock of Malt and Grape Spirit under maturation | **494.115** | 209.944 |
| b) | Amortisation of Expenditure Incurred for Raising Borrowed Funds | **99.820** | 267.286 |

**11. Exceptional and other Non-recurring items**

Rs. Million

| | 2011 | 2010 |
|---|---|---|
| Net write back of Sales tax liabilities pursuant to settlement of arrears of sales tax and interest thereon under the Tamil Nadu Sales Tax (Settlement of Arrears) Act, 2010, (includes Rs. 478.042 Million arising on the amalgamation of BDL as referred in Note 2A above). | **368.399** | - |
| Excess of Net sale proceeds over carrying value of Investments held by the USL Benefit Trust | **-** | 699.953 |

**19. NOTES ON ACCOUNTS (Contd.)**

**12. Segment Reporting**

The Company is primarily organised into two main geographic segments:

**India**: The 'India' segment is engaged in the business of manufacture, purchase and sale of Beverage Alcohol (Spirits and Wines) including through Tie-up units/ brand franchisees within India.

**Outside India**: The 'Outside India' segment is engaged in the business of manufacture, purchase and sale of Beverage Alcohol (Spirits and Wines) including through Tie-up units/ brand franchisees outside India.

**A. Primary Segmental Reporting**

Rs. Million

| | Geographic Segment | India | | Outside India | | Un allocated / Elimination | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| (i) | **Revenue** | | | | | | | | |
| | External | **128,997.851** | 93,926.133 | **14,525.417** | 17,194.360 | **-** | - | **143,523.270** | 111,120.493 |
| | Less: Excise Duty | **64,680.260** | 42,551.723 | **3,645.467** | 4,107.801 | **-** | - | **68,325.727** | 46,659.524 |
| | Inter-segment | **625.110** | 220.596 | **2,331.022** | 1,027.489 | **2,956.132** | 1,248.085 | **-** | - |
| | Total Revenue | **63,692.481** | 51,153.814 | **8,548.928** | 12,059.070 | **2,956.132** | 1,248.085 | **75,197.543** | 64,460.969 |
| (ii) | **Result** | | | | | | | | |
| | Segment Result – Profit/(Loss) | **9,515.348** | 8,960.744 | **3,785.733** | (1,203.106) | **-** | - | **13,301.081** | 7,757.638 |
| | Unallocated corporate expenses/ (income) | **-** | - | **-** | - | **-** | - | **-** | - |
| | Income from Investments | **5.704** | 1.182 | **13.492** | 9.642 | **-** | - | **19.197** | 10.824 |
| | Interest and Finance Charges | **3,735.174** | 2,833.662 | **1,249.544** | 3,235.224 | **-** | - | **4,984.718** | 6,068.886 |
| | Profit/(Loss) before Taxation | **5,785.879** | 6,128.264 | **2,549.681** | (4,428.688) | **-** | - | **8,335.560** | 1,699.577 |
| | Prior Period, Exceptional and Other Non-Recurring Items | **-** | - | **-** | - | **-** | - | **-** | - |
| | Profit before Taxation | **5,785.879** | 6,128.264 | **2,549.681** | (4,428.688) | **-** | **-** | **8,335.560** | 1,699.577 |
| | Provision for taxation | | | | | **2,652.291** | 1,931.512 | **2,652.291** | 1,931.512 |
| | Profit/(Loss) after Taxation | **5,785.879** | 6,128.264 | **2,549.681** | (4,428.688) | **(2,652.291)** | (1,931.512) | **5,683.269** | (231.935) |
| | Total Revenue | | | | | | | **75,178.346** | 64,460.969 |
| | Income from Investments | | | | | | | **19.197** | 10.824 |
| | | | | | | | | **75,197.543** | 64,471.793 |
| (iii) | **Other information** | | | | | | | | |
| | Segment Assets | **58,559.800** | 55,118.044 | **25,964.403** | 14,368.828 | **44,645.417** | 44,571.059 | **129,169.620** | 114,057.931 |
| | Segment Liabilities | **16,898.985** | 12,902.335 | **6,510.818** | 7,184.056 | **63,810.878** | 56,151.512 | **87,220.681** | 76,237.903 |
| | Capital Expenditure | **2,235.197** | 1,892.366 | **382.395** | 974.238 | **-** | - | **2,617.593** | 2,866.604 |
| | Depreciation | **597.694** | 493.455 | **425.578** | 456.753 | **-** | - | **1,023.272** | 950.208 |
| | Other non cash expenses | **428.142** | 380.123 | **(1,329.095)** | 24.689 | **-** | - | **(900.953)** | 404.812 |

**B. Secondary Segmental Reporting**

The Group is engaged in the business of manufacture, purchase and sale of Beverage Alcohol (Spirits and Wines) including through Tie-up units/ brand franchisees, which constitutes a single business segment. The Group's other operations did not exceed the quantitative threshold for disclosure as envisaged in AS 17- 'Segment Reporting' specified in the Companies (Accounting Standard) Rules 2006.

**19. NOTES ON ACCOUNTS (Contd.)**

**12. Segment Reporting (Contd.)**

**Notes:**

a. Segment accounting policies are in line with the accounting policy of the company.
b. Segment revenue includes sales and other income directly identifiable with/allocable to the segment including intersegment revenues.
c. Expenses that are directly identifiable with/allocable to segment are considered for determining the segment results. Expenses which relates to the group as a whole and not allocable to segments, are included under "Unallocable Corporate expenses".
d. Income which relates to the group as a whole and not allocable to segments is included in "Unallocable Corporate income"
e. Segment revenue resulting from transactions with other segments is accounted on the basis of transfer price agreed between the segments. Such transfer prices are either determined to yield a desired margin or agreed on a negotiated basis.
f. Segment assets and liabilities includes those directly identifiable with the respective segments. Unallocable corporate assets and liabilities represents the assets and liabilities that relates to the company as a whole and not allocable to any segments. Unallocable assets mainly comprise trade investments in associate companies. Unallocable liabilities include mainly loan funds and proposed dividend.

**13. Related Party Disclosures**

**a) Names of related parties and description of relationship**

| Associates with whom transactions have taken place during the year | Key Management personnel | Employees' Benefit Plans where there is significant influence | Promoter Holding together with its Subsidiary is more than 20% |
|---|---|---|---|
| UB Distilleries Limited [Schedule 18 Note 4(b)] (i) | Mr.V.K.Rekhi Managing Director | Mc Dowell & Company Limited Staff Gratuity Fund (McD SGF) | United Breweries (Holdings) Limited (UBHL) |
| Wine Soc of India Private Limited | | McDowell & Company Limited Officers'Gratuity Fund (McD OGF) | |
| | | SWDL Group Officers Gratuity Fund (SWDL OGF)^ | |
| Sovereign Distilleries Limited (SDL) (ii) | | SWDL Employees Gratuity Fund (SWDL EGF)^ | |
| | | Phipson & Company Limited Management Staff Gratuity Fund. (PCL SGF)^ | |
| | | Phipson & Company Limited Gratuity Fund. (PCL GF)^ | |
| | | Carew & Company Ltd. Gratuity Fund (CCL GF)^ | |
| | | Mc Dowell & Company Limited Provident Fund (McD PF) | |
| | | Shaw Wallace & Associated Companies Employees' Gratuity Fund^ | |
| | | Shaw Wallace & Associated Companies Executive Staff Gratuity Fund^ | |
| | | Shaw Wallace & Associated Companies Provident Fund^ | |
| | | Whyte and Mackay Pension Scheme | |
| | | Balaji Distilleries Employees Gratuity Trust. | |

**Notes:**

(i) ^ No transactions during the year

(ii) During the year, the Company has acquired 41.54% of equity stake in Karnataka based Sovereign Distilleries Limited (SDL). SDL is engaged in manufacture and sale of Extra Neutral Alcohol (ENA) and Indian made Foreign Liquor (IMFL). SDL has become associate of the Company with effect from March 31, 2011.

## 19. NOTES ON ACCOUNTS (Contd.)

### 13. b) Summary of the transactions with related parties:

Rs. Million

| | | 2011 | | | | | 2010 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Sl. No. | Nature of transactions * | Associates | Key Management personnel | Employees' Benefit Plans where there is significant influence | Promoter | Total | Associates | Key Management personnel | Employees' Benefit Plans where there is significant influence | Promoter | Total |
| a) | Purchase of Goods | | | | | | | | | | |
| | - UBHL | - | - | - | 98.632 | **98.632** | - | - | - | 94.698 | 94.698 |
| b) | Interest received from associates | | | | | | | | | | |
| | - Wine Soc of India | 7.957 | - | - | - | **7.957** | 6.308 | - | - | - | 6.308 |
| c) | Sale of Goods | | | | | | | | | | |
| | - UBHL | - | - | - | 571.645 | **571.645** | - | - | - | 781.237 | 781.237 |
| d) | Advertisement and Sales Promotion | | | | | | | | | | |
| | - UBHL | - | - | - | 83.937 | **83.937** | - | - | - | 128.808 | 128.808 |
| e) | Royalty and Brand Fee | | | | | | | | | | |
| | - UBHL | - | - | - | - | **-** | - | - | - | 44.374 | 44.374 |
| f) | Rent | | | | | | | | | | |
| | - UBHL | - | - | - | - | **-** | - | - | - | 6.277 | 6.277 |
| g) | Interest Income | | | | | | | | | | |
| | - UBHL | - | - | - | 308.368 | **308.368** | - | - | - | - | - |
| h) | Guarantee /Security Commission Paid | | | | | | | | | | |
| | - UBHL | - | - | - | 6.793 | **6.793** | - | - | - | 3.676 | 3.676 |
| i) | Deposits | - | 3.799 | - | - | **3.799** | - | 3.454 | - | - | 3.454 |
| j) | Sale/Purchase of Fixed Asset | | | | | | | | | | |
| | - UBHL | - | - | - | (392.443) | **(392.443)** | - | - | - | - | - |
| k) | Finance (including loans and equity contributions in cash or in kind) | | | | | | | | | | |
| | - UBHL (Net) | | - | - | 3,693.362 | **3,693.362** | - | - | - | (86.983) | (86.983) |
| | - Wine Soc of India | 85.258 | - | - | - | **85.258** | 69.876 | - | - | - | 69.876 |
| l) | Guarantees and Collaterals Received | | | | | | | | | | |
| | - UBHL | - | - | - | 410.000 | **410.000** | - | - | - | 410.000 | 410.000 |
| m) | Rent | - | 3.712 | - | - | **3.712** | - | 3.375 | - | 6.277 | 9.652 |
| n) | Contribution to Gratuity Fund | | | | | | | | | | |
| | - McD OGF | - | - | 136.868 | - | **136.868** | - | - | 136.284 | - | 136.284 |
| | - McD SGF | - | - | 7.391 | - | **7.391** | - | - | (34.679) | - | (34.679) |
| o) | Contribution to Provident Fund | | | | | | | | | | |
| | - McD PF | - | - | 79.871 | - | **79.871** | - | - | 67.025 | - | 67.025 |
| | - SWC PF | - | - | 5.006 | - | **5.006** | - | - | 0.368 | - | 0.368 |
| p) | Dividend Paid | | | | | | | | | | |
| | - UBHL | - | - | - | 91.395 | **91.395** | - | - | - | 73.116 | 73.116 |
| q) | Contribution to Pension Scheme | | | | | | | | | | |
| | - Whyte and Mackay Pension Scheme | - | - | 256.433 | - | **256.433** | - | - | 332.833 | - | 332.833 |
| r) | Amount due to | | | | | | | | | | |
| | - UBHL | - | - | - | 30.336 | **30.336** | - | - | - | 171.831 | 171.831 |

**19. NOTES ON ACCOUNTS (Contd.)**

**13. b) Summary of the transactions with related parties: (Contd.)**

Rs. Million

| Sl. No. | Nature of transactions * | 2011 Associates | 2011 Key Management personnel | 2011 Employees' Benefit Plans where there is significant influence | 2011 Promoter | 2011 Total | 2010 Associates | 2010 Key Management personnel | 2010 Employees' Benefit Plans where there is significant influence | 2010 Promoter | 2010 Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| s) | Amount due from | | | | | | | | | | |
| | - UBHL | - | - | - | 3,950.970** | **3,950.970** | - | - | - | - | - |
| | - Wine Soc | 85.258 | - | - | - | **85.258** | 69.876 | - | - | - | 69.876 |
| | - Sovereign Distilleries Ltd | 516.330 | - | - | - | **516.330** | - | - | - | - | - |
| t) | Deposits Outstanding | - | - | - | 1,683.863 | **1,683.863** | - | - | - | 2,110.000 | 2,110.000 |
| u) | Lease Deposit | | | | | | | | | | |
| | - Sovereign Distilleries Ltd | 506.330 | - | - | - | **506.330** | - | - | - | - | - |

* Excludes Reimbursement of Expenses and Cost sharing arrangements.

** **Since repaid in full.**

The above information has been determined to the extent such parties have been identified on the basis of information provided by the Company, which has been relied upon by the auditors.

**14** (a) The Company's significant leasing arrangements in respect of operating leases for premises (residential, office, stores, godown, manufacturing facilities etc), which are not non-cancellable, range between 11 months and 3 years generally (or longer in certain cases) and are usually renewable by mutual consent on mutually agreeable terms.

Leasing arrangements entered into prior to April 1, 2001 have not been considered for treatment under AS 19 'Accounting for Leases'.

The Whyte and Mackay Group entered into an operating lease agreement in September 2006 to rent a property over a 30 year period at an annual cost of Rs. 62.070 Million (2010: Rs. 59.123 Million). The annual rent payable is subject to review every 5 years. There are no contingent rent payments. The aggregate lease rentals payable are charged as Rent under Schedule 16 to the accounts.

Sub-lease payments received Rs. 151.117 Million (2010: Rs. 270.528 Million) have been recognised in the statement of profit and loss for the year and are included under Schedule 14.

Total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

Rs. Million

| | | 2011 | 2010 |
|---|---|---|---|
| (i) | not later than one year; | **8.498** | 10.271 |
| (ii) | later than one year and not later than five years; | **44.845** | 15.508 |
| (iii) | later than five years; the total of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date; | **62.055** | 59.109 |
| | | **115.398** | 84.888 |

(b) The Company has acquired computer equipment and cars on finance leases. The lease agreements are for a primary period of 48 months for computer equipments and for 36 months to 60 months for cars. The Company has an option to renew these leases for a secondary period. There are no exceptional/restrictive covenants in the lease agreements.

**19. NOTES ON ACCOUNTS (Contd.)**

The minimum lease payments and their present value, for each of the following periods are as follows:

Rs. Million

| Particulars | 2011 Present Value of payments | 2011 Minimum lease payments | 2010 Present Value of payments | 2010 Minimum lease payments |
|---|---|---|---|---|
| Later than one year and not later than five years | **3.113** | **3.346** | 8.441 | 9.146 |
| Later than five years | - | - | - | - |
| | **3.113** | **3.346** | 8.441 | 9.146 |
| Not later than one year | **5.303** | **5.851** | 8.234 | 9.669 |
| | **8.416** | **9.197** | 16.675 | 18.815 |
| Less: Finance Charges | | **0.781** | | 2.140 |
| Present value of net minimum lease payments | | **8.416** | | 16.675 |

**15. Earnings Per Share:**

| | | 2011 | 2010 |
|---|---|---|---|
| | Nominal Value of equity shares (Rs.) | **10** | 10 |
| a) | Net Profit/(Loss) after tax and attributable to Minority (Rs. Million) | **5,695.208** | (227.075) |
| b) | Basic number of Equity Shares of Rs. 10 each outstanding during the year | **125,869,467** | 120,669,098 |
| c) | Weighted Average number of Equity Shares of Rs. 10 each outstanding during the year | **125,869,467** | 110,738,139 |
| d) | Basic Earnings Per Share (Rs.) (a /c) | **45.25** | (2.05) |

**16 Taxes on Income:**

a) **Current Taxation**

Provision for current taxation includes:

Rs. Million

| | | 2011 | 2010 |
|---|---|---|---|
| i) | Income Tax | **1,914.327** | 1,768.494 |
| ii) | Wealth Tax | **13.500** | 12.800 |
| | **Total** | **1,927.827** | 1,781.494 |

b) **Deferred Taxation**

The net Deferred Tax (Asset) / Liability as on March 31, 2011 has been arrived at as follows:

Rs. Million

| Particulars | Deferred Tax (Assets) / Liabilities as on 1.4.2010 | Adjustment on Amalgamation | Current Year charge / (credit) | Translation Adjustment | **Deferred Tax (Assets)/ Liabilities as on 31.3.2011** |
|---|---|---|---|---|---|
| Difference between book and tax depreciation | 1,116.640 | 56.536 | 264.758 | 17.467 | **1,455.401** |
| Provision for Doubtful Debts | (288.071) | - | (87.580) | 4.621 | **(371.030)** |
| Employee Benefits | (490.948) | (16.681) | 293.657 | (12.136) | **(226.108)** |
| Others | (1,052.124) | (345.581) | 253.628 | (39.499) | **(1,183.576)** |
| | (714.503) | (305.726) | 724.463 | (29.547) | **(325.313)** |

**19. NOTES ON ACCOUNTS (Contd.)**

**17 Onerous Lease Provision**

Rs. Million

| | 2011 | 2010 |
|---|---|---|
| **At the beginning of the year** | **1002.175** | 909.890 |
| Translation Adjustment | **50.967** | (138.591) |
| | **1,053.142** | 771.299 |
| **Charged/ (Credited) to income statement** | **(531.612)** | 230.876 |
| (Less): Utilised (incurred and charged against provision) during the year | **-** | - |
| **At the end of the year** | **521.530** | 1,002.175 |

**Note:**

These provisions were set up in relation to certain leasehold properties of Whyte and Mackay Group, which are un-let or sub-let at a discount. The provisions take account of current market conditions and expected future vacant periods and are utilised over the remaining period of the lease, which at March 31, 2011 is between 8 and 21 years.

**18 Foreign Currency Transactions**

a) The Group has marked to market all the outstanding derivative contracts on the Balance Sheet date and has recognised the resultant loss amounting to Rs. 998.708 Million (2010: Rs. 1,374.004 Million) during the year.

b) As on March 31, 2011, the Group has the following derivative instruments outstanding:

i) Interest and Currency Swap arrangement (USD-INR) in connection with borrowings amounting to Nil (2010: USD 35 Million).

ii) Interest and Currency Swap arrangement (USD) in connection with borrowings amounting to USD 85 Million (2010: Nil).

iii) Interest Rate Swap arrangements in connection with borrowings amounting to GBP 171.250 Million (2010: GBP 171.250 Million).

c) The year end foreign currency exposures that have not been hedged by a derivate instrument or otherwise are as under:

i) Receivables: USD 1.722 Million (2010: USD 1.778 Million), Euro 0.205 Million (2010: Euro 0.248 Million), Canadian Dollar 0.304 Million (2010: Canadian Dollar 0.333 Million), Taiwan Dollar Nil (2010: Taiwan Dollar 2.347 Million), INR 44.118 Million (2010: INR 44.118 Million).

**19** Previous year's figures have been regrouped/ re-arrangement wherever necessary.

**For Price Waterhouse**
Firm Registration Number: 007568S
Chartered Accountants

**USHA A. NARAYANAN**
Partner
Membership Number: 23997

New Delhi
August 3, 2011

**VIJAY MALLYA**
Chairman

**M.R.DORAISWAMY IYENGAR**
Director

New Delhi
August 3, 2011

**V.S.VENKATARAMAN**
Company Secretary

Bangalore
August 3, 2011

**ASHOK CAPOOR**
Managing Director

**P.A.MURALI**
Chief Financial Officer

to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.

2. Members attending the Annual General Meeting are requested to bring with them the following:
   (a) Copy of the Annual Report and Notice, as no copies thereof would be distributed at the meeting.
   (b) The Attendance Slip duly completed and signed as per the **specimen signature** lodged with the Company. The Company would accept only the Attendance Slip from a Member actually attending the Meeting or from the person attending as a duly registered proxy. Attendance Slips of Members / valid proxies, not personally present at the Meeting or relating to proxies which are invalid, will not be accepted from any other member / person. The Meeting is for Members or their Proxies only. Please avoid being accompanied by non-members and / or children.
3. To facilitate members, registration of attendance will commence at 10.30 a.m.

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## UNITED SPIRITS LIMITED

**Regd. Office: 'UB Tower', # 24, Vittal Mallya Road, Bangalore - 560 001**

**TWELFTH ANNUAL GENERAL MEETING**

Thursday, September 29, 2011

at 11.30 a.m.

VENUE:

**Good Shepherd Auditorium**

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

**ADMISSION SLIP**

PLEASE HAND OVER THE ADMISSION SLIP AT THE ENTRANCE OF THE MEETING HALL, DULY COMPLETED.

FOLIO No.:

DP & CLIENT ID No.:

HOLDING:

PLEASE TICK:

☐ MEMBER OR ☐ PROXY

NAME OF THE MEMBER / PROXY ATTENDING (IN CAPITAL LETTERS)

Name & Address of Member **(Folio No. / DP & Client ID No. must be filled in)**

I hereby register my presence at the meeting

Signature of the Member / Proxy

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## UNITED SPIRITS LIMITED

**Regd. Office: 'UB Tower', # 24, Vittal Mallya Road, Bangalore - 560 001**

## PROXY FORM

I/We________________________________of ____________________

being a member/members of **UNITED SPIRITS LIMITED** do hereby appoint ____________________

of ____________________ or failing him / her ____________________

of__________________ as my / our proxy to vote for me / us and on my / our behalf at the Twelfth Annual General Meeting of the Company to be held on Thursday, September 29, 2011 at 11.30 a.m. and at any adjournment or adjournments thereof.

Signed this______________ day of September 2011.

Signature (across the stamp) ____________________

Name ____________________

Registered Folio No. ____________________

DP & Client ID No. ____________________

Affix Re.1/- Revenue Stamp

# United Spirits Limited

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

**NOTICE IS HEREBY GIVEN OF THE TWELFTH ANNUAL GENERAL MEETING** of the Company to be held at Good Shepherd Auditorium, Opposite St. Joseph's Pre-University College, Residency Road, Bangalore – 560 025 on Thursday, September 29, 2011 at 11.30 a.m. for the following purposes:

1. To receive and consider the accounts for the year ended March 31, 2011 and the reports of the Auditors and Directors thereon;

2. To declare dividend on Equity Shares;

3. To elect a Director in the place of **Mr. M.R. Doraiswamy Iyengar,** who retires by rotation and being eligible, offers himself for re-appointment;

4. To elect a Director in the place of **Mr. B. M. Labroo,** who retires by rotation and being eligible, offers himself for re-appointment;

5. **Appointment of Auditors:**

   To consider and if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution:

   RESOLVED that M/s. Walker, Chandiok & Co., Chartered Accountants, be and are hereby appointed Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting on a remuneration to be fixed by the Board of Directors of the Company, in place of the retiring auditors M/s.Price Waterhouse, Chartered Accountants, who are not seeking re-appointment.

6. **Appointment of Mr. Ashok Capoor as a Director:**

   To consider and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:

   RESOLVED that Mr. Ashok Capoor, who was appointed as an Additional Director by the Board of Directors of the Company, be and is hereby appointed as a Director of the Company, not subject to retirement by rotation so long as he holds the office of the Managing Director of the Company.

7. **Appointment of Mr. Ashok Capoor as Managing Director:**

   To consider and if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:-

   RESOLVED that subject to the provisions of Section 269, read with Schedule XIII and other applicable provisions of the Companies Act, 1956, or any statutory modification or re-enactment thereof, Mr. Ashok Capoor be and is hereby appointed as Managing Director of the Company with effect from May 2, 2011 for a period of three years, on the following terms and conditions.

| | | | |
|---|---|---|---|
| 1. | Salary | | Basic Salary of Rs 8,50,000/- per month, in the salary range of Rs 8,00,000/- to Rs.12,00,000/- per month, with such increments as may be decided by the Board of Directors of the Company from time to time, and with proportionate increase in all benefits related to the quantum of salary. |
| 2. | Special Allowance | | Rs 3,00,000/- per month. This will be taken into account for calculation of Provident Fund, Gratuity, Superannuation Benefits, Performance Evaluation Payment and Contribution Improvement Incentive Scheme (CRIIS) |
| 3 | Personal Allowance | | Rs 1,33,130/- per month as per the rules of the Company. |
| 4 | Performance Evaluation Payment | | Of such percentage of Basic Salary plus Special Allowance per annum as may be evaluated by the Board of Directors of the Company, in accordance with the rules of the Company in this regard. |
| 5 | Contribution Improvement Incentive Scheme (CRIIS) | | As per the rules framed in this regard. |
| 6 | Long Term Incentive Payment (LTIP) | | As per the rules framed in this regard. |

7 Perquisites

i) Housing – Furnished/ Unfurnished residential accommodation or house rent allowance of upto sixty per cent of salary in lieu thereof.

The expenditure incurred by the Company on gas, electricity, water and fuel shall be valued as per the Income Tax Rules, 1962.

ii) Flexi Compensation Package (FCP)

a) FCP 1 - Comprising LTA & Fixed Allowance - Rs.47,000/- per month as per the Rules of the Company as applicable.

b) FCP 2 - Comprising Car lease, fuel, lunch vouchers, House repairs, painting and maintenance - Rs.2,28,325/- per month as per the Rules of the Company as applicable.

c) FCP 3 - Comprising Driver's salary – Rs.10,000/- per month as per the Rules of the Company as applicable.

iii) Medical Reimbursement – Expenses incurred for Mr. Ashok Capoor and his family, as per the rules of the Company, at actuals.

iv) Club Fees – Fees of clubs subject to a maximum of two clubs. This will include admission and life membership fees.

v) Personal Accident Insurance – Premium as per the rules of the Company.

vi) Provident Fund – Company's contribution to Provident Fund shall be as per the Scheme of the Company.

vii) Superannuation/Annuity Fund – Company's contribution to Superannuation or Annuity Fund shall be in accordance with the Scheme of the Company.

viii) Gratuity – Payable in accordance with the rules of the approved Fund of the Company.

ix) Encashment of leave not availed of – as per the rules of the Company.

x) Provision of cars, cell phone and telephone at the residence of Mr Ashok Capoor as per the rules of the Company.

xi) Such other benefits, amenities, facilities and perquisites as per the rules of the Company and as may be permitted to the Managing Director, by the Board of Directors of the Company.

Provided that the remuneration payable to Mr Ashok Capoor (including Salary, Special Allowance, Personal Allowance, Performance Evaluation Payment, Contribution Improvement Incentive Scheme (CRIIS), Long Term Incentive Payment (LTIP), Perquisites, Benefits, Amenities and Facilities) shall be subject to the provisions laid down in Sections 198 and 309 and Schedule XIII of the Companies Act, 1956 or any other statutory provisions, modifications and re-enactments thereof.

Further RESOLVED that the remuneration as aforesaid by way of Salary, Special Allowance, Personal Allowance, Performance Evaluation Payment, Contribution Improvement Incentive Scheme (CRIIS), Long Term Incentive Payment (LTIP), Perquisites, Benefits, Amenities and Facilities shall be paid and provided as "minimum remuneration" to Mr Ashok Capoor notwithstanding the absence or inadequacy of profits in any financial year of the Company during the tenure of his office as the Managing Director of the Company, subject to the approval of the Central Government, if required.

Further RESOLVED that, the Managing Director, Mr Ashok Capoor be entrusted with substantial powers of management and will be responsible for the general conduct and management of the business and affairs of the Company, subject to the superintendence, control and supervision of the Board of Directors of the Company.

Further RESOLVED that Mr Ashok Capoor shall not be subject to retirement by rotation so long as he continues as Managing Director of the Company.

By Order of the Board

Place : Bangalore
Date : August 3, 2011

**V.S. VENKATARAMAN**
Company Secretary

**Notes:**

1. Please refer to the Explanatory Statement given hereunder.

2. A SHAREHOLDER ENTITLED TO ATTEND THE MEETING AND VOTE THEREAT MAY APPOINT A PROXY TO ATTEND AND VOTE ON HIS BEHALF ONLY ON A POLL. SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY.

   The proxy form duly completed must reach the Registered Office of the Company not later than forty-eight hours before the time appointed for the holding of the Meeting.

3. The Transfer Books and Register of Members will remain closed from Friday, September 23, 2011 to Thursday, September 29, 2011 (both days inclusive).

4. Members are required to intimate immediately to the Company's Registrars and Transfer Agents, M/s. Integrated Enterprises (India) Limited (IEIL), (Alpha Systems Private Limited, erstwhile Registrars and Transfer Agents merged with IEIL) 30, Ramana Residency, 4th Cross, Sampige Road, Bangalore - 560 003 (Telephone No.080-23460815-818 Fax No.080 2346 0819), in case of shares held in physical form and to their respective Depository Participants, in case of shares held in dematerialized/electronic form :

   a. any change in their registered addresses along with PIN Code Number ;

   b. details about their email addresses, if any, so that all notices and other statutory documents which are required to be sent to the Members, as per the provisions of the Companies Act, 1956, can be sent to their email addresses, as a measure of "Green Initiatives" proposed by the Ministry of Corporate Affairs (MCA) ; and

   c. details about their bank account number, name of bank, bank's branch name and address to enable the Company to draw dividend warrant payable accordingly.

5. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.

6. Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be printed on their Dividend Warrants as per the applicable regulations of the Depository. The Company will not act on any direct request from such members for change/deletion in such bank details. Further, instructions if any, already given by them in respect of shares held in physical form will not be automatically applicable to the dividend paid on shares held in electronic form. Members may, therefore, give instructions regarding bank accounts in which they wish to receive dividend, to their Depository Participants immediately.

7. Members holding shares in the same name or same order of names under different ledger folios are requested to apply for consolidation of such folios, to the Company's Registrars and Transfer Agents, at the address as stated in Note No.4 above.

8. Members may please address all their documents/correspondence relating to the equity shares of the Company directly to the Company's Registrars and Transfer Agents, at the address as stated in Note No.4 above.

9. Nomination facility for shares is available for members. The prescribed format in this regard can be obtained from the Company's Registrars and Transfer Agents at the address as stated in Note No.4 above.

10. The Company's equity shares are under compulsory dematerialisation. Accordingly, trading of these shares through the Stock Exchanges would be facilitated if the share certificates are dematerialised. Members having the physical share certificates are advised to consider opening of a Demat Account with an authorised Depository Participant and arrange for dematerialising their shareholdings in the Company.

11. a) All Unclaimed/Unpaid Dividend up to the financial year ended March 31, 1994, have been transferred to the General Revenue Account of the Central Government in terms of Section 205A of the Companies Act, 1956. Those who have not encashed the Dividend Warrants for the said period may claim their dividends from the Registrar of Companies - Karnataka, II Floor, E-Wing, Kendriya Sadan, Koramangala, Bangalore - 560 034.

    b) All Unclaimed / Unpaid Dividend for the financial years 1994-95 to 2002-03, required to be transferred to the Investor Education and Protection Fund (Fund) in terms of Section 205C of the Companies Act, 1956, have been transferred to the Fund.

    c) In terms of Section 205A and 205C of the Companies Act, 1956, the amount of dividend declared for the financial year 2003-04 and thereafter remaining unclaimed for a period of seven years from the due date of payment shall hereafter be transferred to the Investor Education and Protection Fund.

12. Members may kindly note that once the Unclaimed/Unpaid Dividend is transferred to the Fund, no claim shall lie against the Fund or the Company in respect of the individual amounts which were Unclaimed and Unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claim.

13. Members attending the Annual General Meeting are requested to bring with them the following.

    a. Members holding shares in dematerialised form, their DP & Client ID Numbers.

    b. Members holding shares in physical form, their Folio Numbers.

    c. Copy of the Annual Report and Notice, as no copies thereof would be distributed at the Meeting.

    d. The Attendance Slip duly completed and signed in terms of specimen signature lodged with the Company.

    The Company would accept only the Attendance Slip from a member actually attending the Meeting; or from the person attending as a proxy under a valid proxy form registered with the Company not less than 48 hours prior to the Meeting. Attendance Slips of Members/valid proxies not personally present at the Meeting, or relating to Proxies which are invalid, will not be accepted from any other member/person.

    The Meeting is for members or their proxies only. Please avoid being accompanied by non-members/children.

14. The Company has designated an exclusive email Id viz., **uslinvestor@ubmail.com** to enable the investors to post their grievances and monitor its redressal.

15. Corporate members are required to send to the Company a certified copy of the Board Resolution pursuant to Section 187 of the Companies Act 1956, authorizing their representative to attend and vote at the Annual General Meeting.

16. The details required to be given in pursuance of Clause 49 of the Listing Agreement in case of directors being appointed/ reappointed are given in the Corporate Governance Section of the Annual Report.

**EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173 OF THE COMPANIES ACT, 1956**

**Item No.5 : (Appointment of Auditors):**

M/s.Price Waterhouse, Chartered Accountants, were appointed Auditors of the Company by the Members to hold office from the conclusion of the last Annual General Meeting till the conclusion of the forthcoming Annual General Meeting. M/s.Price Waterhouse, Chartered Accountants are not seeking re-appointment.

It is proposed, that M/s. Walker, Chandiok & Co., Chartered Accountants, be appointed Statutory Auditors of the Company to hold office from the conclusion of the forthcoming Annual General Meeting till the conclusion of the next Annual General Meeting on remuneration to be fixed by the Board of Directors.

The resolution under this item seeks the approval of the Members for the said appointment of auditors.

None of the Directors of the Company is concerned or interested in this resolution.

**Item No. 6 & 7:**

Mr. Ashok Capoor has been appointed as Additional Director by the Board of Directors of the Company on April 29, 2011. A notice under Section 257 of the Companies Act, 1956 has been received from a member signifying the intention to propose the appointment of Mr. Ashok Capoor as a Director of the Company at this Annual General Meeting.

Mr. Ashok Capoor, a graduate in Economics, had obtained his Masters in Business Administration (Marketing) from Faculty of Management Studies, Delhi. He has also successfully completed an Advanced Management Program from Harvard University, Boston.

Mr. Ashok Capoor has over 35 years' experience across companies and various functions, sales and marketing being his major specialization. Mr. Ashok Capoor has been with the UB Group since 1992 having joined as Divisional Vice President in erstwhile Herbertsons Limited, since merged with the Company. After having been Deputy President of the Company since October 2, 2007, he has been promoted to the position of President with effect from May 2, 2011.

The Board of Directors has appointed Mr. Ashok Capoor as Managing Director of the Company with effect from May 02, 2011 for a period of three years. The remuneration proposed to be paid to him is detailed in the resolution under item No.7. He will hold office for a period of three years and shall not be subject to retirement by rotation so long as he continues as Managing Director of the Company. Mr. Ashok Capoor shall be entrusted with substantial powers of management and will be responsible for the general conduct and management of the business and affairs of the Company subject to the superintendence, control and supervision of the Board of Directors of the Company.

Mr. Ashok Capoor does not hold any shares in the Company.

The Board recommends the Resolutions under item nos. 6 & 7 to the members for their approval.

None of the Directors other than Mr. Ashok Capoor is interested or concerned in the Resolution.

An abstract under Section 302 of the Companies Act, 1956 in respect of this item has already been circulated separately to all the shareholders and the relevant resolution concerning the appointment of Mr. Ashok Capoor as Managing Director in the accompanying notice may also be treated as a further abstract pursuant to Section 302 of the Companies Act, 1956.

By Order of the Board

Place : Bangalore
Date : August 3, 2011

**V.S. VENKATARAMAN**
Company Secretary

# McDowell's V.S.O.P Brandy

McDowell's VSOP is a premium variant from the McDowell's portfolio. Launched in 2009, McDowell's VSOP brandy is a runaway success by achieving nearly a million cases in the first full financial year of its launch and thereby being on the threshold of achieving a millionaire status in the next financial year. Brandy is the flavor of choice with the consumers in South India. There is an increasing upward migration in this flavor. The prestige brandy segment has recorded a growth rate of 45% CAGR.

McDowell's VSOP brandy was launched to drive dominance in this emerging segment. It leverages the brand heritage and provides an opportunity for consumers to move up from McDowell's No.1 Brandy. It is an important component of the McDowell's brand strategy towards premiumising the portfolio.

McDowell's VSOP has already captured 10% market share in the first year of its launch.

McDowell's VSOP is positioned as the perfect brandy for Very Special Old Pals. Packaging for the brand has been designed by a world-class design house befitting its premium status. McDowell's VSOP was the only brandy in its segment which has launched with a look-alike packaging for its Quart, Pint and Nip bottles.

McDowell's VSOP is testimony to the science and art of definitive brandy blending. Matured in wooden vats, the entire process uses only the best methods and equipment. The result is a golden hued brandy with an evocative aroma of warm honey and vanilla.

## Royal Challengers Bangalore Tops League Standing in IPL IV


In this year's IPL auction the RCB management team under Dr. Mallya's leadership sought to build the team around youngsters. The team retained one of India's most promising young batsmen, Virat Kohli.

Under the stewardship of Sidhartha Mallya and on-field Captaincy of the New Zealand international, Daniel Vettori, the team performed creditably to finish top of the league table and Runner's up for the tournament.

En-route, the team discovered some exciting young talent in the form of S.Arvind, Mayank Agarwal etc. RCB's Chris Gayle, also finished at the top of the table in terms of maximum runs scored in the tournament, 608, thus winning the Orange Cap!

Over the last 4 editions of the IPL, RCB has been one of the most consistent teams. The team has appeared in the finals twice and been a semi final finisher once.

## RCB Goes Green

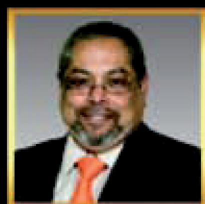
The RCB management team has also put in considerable efforts to be close to their fans. It has a large online community of 430,000 users on Facebook which is growing on a daily basis. Taking inputs from fans, a major plan has been underway to be the first sports team internationally to be carbon neutral! The team, till date has achieved a reduction of 1500 tons of carbon and the same is being validated and audited by the world's leading certification agency - DNV. This reduction in emission is equivalent to planting 75000 trees, saving on 7600 flights between Bangalore and Delhi and 50,000 CFL's lit for a year. Additionally, the carbon neutrality message was spread by the playing 11, who, for one IPL match played in green jerseys on National television sending the message out to IPL followers. Other initiatives include tree planting drives, solar water heater emphasis, CFL switch over programs, supporting BMTC's Bus Day initiative, encouraging car pooling, etc, truly an initiative of the fans, for the fans and by the fans in every way.

These efforts have recognized by United Nations Environment Program (UNEP). Furthermore their World Environment day, which was celebrated in India this year, was supported by players and fans of RCB.

# The Team

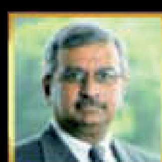

Ashok Capoor
President & MD

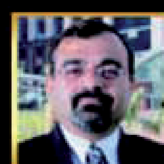

P.A. Murali
Jt. President & CFO

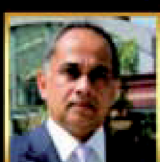

Ravi Nedungadi
President & Group CFO

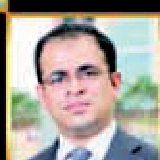

V.S. Venkataraman
Executive Vice President
& Co. Secretary


Amrit Thomas

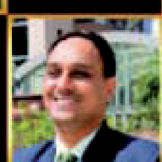

I.P. Suresh
Menon

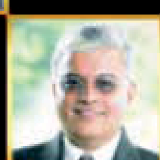

Sanjay Raina

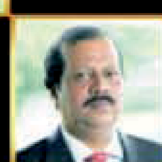

Ajay Baliga

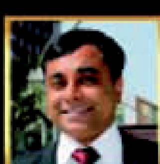

Kedar Ulman

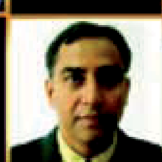

Dr. B.K. Maitin


P.S. Gill


N.R. Rajsekher


Vivek Prakash


K. Laxminarasimhan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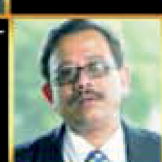
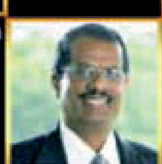
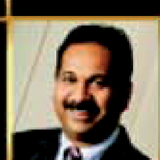

K. Chatterjee

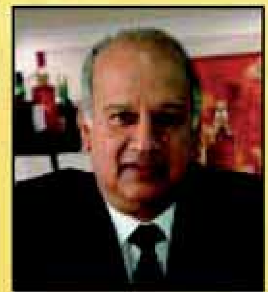

P.A.B. Sargunar


Abhay Kewadkar


Vineet Chhabra

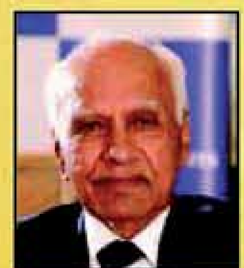
# Board of Directors

Dr. Vijay Mallya
Chairman

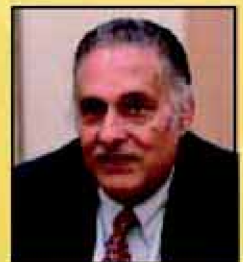


S.R. Gupte
Vice Chairman

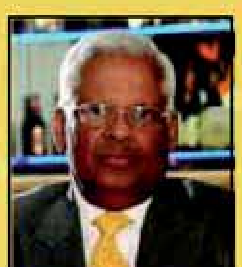
Ashok Capoor
Managing Director



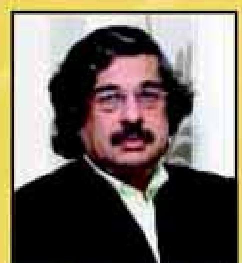
M. R. D. Iyengar



B. M. Labroo

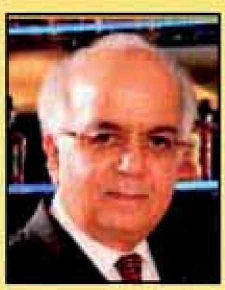


Sreedhara Menon

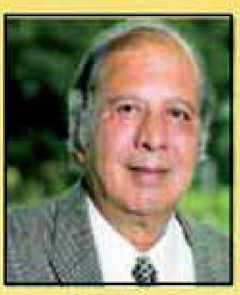


S. K. Khanna

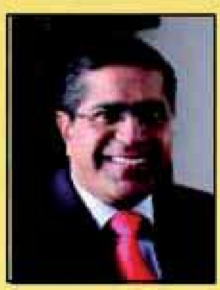
# The Executive Committee



V. K. Rekhi
Chairman



S. D. Lalla
Vice Chairman



P.A. Murali

Ashok Capoor

GROUP

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