



United Spirits Limited

Corporate Identity Number: L01551KA1999PLC024991

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

Tel: +91 80 3985 6500; Fax: +91 80 3985 6862; www.unitedspirits.in, Email: uslinvestor@unitedspirits.in

NOTICE

NOTICE IS HEREBY GIVEN OF THE FIFTEENTH ANNUAL GENERAL MEETING ("AGM") of United Spirits Limited (the "Company") to be held at Level 1, UB Tower, #24, Vittal Mallya Road, Bangalore 560 001 on Tuesday, September 30, 2014 at 2.30 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Statement of Profit and Loss for the financial year ended March 31, 2014, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of **Dr. Vijay Mallya (DIN: 00122890)**, who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

RESOLVED that the vacancy in the Board of Directors of the Company arising out of the retirement of **Mr. Gilbert Ghostine (DIN: 06555302)** who retires by rotation at this AGM and has not offered himself for re-appointment, not be filled up as of the current date.

4. To appoint Statutory Auditors and to fix their remuneration.

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

RESOLVED that pursuant to the provisions of Section 139 of the Companies Act, 2013 and the rules made thereunder, and pursuant to the recommendation of the Audit Committee of the Board of Directors, M/s. B S R & Co. LLP, Chartered Accountants (Registration No. 101248W/W-100022), be and are hereby re-appointed as the Statutory Auditors of the Company to hold office from the conclusion of this AGM until the conclusion of the twentieth AGM, subject to ratification of the appointment by the members at every AGM held after this AGM and that the Board of Directors be and are hereby authorized to fix such remuneration as may be recommended by the Audit Committee in consultation with the Auditors and that such remuneration may be paid on a progressive billing basis to be agreed upon between the Auditors and the Board of Directors.

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modification(s), the following Resolutions:

5. As an Ordinary Resolution:

Appointment of Mr. Sudhakar Rao (DIN: 00267211) as an Independent Director:

RESOLVED that pursuant to the provisions of Sections 149, 150(2), 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. Sudhakar Rao, Director of the Company and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years from September 30, 2014 to September 29, 2019 and who shall not be liable to retire by rotation.

6. As an Ordinary Resolution:

Appointment of Mr. D. Sivanandhan (DIN: 03607203) as an Independent Director:

RESOLVED that pursuant to the provisions of Sections 149, 150(2), 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. D. Sivanandhan, Director of the Company and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of

Director, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years from September 30, 2014 to September 29, 2019 and who shall not be liable to retire by rotation.

7. As an Ordinary Resolution:

Appointment of Dr. (Mrs.) Indu Shahani (DIN: 00112289). as an Independent Director:

RESOLVED that Dr. (Mrs.) Indu Shahani, who was appointed as an Additional Director by the Board of Directors of the Company on August 14, 2014 and whose period of office expires on the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing her candidature for the office of Director be and is hereby appointed as an Independent Director of the Company, pursuant to the provisions of Sections 149, 150(2), 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, to hold office for five consecutive years from September 30, 2014 to September 29, 2019, and who shall not be liable to retire by rotation.

8. As an Ordinary Resolution:

Vacancy arising out of Mr. G.N. Bajpai (DIN: 00946138), Independent Director, not offering himself for re-appointment:

RESOLVED that the vacancy in the Board of Directors of the Company arising out of Mr. G.N. Bajpai, who was earlier appointed as Independent Director of the Company and liable for retirement by rotation and proposed to be appointed as Independent Director, not liable to retire by rotation, at this Annual General Meeting pursuant to the provisions of Sections 149, 150(2) and 152 read with Schedule IV and other applicable provisions of the Companies Act, 2013 and rules made thereunder, not offering himself for re-appointment, not be filled up as of the current date.

9. As an Ordinary Resolution:

Vacancy arising out of Mr. Arunkumar Ramanlal Gandhi (DIN: 00007597), Independent Director, not offering himself for re-appointment:

RESOLVED that the vacancy in the Board of Directors of the Company arising out of Mr. Arunkumar Ramanlal Gandhi, who was earlier appointed as Independent Director of the Company and liable to retirement by rotation and proposed to be appointed as Independent Director, not liable to retire by rotation, at this Annual General Meeting pursuant to the provisions of Sections 149, 150(2) and 152 read with Schedule IV and other applicable provisions of the Companies Act, 2013 and rules made thereunder, not offering himself for re-appointment, not be filled up as of the current date.

10. As an Ordinary Resolution:

Vacancy arising out of Mr. Vikram Singh Mehta (DIN: 00041197), Independent Director, not offering himself for re-appointment:

RESOLVED that the vacancy in the Board of Directors of the Company arising out of Mr. Vikram Singh Mehta, who was earlier appointed as Independent Director of the Company and liable to retirement by rotation and proposed to be appointed as Independent Director, not liable to retire by rotation, at this Annual General Meeting pursuant to the provisions of Sections 149, 150(2) and 152 read with Schedule IV and other applicable provisions of the Companies Act, 2013 and rules made thereunder, not offering himself for re-appointment, not be filled up as of the current date.

11. As an Ordinary Resolution:

Appointment of Mr. Anand Kripalu as a Director:

RESOLVED that Mr. Anand Kripalu (DIN: 00118324), who was appointed as an Additional Director by the Board of Directors of the Company on August 14, 2014 and whose period of office expires on the date of this Annual General Meeting, in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, 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.

12. As a Special Resolution

Appointment of and remuneration payable to Mr. Anand Kripalu as Managing Director and Chief Executive Officer:

RESOLVED that subject to the provisions of Sections 196 and 197, read with Schedule V and other applicable provisions

of the Companies Act, 2013, or any statutory modification or re-enactment thereof, Mr. Anand Kripalu, be and is hereby appointed as Managing Director and Chief Executive Officer of the Company with effect from August 14, 2014 for a period of five years, on the following terms and conditions:

1	Salary	Basic Salary of Rs.26,33,890/- per month, with such increments as may be determined by the Board of Directors of the Company from time to time, in the salary range of Rs. 20,00,000/- to Rs. 35,00,000/- per month and with proportionate increase in all benefits related to the quantum of salary.
2	Special Allowance	Special Allowance at the rate of 50% of the Basic Salary per month. This will be taken into account for calculation of Provident Fund, Gratuity, Superannuation Benefits and Contribution Improvement Incentive Scheme (CRIIS) or equivalent.
3	Personal Allowance	Rs. 9,53,400/- per month in the range of Rs. 9,00,000/- to Rs. 16,00,000/- per month.
4	Contribution Improvement Incentive Scheme (CRIIS) or equivalent	As per the rules framed by the Company in this regard.
5	Long Term Incentive Plan (LTIP) or equivalent	As per the rules framed by the Company in this regard.
6	Perquisites	<p>i) Housing – Furnished/ unfurnished residential accommodation or house rent allowance of <u>maximum of 50%</u> of basic salary in lieu thereof. The expenditure incurred by the Company on gas, electricity and water shall be valued as per the Income Tax Rules, 1962.</p> <p>ii) Flexi Compensation Package (FCP):- (a) LTA of Rs. 15,500/- per month as per Rules of the Company, as applicable. (b) House Maintenance, Repairs and Painting at actuals as per the Company's policy.</p> <p>iii) National Pension Scheme Contribution (NPS) - 10% of the Basic Salary per month as per the Company's rules.</p> <p>iv) Medical Reimbursement – Expenses incurred for Mr.Kripalu and his family, as per the rules of the Company, as applicable.</p> <p>v) Club Fees – Fees of clubs subject to a maximum of two clubs. This will include admission and corporate annual membership fees.</p> <p>vi) Group Mediclaim Policy – Hospitalisation expenses for Mr.Kripalu and his family as per rules of the Company and as applicable to employees of his grade.</p> <p>vii) Group Term Life Insurance – Life insurance for Mr.Kripalu as applicable to employees of his grade and as per rules of the Company.</p> <p>viii) Personal Accident Insurance – Accident Insurance for Mr. Kripalu as applicable to employees of his grade and as per rules of the Company.</p> <p>ix) Provident Fund – The Company's contribution to Provident Fund shall be as per the Scheme of the Company, as applicable.</p> <p>x) Superannuation/Annuity Fund – The Company's contribution to Superannuation or Annuity Fund shall be in accordance with the Scheme of the Company, as applicable.</p> <p>xi) Gratuity – Payable in accordance with the Rules of the approved Fund of the Company, as applicable.</p> <p>xii) Encashment of leave not availed – As per the Rules of the Company, as applicable.</p> <p>xiii) Provision of cars, cell phone and telephone (at the residence) – Provision of two Company cars with drivers and actual fuel; two mobile phones' expenditure, telephone at residence including internet broadband expenditure as per the Company's policy.</p> <p>xiv) Tax preparation services – Consulting services cost for filing tax returns payable at actuals.</p> <p>xv) Such other benefits, amenities, facilities and perquisites as per the rules of the Company, as applicable and as may be permitted by the Board of Directors of the Company.</p>

In addition to the above, Mr. Kripalu is eligible to benefits under the Diageo Associated Companies Share Incentive Plan ("DACSIP" or the "Plan"). DACSIP is a discretionary benefit offered by the Diageo Group for the benefit of the employees of its associate companies. The Plan is an incentive for the employees' future performance and commitment to the goals of the Diageo Group. Shares purchased or received, any cash received and any gains obtained under the Plan are not part of salary for any purpose (except to any extent required by statute). There will be no cost to the Company on account of Mr. Kripalu's eligibility under the DACSIP. For avoidance of doubt, DACSIP does not involve any shares of the Company.

Provided that the remuneration payable to Mr. Kripalu (including salary, Special Allowance, Personal Allowance, Contribution Improvement Incentive Scheme (CRIIS) or equivalent, Long Term Incentive Plan (LTIP) or equivalent, Perquisites, Benefits, Amenities and Facilities) shall be subject to the provisions laid down in Section 197 and Schedule V of the Companies Act, 2013 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, Contribution Improvement Incentive Scheme (CRIIS) or equivalent, Long Term Incentive Plan (LTIP) or equivalent, perquisites, benefits, amenities and facilities shall be paid and provided as "minimum remuneration" to Mr. Anand Kripalu 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. Anand Kripalu 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 Anand Kripalu shall not be subject to retirement by rotation so long as he continues as Managing Director of the Company.

13. As a Special Resolution:

Revision in the terms of remuneration payable to Mr. P.A. Murali, Executive Director:

RESOLVED that in partial modification of the resolution No.8, passed at the 14th Annual General Meeting of the Company held on September 24, 2013, the terms of remuneration of Mr. P.A. Murali, Executive Director, be and is hereby revised as under with effect from April 1, 2014 and shall remain in force till the end of his tenure as Executive Director i.e. up to July 03, 2018:

1	Salary	Basic Basic Salary of Rs.18,65,000/- per month (from April 01, 2014 to June 30, 2014) and Rs.25,93,390/- per month (from July 2014 onwards), with such increments as may be determined by the Board of Directors of the Company from time to time, in the salary range of Rs.18,00,000/- to Rs.30,00,000/- per month and with proportionate increase in all benefits related to the quantum of salary.
2	Special Allowance	Special Allowance at the rate of 50% of the Basic Salary per month. This will be taken into account for calculation of Provident Fund, Gratuity, Superannuation Benefits and Contribution Improvement Incentive Scheme (CRIIS) or equivalent.
3	Personal Allowance	Rs.4,13,150/- per month (from April 01, 2014 to June 30, 2014) and Rs.4,22,150/- per month (from July 01, 2014 onwards) in the range of Rs.4,00,000/- to Rs.8,00,000/- per month.
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. * This element of remuneration has been withdrawn from July 01, 2014 and is merged with Basic Salary and other linked components.
5	Contribution Improvement Incentive Scheme (CRIIS) or equivalent	As per the rules of the Company framed in this regard.

6	Long Term Incentive Plan (LTIP) or equivalent	As per the rules of the Company framed in this regard.
7	Perquisites	<p>i) Housing–Furnished/ Unfurnished residential accommodation or house rent allowance of <u>maximum of 50%</u> of salary in lieu thereof. (reduced from 60% to 50% w.e.f. July 01, 2014) The expenditure incurred by the Company on gas, electricity, water and fuel shall be valued as per the Income Tax Rules, 1962.</p> <p>ii) Flexi Compensation Package (FCP):- (a) LTA of Rs.15,500/- per month as per rules of the Company, as applicable. (b) Lunch vouchers of Rs.2,500/- per month, as per rules of the Company, as applicable. # # This element of remuneration has been withdrawn from July 01, 2014 and is merged with personal allowance. (c) House Maintenance, Repairs and Painting at actuals as per the Company's policy.</p> <p>iii) National Pension Scheme Contribution (NPS)- 10% of the Basic Salary per month as per the Company's rules.</p> <p>iv) Medical Reimbursement – Expenses incurred for Mr. Murali and his family, as per the rules of the Company, as applicable.</p> <p>v) Club Fees – Fees of clubs subject to a maximum of two clubs. This will include admission and corporate annual membership fees.</p> <p>vi) Group Mediclaim Policy – Hospitalisation expenses for Mr. Murali and his family as per rules of the Company applicable to employees of his grade in the Company.</p> <p>vii) Group Term Life Insurance – Life insurance for Mr.Murali as applicable to employees of his grade and as per rules of the Company.</p> <p>viii) Personal Accident Insurance – Accident insurance for Mr. Murali as applicable to his grade and as per rules of the Company.</p> <p>ix) Provident Fund – The Company's contribution to Provident Fund shall be as per the Scheme of the Company, as applicable.</p> <p>x) Superannuation/Annuity Fund – The Company's contribution to Superannuation or Annuity Fund shall be in accordance with the Scheme of the Company, as applicable.</p> <p>xi) Gratuity – Payable in accordance with the Rules of the approved Fund of the Company, as applicable.</p> <p>xii) Encashment of leave not availed – As per the Rules of the Company, as applicable.</p> <p>xiii) Provision of cars, cell phone and telephone (at the residence) – Provision of two Company cars with drivers and actual fuel, two mobile phones' expenditure, telephone at residence including internet broadband expenditure as per the Company's policy.</p> <p>xiv) Such other benefits, amenities, facilities and perquisites as per the rules of the Company, as applicable and as may be permitted to the Executive Director, by the Board of Directors of the Company.</p>

FURTHER RESOLVED that the revised remuneration payable to Mr. P.A. Murali (including Salary, Special Allowance, Personal Allowance, Performance Evaluation Payment, Contribution Improvement Incentive Scheme (CRIIS) or equivalent, Long Term Incentive Plan (LTIP) or equivalent, Perquisites, Benefits, amenities and facilities) shall be subject to the provisions laid down in Section 197 read with Schedule V of the Companies Act, 2013 or any other statutory provisions, modifications and re-enactments thereof.

FURTHER RESOLVED that one-time bonus of Rs.5 Crores paid during the financial year 2014-15 to Mr. P.A. Murali, Executive Director be and is hereby approved.

FURTHER RESOLVED that the remuneration as aforesaid by way of Salary, Special Allowance, Personal Allowance, Performance Evaluation Payment, Contribution Improvement Incentive Scheme (CRIIS) or equivalent, Long Term Incentive Plan (LTIP) or equivalent, Perquisites, Benefits, amenities, facilities and the one-time bonus of Rs.5 crores (Rupees Five Crores only) as approved by the Board (and paid during the financial year 2014-15), shall be paid and provided as "Minimum Remuneration" to Mr. Murali, notwithstanding the absence or inadequacy of profits in any financial year of the Company during the tenure of his office as the Executive Director of the Company, subject to the approval of the Central Government, if required.

FURTHER RESOLVED that all other terms and conditions of appointment of Mr Murali as Executive Director, as approved by the shareholders at the fourteenth Annual General Meeting of the Company shall remain unchanged except to the extent revised as above.

FURTHER RESOLVED that the Board of Directors of the Company or a Committee thereof be and is hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this resolution.

14. As a Special Resolution:

Approval of the Borrowing Limit:

RESOLVED that in supersession of the ordinary resolution passed by the members under the erstwhile provisions of Section 293(1)(d) of the Companies Act, 1956 at the 7th Annual General Meeting of the Company held on December 28, 2006, the consent of the members of the Company be and is hereby accorded pursuant to the provisions of Section 180(1)(c) of the Companies Act, 2013, and other applicable law, if any, to borrow for and on behalf of the Company moneys in any manner from any Bank(s) and/or Public Financial Institution(s) as defined under Section 2(72) of the Companies Act, 2013 and/or any Foreign Financial Institution(s) and/or any other entity/entities or authority/authorities and/or through suppliers credit, securities, instruments such as Floating Rate Notes, Fixed Rate Bond, Syndicated Loan, etc., and/or through credit from official agencies and/or by way of Commercial borrowings from the Private Sector window of Multilateral Financial Institutions either in Indian Rupees or in such other Foreign Currency as may be permitted by applicable law from time to time as may be deemed appropriate by the Board for an aggregate amount not exceeding Rs.10,000,00,00,000 (Rupees Ten Thousand Crores only) or equivalent thereof in Foreign Exchange (inclusive of such premium as may be fixed on the Securities) as may be required in future for the Company's activities and/or for general corporate purposes including Capital Expenditure, Working Capital requirements, strategic investment, any mergers, demergers, amalgamations, acquisitions, re-constructions or rearrangements or any other re-organisations as the Board may deem fit for the purpose of the business of the Company and whether the same be secured or not and if secured whether by way of mortgage, charge, hypothecation, pledge or otherwise in any manner whatsoever in respect of all or any of the Company's assets and properties, book debts and stock-in-trade including raw materials, stores, parts or components in stock or in transit, notwithstanding that the moneys so borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount up to which moneys may be borrowed by the Board of Directors and outstanding at any time shall not exceed Rs.10,000,00,00,000 (Rupees Ten Thousand Crores only).

15. As an Ordinary Resolution:

Approval to contribute to bona fide charitable and other funds:

RESOLVED that pursuant to the provisions of Section 181 of the Companies Act, 2013, and other applicable provisions, if any, the Board of Directors of the Company be and is hereby authorized to subscribe or contribute or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, sports, exhibition, national, public or any other institutions, objects or purposes or other funds not directly relating to the business of the Company or the welfare of its employees, from time to time in any financial year to the extent of Rs.150,000,000/- (Rupees Fifteen Crores only) notwithstanding that such contributions of the Company, in any financial year, may exceed 5% of the average net profits of the Company for the three immediately preceding financial years.

16. As a Special Resolution:**Payment of Remuneration to Non-Executive Directors:**

RESOLVED that pursuant to the provisions of Section 197 and any other applicable provisions of the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force), the Directors, other than the Managing Director (if any) or the Director(s) in the whole time employment of the Company, be paid every year a remuneration not exceeding one percent per annum of the net profits of the Company calculated in accordance with the provisions of Section 198 of the Companies Act, 2013, which amount they may apportion among themselves in any manner they deem fit, in addition to sitting fees, reimbursement of expenses for participation in the Board and other meetings, if any, payable to each Director for every Meeting of the Board or Committee thereof attended by him/her, and that this Resolution remain in force from April 01, 2014 until revoked.

By order of the Board

Place: Mumbai
Date : September 04, 2014

V.S. Venkataraman
Company Secretary

Notes:

1. Please refer to the explanatory statement given hereunder.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS / HER BEHALF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

Pursuant to the provisions of Section 105 of the Companies Act, 2013, a person can act as a proxy on behalf of not more than fifty members and holding in aggregate not more than ten percent of the total Share Capital of the Company carrying voting rights. Members holding more than ten percent of the total Share Capital of the Company may appoint a single person as proxy, who shall not act as a proxy for any other Member. Proxies submitted on behalf of limited companies, societies, etc., must be supported by an appropriate resolution / authority, as applicable.

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 Annual General Meeting ("AGM").

3. The Transfer Books and Register of Members will remain closed from September 22, 2014 to September 30, 2014 (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), # 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, 2013, can be sent to their email addresses, as a measure of "Green Initiatives" introduced 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. 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.

6. 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.
7. 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.
8. The Company's equity shares are under compulsory dematerialization. Accordingly, trading of these shares through the Stock Exchanges would be facilitated if the share certificates are dematerialized. Members having the physical share certificates are advised to consider opening of a Demat Account with an authorised Depository Participant and arrange for dematerializing their shareholdings in the Company.
9.
 - 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 2005-06, 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 2006-07 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.
10. 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.
11. Members attending the AGM 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 AGM.
 - 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 AGM 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 AGM. Attendance Slips of Members/valid proxies not personally present at the AGM or relating to Proxies which are invalid, will not be accepted from any other member/person.

The AGM is for members or their proxies only. Please avoid being accompanied by non-members/children.
12. The Company has designated an exclusive email Id viz., uslinvestor@unitedspirits.in to enable the investors to post their grievances and monitor its redressal.
13. Corporate members are required to send to the Company a certified copy of the Board Resolution pursuant to Section 113 of the Companies Act, 2013, authorizing their representative to attend and vote at the AGM.
14. 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.
15. In compliance with the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administrations) Rules, 2014, the Company is pleased to provide to Members with a facility to exercise their right to vote at the 15th AGM by electronic means and the business may be transacted through Electronic Voting (e-voting) services provided by National Securities Depository Limited ("NSDL"):

16. The instructions for e-voting are as under:

- (i) Members whose shareholding is in the dematerialised form and whose e-mail addresses are registered with the Company / Depository Participants will receive an email from NSDL informing User ID and Password:
 - (a) Open e-mail and open PDF file titled "USL E-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password for e-voting. Please note that the password is an initial password.
 - (b) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com>.
 - (c) Click on "Shareholder" – "Login".
 - (d) Type your user ID and initial password as mentioned in Step (a) above.
 - (e) Click Login.
 - (f) Password change menu appears, change the password with the new password of your choice with minimum of 8 digits / characters or a combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
 - (g) Home page of "e-Voting" opens. Click on "e-Voting": Active Voting Cycles.
 - (h) Select "EVEN" of United Spirits Limited.
 - (i) Now you are ready for "e-Voting" as "Cast Vote" page opens.
 - (j) Cast your vote by selecting the appropriate option and click on "Submit" and also "Confirm" when prompted.
 - (k) Upon confirmation, the message "Vote cast successfully" will be displayed.
 - (l) Once you have voted on the resolution, you will not be allowed to modify your vote.
 - (m) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.,) are required to send scanned copy (PDF/JPG format) of the relevant board resolution / authority letter etc., together with an attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the scrutinizer by an e-mail to sudhir.compsec@gmail.com with a copy marked to evoting@nsdl.co.in.
- (ii) For Members whose shareholding is in the Dematerialisation form and whose e-mail address is not registered with the Company / Depository Participants, Members holding shares in Physical form as well as those Members who have requested for a physical copy of the Notice and Annual Report, the following instructions may be noted:
 - I. Initial password is provided at the bottom of the Attendance Slip for the AGM: EVEN (e-Voting Event Number) USER ID and PASSWORD;
 - II. Please follow all steps from paragraph (b) to (m) above to cast your vote.

17. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and e-voting user manual for Members available at the downloads section of www.evoting.nsdl.com.

18. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot Password" option available on the site to reset the password.

19. If you are already registered with NSDL for e-voting then you can use your existing user ID and password for casting your vote.

20. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).

21. The e-voting period commences on September 24, 2014 (9:00 a.m.) and ends on September 26, 2014 (6:00 p.m.). During this period Members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of August 29, 2014, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter.

22. The voting rights of Members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of August 29, 2014.
23. Mr. Sudhir V Hulyalkar, Company Secretary in Practice (CP - 6137; Address: 16/8, Ground Floor, 2nd Cross, Gupta Layout, South End Road (Near South End Circle), Basavangudi, Bangalore 560 004) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
24. The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
25. The Results shall be declared on or after the date of AGM of the Company. The Results declared along with the Scrutinizer's Report shall be placed on the Company's website - www.unitedspirits.in and on the website of NSDL within two (2) days of passing of the resolutions at the AGM of the Company and communicated to the Stock Exchanges.
26. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (10.00 a.m. to 5.00 p.m.) on all working days except Saturdays, up to and including the date of the AGM of the Company.

EXPLANATORY STATEMENT AS REQUIRED BY SECTION 102 OF THE COMPANIES ACT, 2013.

Item No.3: Vacancy caused by retirement of Mr. Gilbert Ghostine

This explanatory statement is provided though strictly not required as per Section 102 of the Companies Act, 2013.

Mr. Gilbert Ghostine retires by rotation as Director of the Company at this Annual General Meeting. He is not offering himself for re-appointment. As of the current date, it is proposed not to fill the vacancy on the Board so caused by his retirement.

No Director, key managerial personnel or their respective relatives is concerned or interested, financially or otherwise, in the resolution.

Your Directors recommend the above resolution for your approval.

Item No.4: Appointment of Auditors and to fix their remuneration:

This explanatory statement is provided though strictly not required as per Section 102 of the Companies Act, 2013.

M/s. B.S.R. & Co. LLP, Chartered Accountants (Registration No. 101248W/W-100022), were appointed as the statutory auditors of the Company for the period from the conclusion of the fourteenth Annual General Meeting (AGM) of the Company till the conclusion of the fifteenth AGM of the Company.

As per the provisions of Section 139 of the Companies Act, 2013, no listed company can appoint or re-appoint an audit firm for more than two terms of five consecutive years from the date of commencement of the Companies Act, 2013.

In view of the above, M/s. B.S.R. & Co, Chartered Accountants (Registration No. 101248W/W-100022) being eligible for re-appointment and based on the recommendation of the Audit Committee, the Board of Directors at their meeting held on September 03, 2014, proposed the appointment of M/s. B.S.R. & Co, Chartered Accountants (Registration No. 101248W/W-100022), as the statutory auditors of the Company for a period of five years to hold office from the conclusion of ensuing AGM till the conclusion of the twentieth AGM of the Company, subject to ratification of the appointment by the members at every AGM held after this AGM.

No Director, key managerial personnel or their respective relatives is concerned or interested, financially or otherwise, in the resolution.

Your Directors recommend the above resolution for your approval.

Item Nos.5 and 6: Appointment of Mr. Sudhakar Rao and Mr. D. Sivanandhan, Independent Directors for a fixed term of five years:

In compliance with the provisions contained in clause 49 of the listing agreement entered into with the stock exchanges, the Board had appointed Mr. Sudhakar Rao and Mr. D. Sivanandhan, as Independent Directors of the Company on July 04, 2013 liable to retire by rotation.

In terms of Section 149(10) of the Companies Act, 2013, an Independent Director shall hold office for a term of up to five consecutive years on the Board of a Company and the office of an Independent Director shall not be liable to retire by rotation in terms of Section 149(13) of the Companies Act, 2013. In compliance with the provisions of Sections 150(2), 152 and other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, appointment of Independent Directors for a fixed term of five consecutive years from this Annual General Meeting is proposed.

Mr. Sudhakar Rao and Mr. D. Sivanandhan are independent of the management and have submitted declarations that they meet the criteria for independence as provided in Section 149(6) of the Companies Act, 2013. In the opinion of the Board, both Mr. Sudhakar Rao and Mr. D. Sivanandhan fulfill the conditions specified in the Companies Act, 2013 and rules made thereunder for their appointment as Independent Directors of the Company and they have considerable experience and knowledge in their respective fields to enable the Board to discharge their functions and duties efficiently. For appointment of each of the Independent Directors proposed herein a notice in writing under Section 160 of the Companies Act, 2013 has been received by the Company from the Member(s) signifying their intention to propose their appointment.

A specimen letter of appointment for Independent Directors setting out the terms and conditions is available on the Company's website www.unitedspirits.in and would also be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on working days except Saturdays, up to the date of the AGM.

No director, key managerial personnel or their respective relatives, except Mr. Sudhakar Rao and Mr. D. Sivanandhan, to whom the respective resolutions relate, is interested or concerned, financially or otherwise, in the resolutions.

Mr. Sudhakar Rao and Mr. D. Sivanandhan do not hold by themselves or for any other person on a beneficial basis, any shares in the Company.

Your Directors recommend the ordinary resolutions set forth in Item Nos.5 and 6 for your approval.

Item No.7: Appointment of Dr.(Mrs). Indu Shahani (Dr.Shahani) as an Independent Director for a fixed term of five years:

In compliance with the provisions contained in clause 49 of the listing agreement entered into with the stock exchanges and provisions of Section 149 of the Companies Act, 2013, the Board of Directors at their meeting held on August 14, 2014 appointed Dr. Shahani as an Additional Director of the Company pursuant to Section 161 of the Companies Act, 2013 in the capacity of Independent Director. She holds office till the date of this Annual General Meeting.

In terms of Section 149(10) of the Companies Act, 2013, an Independent Director shall hold office for a term of up to five consecutive years on the Board of a Company and the office of an Independent Director shall not be liable to retire by rotation in terms of Section 149(13) of the Companies Act, 2013. In compliance with the provisions of Sections 150(2), 152 and other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, appointment of Independent Director for a fixed term of five years from this Annual General Meeting is proposed.

Dr. Shahani is independent of the management and has submitted a declaration that she meets the criteria for independence as provided in Section 149(6) of the Companies Act, 2013. In the opinion of the Board, Dr. Shahani fulfills the conditions specified in the Companies Act, 2013 and rules made thereunder for her appointment as Independent Director of the Company and she has considerable experience and knowledge to enable the Board to discharge their functions and duties efficiently. For appointment of Dr. Shahani as Independent Director as proposed herein, a notice in writing under Section 160 of the Companies Act, 2013 has been received by the Company from a Member signifying the intention to propose her appointment.

A specimen letter of appointment for Independent Directors setting out the terms and conditions is available on the Company's website www.unitedspirits.in, and would also be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on working days except Saturdays, up to the date of the AGM.

No director, key managerial personnel or their respective relatives, except Dr.Shahani, to whom the resolution relates, is interested or concerned, financially or otherwise, in the resolution.

Dr. Shahani does not hold by herself or for any other person on a beneficial basis, any shares in the Company.

Your Directors recommend the above resolution for your approval.

Item Nos.8 to 10: Vacancy arising out of certain Independent Directors not offering themselves for re-appointment:

Mr. G.N. Bajpai, Mr. Arunkumar Ramanlal Gandhi and Mr. Vikram Singh Mehta, who were appointed as Independent Directors of the Company on various dates and were liable to retire by rotation in compliance with the provisions of Section 256 of the Companies Act, 1956 and proposed to be appointed as Independent Directors, not liable to retire by rotation, at this Annual General Meeting pursuant to the provisions of Sections 149, 150(2) and 152 read with Schedule IV and other applicable provisions of the Companies Act, 2013 and rules made thereunder, have not offered themselves for re-appointment. As of the current date, it is proposed not to fill the vacancies on the Board so caused by the above Directors not offering themselves for re-appointment.

No directors, key managerial personnel or their respective relatives, is interested or concerned, financially or otherwise, in the resolution.

None of the Independent Directors hold by themselves or for any other persons on a beneficial basis, any shares in the Company.

Your Directors recommend the ordinary resolutions set forth in Item No.8 to 10 for your approval.

Item Nos.11 and 12: Appointment of Mr Anand Kripalu (Mr Kripalu) as a Director and Managing Director and Chief Executive Officer and remuneration payable to Mr Kripalu as Managing Director:

Mr. Anand Kripalu has been appointed as Additional Director by the Board of Directors of the Company on August, 14, 2014. A notice has been received from a member proposing Mr. Kripalu as a candidate for the office of Director of the Company.

Mr. Kripalu is a B.Tech from IIT, Madras and MBA from IIM, Calcutta and has done an Advanced Management Program in Wharton Business School. Mr. Kripalu has over 30 years of experience in FMCG business.

Mr. Kripalu was formerly President, India and South Asia, at Mondelez International. In this position, Mr. Kripalu played a key role in leading Mondelez after the Cadbury acquisition by Kraft in India. He presided over eight years of continuous growth and helped the India business earn status as one of India's Most Admired Companies in 2012 and #3 Most Admired FMCG Company in 2013.

The Board of Directors has appointed Mr. Anand Kripalu as Managing Director and Chief Executive Officer of the Company with effect from August 14, 2014 for a period of five years. The remuneration proposed to be paid to him is detailed in the resolution under item no.12. He will hold office for a period of five years and shall not be subject to retirement by rotation so long as he continues as Managing Director of the Company. Mr. Anand Kripalu 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.

No director, key managerial personnel or their respective relatives, except Mr. Kripalu, to whom the resolution relates, is interested or concerned, financially or otherwise, in the resolution.

Mr. Kripalu does not hold by himself or for any other person on a beneficial basis, any shares in the Company.

Your Directors recommend the Ordinary Resolutions set forth in Item Nos.11 and 12 for your approval.

Item No.13: Revision in the terms of remuneration payable to Mr P.A.Murali, Executive Director:

At the Fourteenth Annual General Meeting held on September 24, 2013, the shareholders had approved the appointment of and the terms of remuneration payable to Mr.P.A.Murali (Mr.Murali) as Executive Director of the Company for a period of 5 years, with effect from July 4, 2013 on the terms and conditions, inter alia, with Basic Salary of Rs.10,78,200/- per month in the salary range of Rs.8,00,000/- to Rs.14,00,000/- per month and Special Allowance at the rate of 50% of the Basic Salary per month.

The Board of Directors at their meeting held on April 30, 2014, on the basis of the recommendation from the Nomination and Remuneration Committee of Directors, approved the revision in the remuneration w.e.f. April 01, 2014 (including payment of one-time bonus of Rs.5 crores which was paid during the financial year 2014-15) and the payment of minimum remuneration in the event of loss of inadequacy of profits as stated in resolution. Within the overall remuneration as approved by the Board of Directors as mentioned above, the various components of remuneration such as Basic Salary etc., were revised w.e.f. July 01, 2014 as stated in the resolution.

No director, key managerial personnel or their respective relatives, except Mr. Murali, to whom the resolution relates, is interested or concerned, financially or otherwise, in the resolution.

Mr. Murali does not hold by himself or for any other person on a beneficial basis, any shares in the Company.

Your Directors recommend the Special Resolution under Item No.13 for your approval.

Item No.14: Approval of the Borrowing Limit:

At the Annual General Meeting held on December 28, 2006, an Ordinary Resolution was passed pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956, authorising the Directors to borrow monies not exceeding Rs.10,000,00,00,000 or equivalent thereof in Foreign Exchange (inclusive of such premium as may be fixed on the Securities) in view of the increase in the operations of the Company.

The Ministry of Corporate Affairs, Government of India, issued a General Circular No.04/2014 dated March 25, 2014, clarifying that resolutions passed under Section 293 of the Companies Act, 1956 prior to 12 September 2013, (i.e., the date on which the corresponding Section 180 of the Companies Act, 2013 was notified), with reference to borrowings (subject to the limits prescribed) and / or creation of security on assets of the company will be regarded as sufficient compliance of the requirements of Section 180 of the Companies Act, 2013 for a period of one year from the date of notification of Section 180 of the Companies Act, 2013.

Section 180(1)(c) of the Companies Act, 2013, which replaces Section 293(1)(d) of the Companies Act, 1956, stipulates that a special resolution has to be passed where the money to be borrowed together with the money already borrowed by the Company will exceed aggregate of the paid-up share capital and free reserves of the Company, apart from temporary loans obtained from the Company's bankers in the ordinary course of business. Further, as per Section 180(2) of the Companies Act, 2013, every special resolution passed by the company in general meeting in relation to the exercise of the powers as stated in Section 180(1)(c) of the Companies Act, 2013 should specify the total amount up to which monies may be borrowed by the Board of Directors.

No director, key managerial personnel or their respective relatives is interested or concerned, financially or otherwise, in the resolution.

In view of the above provisions, your Directors recommend the Special Resolution under the Item No.14 for your approval.

Item No.15: Approval to contribute to bona fide charitable and other funds:

Pursuant to Section 181 of the Companies Act, 2013, prior permission of the shareholders is required in the event that the Company contribute to any bona fide charitable and other funds in case any such amount, the aggregate of which, in any financial year exceed five per cent of its average net profits for the three immediately preceding financial years.

Accordingly, it is proposed to obtain the members' approval to contribute to bona fide charitable and other funds not exceeding Rupees Fifteen Crores in any financial year notwithstanding such contribution, in any financial year, exceeds five per cent of the Company's average net profits for the three immediately preceding financial years.

No director, key managerial personnel or their respective relatives is interested or concerned, financially or otherwise, in the resolution.

Your Directors recommend the Ordinary Resolution under Item No.15 for your approval.

Item No.16: Payment of Remuneration to Non-Executive Directors:

The members of the Company at their 11th Annual General Meeting held on September 29, 2010 approved by way of a Special Resolution pursuant to Section 309(4) of the Companies Act, 1956, the payment of remuneration by way of commission to the Non-Executive Directors of the Company, of a sum not exceeding one percent per annum of the net profits of the Company, calculated in accordance with the provisions of the Companies Act 1956, for a period of five years commencing April 1, 2011.

In view of Sections 149, 197 and any other relevant provisions of the Companies Act, 2013 coming into effect from 1st April, 2014 and taking into account the roles and responsibilities of the directors, it is proposed that the Directors (other than the

Managing Director (if any) and the Whole-time Directors) be paid remuneration not exceeding one percent per annum of the net profits of the Company computed in accordance with the provisions of the Companies Act, 2013. This remuneration will be distributed amongst the Directors in accordance with the directions given by the Board of Directors and subject to any other applicable requirements under the Companies Act, 2013. This remuneration shall be in addition to fee payable to the Directors for attending the meetings of the Board or Committee thereof or for any other purpose whatsoever as may be decided by the Board, and reimbursement of expenses for participation in the Board and other meetings.

Accordingly, a fresh approval of the Members is sought by way of a Special Resolution under the applicable provisions of the Companies Act, 2013 for payment of remuneration by way of commission to the Directors of the Company (other than the Managing Director and Whole-time Directors) commencing from April 1, 2014 as set out in the Resolution at Item No. 16 of the Notice.

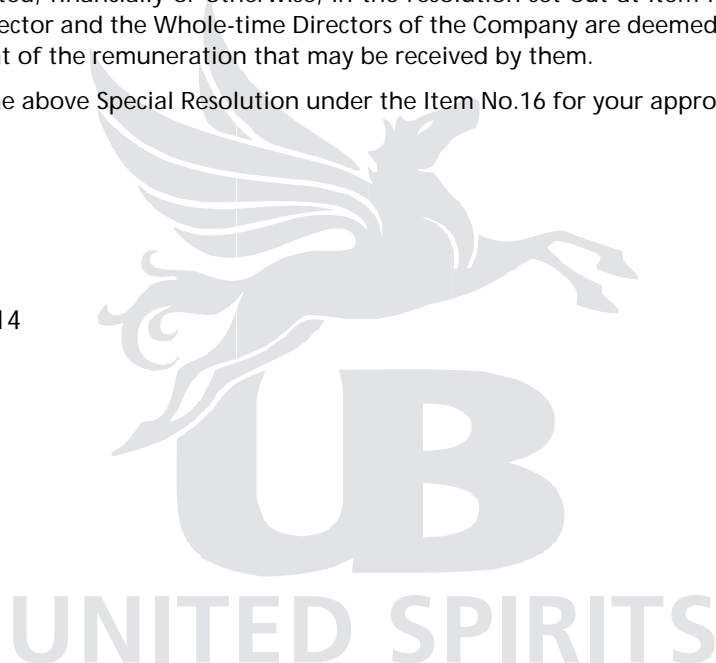
The Managing Director, Whole-time Directors and key managerial personnel of the Company and their respective relatives are not concerned or interested, financially or otherwise, in the resolution set out at Item No. 16 of the Notice. Directors other than the Managing Director and the Whole-time Directors of the Company are deemed to be concerned or interested in the resolution to the extent of the remuneration that may be received by them.

Your Directors recommend the above Special Resolution under the Item No.16 for your approval.

By order of the Board

Place: Mumbai
Date : September 04, 2014

V.S. Venkataraman
Company Secretary





UNITED SPIRITS LIMITED

ANNUAL REPORT 2013-2014



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Board of Directors
(As on 03-09-2014)

Dr. Vijay Mallya, **Chairman**

Anand Kripalu, **Managing Director and Chief Executive Officer**

P. A. Murali, **Executive Director**

Paul Steven Walsh

Gilbert Ghostine

Ravi Rajagopal

G. N. Bajpai

Arunkumar Ramanlal Gandhi

Vikram Singh Mehta

Sudhakar Rao

D. Sivanandhan

Dr. Indu Shahani

Chief Financial Officer

P. A. Murali

Company Secretary

V. S. Venkataraman

Auditors

BSR & Co.LLP
Chartered Accountants
(Registration No.101248W/W-100022)
Maruthi Info-Tech Centre
11-12/1 Inner Ring Road
Bangalore 560 071

Registered & Corporate Office

"UB Tower", #24, Vittal Mallya Road
Bangalore 560 001

Registrars & Transfer Agents

Integrated Enterprises (India) Limited,
30, Ramana Residency, 4th Cross,
Sampige Road, Malleswaram,
Bangalore 560 003.
Tel: 080 2346 0815 to 818
Fax:080 2346 0819

**Board of Directors
(As on 31-03-2014)**

Dr. Vijay Mallya, **Chairman**

Ashok Capoor, **Managing Director**

P.A. Murali, **Executive Director**

Paul Steven Walsh

Gilbert Ghostine

Ravi Rajagopal

G.N. Bajpai

Arunkumar Ramanlal Gandhi

Vikram Singh Mehta

Sudhakar Rao

D. Sivanandhan

Board of Directors (As on 03-07-2013)

Dr. Vijay Mallya, **Chairman**

S.R. Gupte, **Vice Chairman**

Ashok Capoor, **Managing Director**

M.R. Doraiswamy Iyengar

B.M. Labroo

Sreedhara Menon

Sudhinder Krishan Khanna

G.N. Bajpai

Your Directors have pleasure in presenting the Annual Report of your Company and the audited accounts for the year ended March 31, 2014.

FINANCIAL RESULTS

	Rupees in Millions	
	2013-14	2012-13
The working of your Company for the year under review resulted in		
• Profit/(Loss) from operations	(6,210.528)	5,774.717
• Exceptional and other non-recurring items	(43,216.262)	(216.481)
	(49,426.790)	5,558.236
Less:		
• Depreciation	855.025	718.269
• Taxation (including deferred tax)	746.404	1,632.008
• Profit/(Loss) after tax	(51,028.219)	3,207.960
Profit B/F from previous year	20,233.807	17,905.879
Profit/(Loss) available for appropriation	(30,794.412)	21,113.839
Your Directors have made the following Appropriations :		
General Reserve	-	500.000
Dividend paid in respect to previous years	36.322	-
Proposed Dividend	-	326.987
Corporate Tax on Proposed Dividend	-	53.045
Corporate Tax on Dividend paid	4.385	-
Balance carried to the Balance Sheet	(30,835.129)	20,233.807
EPS - Basic & Diluted (Rupees)	(356.60)	24.53

In view of Loss, your Directors do not recommend any Dividend on the equity shares of the Company.

CAPITAL

The authorised capital of your Company remained unchanged at 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 your Company stood increased from Rs.1,307,949,680/- divided into 130,794,968 equity shares of Rs.10/- each to Rs.1,453,277,430/- divided into 145,327,743 equity shares of Rs.10/- each consequent upon the issue and allotment of 14,532,775 equity shares of Rs.10/- each at a price of Rs.1,440/-

per equity share on preferential basis to Relay B.V., an indirect wholly owned subsidiary of Diageo plc.

GLOBAL DEPOSITORY SHARES

Your Company had issued 17,502,762 Global Depository Shares (GDSs) representing 8,751,381 Equity Shares ranking pari-passu in all respects with the existing paid-up equity shares, with 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 August 29, 2014 there were outstanding GDSs of 13,83,254 representing 691,627 Equity Shares.

PERFORMANCE OF THE COMPANY

During the year under review, your Company has achieved a sales volume of over 120.7 Million cases (Previous year 123.70 Million cases). Sales of the Company's brands in the Prestige and Above segment grew 15% in the fiscal year ended March 31, 2014 and stood at 33 million cases (Previous Year 28.7 million). For reasons which have been highlighted above and in quarterly communication following the declaration of results, viz. rising cost of inputs, forced curtailment of capacity in Tamil Nadu etc., your Company deliberately de-emphasised sales of its popular brands which recorded sales of 87.6 million cases, a drop of 8% from the previous year's 95 million cases. Imputed turnover, i.e. the price at which the Company's brands were billed from its manufacturing facilities (own/leased/contracted) and its warehouses, stood at Rs. 97,990.63 Million net of duties and taxes (Previous Year Rs. 93,862.90 Million) a rise of 4%. The growth in imputed turnover of the Company's brands in the Prestige and Above category during the year was Rs.42,570 Million, up by 17% from the Rs. 35,806 Million recorded in FY 2012-13.

SUBSIDIARIES

As stated in the Annual Report 2012-13, Tern Distilleries Private Limited ("Tern") has made a reference to the Board for Industrial and Financial Reconstruction ("BIFR") under Section 15 of Sick Industrial Companies (Special Provisions) Act, 1985 ("SICA"), in view of the erosion of the entire net worth of Tern. The BIFR at the hearing held on May 30, 2013 has declared Tern as a sick industrial company and asked Tern to submit a draft rehabilitation scheme ("DRS"). Tern has filed a DRS along with Scheme of Amalgamation

for amalgamation of Tern with your Company, which was subsequently approved by the shareholders of Tern and your Company at their respective Extraordinary General Meetings held on March 18, 2014. The BIFR had directed Tern to submit a revised DRS, which has since been submitted by Tern and the matter is pending before the BIFR.

As stated in the Annual Report 2012-13, Sovereign Distilleries Limited ("SDL"), a wholly owned subsidiary of the Company has made a reference to the BIFR under Section 15 of SICA, in view of the erosion of the entire net worth of SDL. The BIFR has appointed IDBI Bank Limited to conduct a Special Investigative Audit ("SIA") of SDL as per the provisions of Section 16(2) of SICA. M/s. Dagliya & Company, appointed by IDBI Bank Limited, have conducted the SIA and submitted its report and the matter is pending before the BIFR.

As stated in the Annual Report 2012-13, Pioneer Distilleries Limited ("PDL"), a subsidiary of the Company has made a reference to the BIFR under Section 15 of SICA, in view of the erosion of the entire net worth of PDL. The BIFR has appointed IDBI Bank Limited to conduct a SIA of PDL as per the provisions of Section 16(2) of SICA. IDBI Bank Limited has appointed M/s. Dagliya & Company to conduct the SIA ordered by BIFR and the SIA is in process.

During the year under review, Relay B.V. (as acquirer) along with Diageo plc and your Company (as persons acting in concert) made an open offer to the public shareholders of PDL for the acquisition of up to 2,466,168 equity shares representing 18.42% of the paid-up capital of PDL at a price of Rs.64.02 in compliance with the provisions of Regulations 3(1), 4 and 5 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. However, the total equity shares validly tendered by the public shareholders were only 639,185 constituting 4.77% of the equity shares, which were acquired by your Company. Consequently, the shareholding of your Company in PDL increased from 81.58% to 86.35%. As per the listing agreement, your Company is required to bring down its shareholding to a level of 75% of the total paid up capital of PDL before September 25, 2014. Your Directors are taking necessary steps to bring down the shareholding to 75%.

The Board of Directors have decided to amalgamate SW Finance Co. Limited, a wholly owned subsidiary of the Company, with your Company and necessary applications have been submitted to BSE Limited, National Stock Exchange of India Limited and Bangalore Stock Exchange

Limited pursuant to the provisions of the Listing Agreement with the Stock Exchanges for obtaining their observation letter / approval for the amalgamation. While observation letter from Bangalore Stock Exchange Limited has been received, observation letters from other two Stock Exchanges are awaited.

During the year under review, your Directors recommended to the board of directors of United Spirits (Great Britain) Limited ("USGBL"), an indirect wholly owned subsidiary of the Company, to consider approving the sale of the entire issued share capital of Whyte and Mackay Group Limited, that is presently owned by USGBL, to Emperador UK Limited, a subsidiary of Emperador Inc., for an enterprise value of £430 million, in accordance with the terms and subject to the conditions set out in a share sale and purchase agreement between USGBL, Emperador UK Limited and Emperador Inc. The board of directors of USGBL has, on May 9, 2014, approved the sale and entered into the share sale and purchase agreement with Emperador UK Limited and Emperador Inc. Pursuant to Section 180 of the Companies Act, 2013, postal ballot was conducted by the Company to seek the approval of the members in this regard by way of a special resolution. The estimated aggregate net proceeds of sale are approximately £408 million, however the actual proceeds of sale could fluctuate depending upon the adjustments to be made pursuant to the said share sale and purchase agreement. The net proceeds of the sale will be utilised by USGBL to repay facilities and also the associated costs of the sale. However, the net proceeds will be insufficient to repay an intra-USL group loan (owing to USL). As per the mandatorily applicable accounting standards, your Company has provided in its books of accounts regarding impairment of its investment in USL Holdings Limited, BVI, a wholly owned overseas subsidiary of your Company, and also for a part of the said intra-USL group loan, and subject to prior approval of the RBI, your Company will be required to write-off the amounts so provided for upon completion of the sale. The said provisioning inter alia has resulted in erosion of fifty two per cent of the Company's peak net worth during the immediately preceding four financial years, and consequently the Board is required to file a report in relation to the Company under Section 23 of the SICA. However, the Board believes that this report, if required to be filed, would arise as a technical requirement under SICA principally due to the exceptional and one-time write off and does not reflect upon the long term prospects of the Company. The special resolution was passed with requisite majority and the result of the postal ballot was announced on July 4, 2014.

Post the financial year under review, Whyte and Mackay Singapore Pte Limited, an indirect wholly owned overseas subsidiary of your Company, has changed its name to United Spirits Singapore Pte Limited.

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 holding companies give consent, by way of a resolution, for not attaching the balance sheet of their subsidiary companies and certain other conditions prescribed by the Ministry in this regard are complied with.

The Board of Directors of your Company, at their meeting held on September 03, 2014 have given their consent for not attaching, inter alia, the balance sheet, profit and loss account etc. of its subsidiary companies since your Company has complied with all the conditions prescribed by the Ministry vide its circular dated February 8, 2011, in this regard.

In view of the above, the balance sheet, statement of profit and loss 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 subsidiary companies and the related detailed information will be made available to any shareholder of the Company and subsidiary companies seeking such information at any point in time. The annual accounts of the subsidiary companies will also be kept for inspection by any shareholder at the respective registered offices of the Company and 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 2012-13 of USNPL ended on July 15, 2013 and the accounting year 2013-14 ended on July 15, 2014 i.e., after the end of the close of the financial year of the Company, which ended on March 31, 2014. 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, 2014.

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

HIVING OFF OF THE COMPANY'S DISTILLERY AT POONAMALLEE, IN TAMIL NADU

During the year under review, your Company has decided to hive-off the Company's Distillery Unit situated at Poonamallee, Chennai, Tamil Nadu to Enrica Enterprises Private Limited, Chennai. Your Company has received the necessary observation letters/approvals from the concerned stock exchanges. The Company Petitions, along with the Scheme of Arrangement ("Scheme"), have been filed before the Hon'ble High Court of Karnataka at Bangalore and Hon'ble High Court of Madras, Tamil Nadu pursuant to Sections 391 to 394 and other relevant provisions of the Companies Act, 1956. While sanction from the Hon'ble High Court of Madras has been received, the sanction from the Hon'ble High Court of Karnataka at Bangalore is awaited. The hive-off, however, will be effective only after the Scheme is sanctioned by both the Hon'ble High Courts.

INVESTMENT IN THE EQUITY CAPITAL OF THE COMPANY BY RELAY B.V., NETHERLANDS

As stated in the last year's Directors' Report, Relay B.V., an indirect wholly owned subsidiary of Diageo plc, had acquired 14,532,775 equity shares of Rs.10/- each at a price of Rs.1,440/- per equity share by way of subscribing to a preferential allotment of equity shares in the Company in accordance with the terms of a Preferential Allotment Agreement entered into between Diageo plc, Relay B.V. and the Company on November 9, 2012. Separately, Relay B.V. acquired 58,668 equity shares of the Company from the public shareholders of the Company pursuant to an open offer made by Relay B.V. together with Diageo plc and others as persons acting in concert, in accordance with the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. On July 4, 2013, Relay B.V. acquired a further 21,767,749 equity shares from United Breweries (Holdings) Limited, Kingfisher Finvest India Limited, SWEW Benefit Company, Palmer Investment Group Limited and UB Sports Management Overseas Limited in accordance with the terms of a Share Purchase Agreement ("SPA") dated November 9, 2012. As on July 4, 2013, Relay B.V. held 36,359,192 equity shares representing 25.02% of the paid up equity capital of the Company.

Further, Relay B.V. acquired 1,967,940 equity shares constituting 1.35 % and 3,500,000 equity shares constituting 2.41% of the paid-up equity capital of the Company by way of on-market purchases on November 28, 2013 and February 4, 2014 respectively. Relay B.V. further acquired 37,785,214 equity shares constituting 26% of the paid-up equity capital of the Company from the public shareholders of the Company pursuant to an open offer made by Relay B.V. together with Diageo plc as a person acting in concert (which open offer completed on July 2, 2014). With these acquisitions, Relay B.V. now holds 54.78% of the paid up equity capital of your Company.

Consequent to the above acquisitions, your Company has become the direct subsidiary of Relay B.V. and an indirect subsidiary of Diageo plc.

The acquisition by Relay B.V. of 3,459,090 equity shares representing 2.38% of the paid up equity capital of the Company held by USL Benefit Trust (of which the Company is the sole beneficiary) in terms of the SPA has not yet been completed, due to refusal of one of the lenders of the Company (IDBI Bank Limited) to instruct the security trustee to release the pledge over those shares, in spite of repayment of entire outstanding loan by the Company. The Company has filed a writ petition against IDBI Bank Limited and the security trustee before the Hon'ble High Court of Karnataka at Bangalore seeking appropriate reliefs in this matter (including release of pledge over the said shares) and the matter is pending before the Hon'ble High Court.

ASSET PURCHASE AGREEMENT WITH JP IMPEX INCORP

Your Company has entered into an Asset Purchase Agreement with JP Impex Incorp ("Firm"), a partnership firm having its principal place of business at #219/11, J P Corp, Bellary Road, Sadashivanagar, Bangalore – 560 080 and factory at Plot No.82/3 and 82/2 in Survey No.95 in the Nandur Kesaratagi Industrial Area, Nandur Hobli, Kesaba Teluka, Gulbarga District, Gulbarga, Karnataka ("Factory"), inter alia, for purchasing from the Firm, the building, plant and machinery, licences, transfer of lease hold rights on the land, all relating to the Factory. The purchase of the above assets would facilitate an increase in the Company's licensed Indian Made Foreign Liquor production capacity in the State of Karnataka, which the Company proposes to use for Tetra Pak production and availing logistical advantage. The closing of the transaction is subject to the fulfilment of certain conditions precedents by the Firm.

PROSPECTS

With over half of the Indian population under the age of 25 and more and more young Indians joining the work force with more disposable income in their hands at ages earlier than the previous generation, the Indian spirits industry is expected to see a large increase in its target consumers and hence continue on the growth path. The increasing affluence at early stages of the working life of the average Indian reinforces our confidence that premiumization in all spheres including in our industry is here to stay. The only hindrance to such continued growth and moving up the value chain could be the unbridled efforts of the State Governments to continue enhancing duties and taxes.

In a scenario where nearly three out of every four cases is sold by the Company to parastatal organisations, price increases are not easy to come by. However, your Company continues to be in the forefront of discussions with these agencies to push through price increases. Notwithstanding this, 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 certain markets as also through reduced trade spends.

Your Company has also been in the forefront of discussions with the Central Government seeking coverage of the Alcoholic Beverages Industry under GST and has made out a strong case for such inclusion. The new Government in power at the Centre seems committed to resolving the impasse with the States on the question of compensation arising from the introduction of GST. In all probability the Government may push through a Constitutional Amendment for the introduction of an all-encompassing GST – what is unclear, however, is whether the States have the financial muscle to follow suit and introduce an all-encompassing GST rules and regulations. If the Alcobev industry is excluded from levy of the tax on its finished product, it will end up with cost pressures owing to an increased input cost which will now be subject to 20% GST compared to a 12-odd % excise duty and a 2% CST.

Input costs, particularly of the key ingredient – Extra Neutral Alcohol – are likely to harden in a mandatory 10% ethanol blending scenario and with price increases not easy to come by, margins will continue to be under pressure. Your Company is however confident that it is best poised even in this difficult scenario to push its premiumization agenda and drive up margins through innovative strategies.

DEPOSITORY SYSTEM

The trading in the equity shares of your Company is under compulsory dematerialisation mode. As on August 29, 2014, equity shares representing 98.58% 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

As per the provisions of the Companies Act, 2013, Dr. Vijay Mallya retires by rotation and being eligible, offers himself for re-appointment. Mr. Gilbert Ghostine who retires by rotation at the forthcoming Annual General Meeting, has not offered himself for re-appointment. For the time being, the vacancy caused by such retirement has not yet been filled up. Mr. G.N. Bajpai, who was earlier appointed as Independent Director of the Company and liable for retirement by rotation under the Companies Act, 1956, and proposed to be appointed as Independent Director, not liable to retire by rotation, at the forthcoming Annual General Meeting, pursuant to the provisions of Sections 149, 150(2) and 152 read with Schedule IV and other applicable provisions of the Companies Act, 2013 and rules made thereunder, has not offered himself for re-appointment. For the time being, such vacancy caused has not yet been filled up.

Mr. Ashok Capoor tendered his resignation as Managing Director and Director on the Board of the Company with effect from May 1, 2014 and has assumed the role of President – Strategy of the Company with effect from May 01, 2014 and your Directors place on record their appreciation of the valuable services rendered by Mr. Ashok Capoor during his tenure as Managing Director of your Company.

Ms. Renu Sud Karnad, an Independent Director appointed at the Board Meeting held on July 4, 2013 has tendered her resignation as a Director of the Company with effect from February 25, 2014 and the Directors place on record their appreciation of the valuable services rendered by Ms. Renu Sud Karnad during her tenure as an Independent Director of the Company.

Dr.(Mrs.) Indu Shahani was appointed as an Additional Director in the capacity of Independent Director at the Board Meeting held on August 14, 2014, who will hold office in terms of Section 161 of the Companies Act, 2013 up to the

forthcoming Annual General Meeting. A notice in writing has been received from a Member signifying the intention to propose the appointment of Dr.(Mrs.) Indu Shahani as a Director at the forthcoming Annual General Meeting. In terms of Sections 149, 150(2) and 152 read with Schedule IV and other applicable provisions of the Companies Act, 2013 and rules made thereunder, she is proposed to be appointed as an Independent Director of the Company, not liable to retire by rotation, for a period of five consecutive years from September 30, 2014 to September 29, 2019.

Mr. Anand Kripalu who was appointed as a Chief Executive Officer (CEO) of the Company w.e.f. May 1, 2014, was appointed as an Additional Director of the Company w.e.f. August 14, 2014 and as Managing Director and Chief Executive Officer of the Company for a period of five (5) years. The appointment of and remuneration payable to Mr. Anand Kripalu has been approved and recommended by the Nomination and Remuneration Committee of Directors and is being placed for the approval of the Members at the forthcoming Annual General Meeting. Mr. Anand Kripalu will hold office in terms of Section 161 of the Companies Act, 2013 up to the date of the forthcoming Annual General Meeting. A notice in writing has been received from a Member signifying his intention to propose the appointment of Mr. Anand Kripalu as a Director at the forthcoming Annual General Meeting.

Mr. Sudhakar Rao and Mr. D. Sivanandhan, who were earlier appointed as Independent Directors of the Company on July 04, 2013 and were liable for retirement by rotation under the Companies Act, 1956, are proposed to be appointed as Independent Directors, not liable to retire by rotation, pursuant to the provisions of Sections 149, 150(2) and 152 read with Schedule IV and other applicable provisions of the Companies Act, 2013 and rules made thereunder, for a period of five years from September 30, 2014 to September 29, 2019. The Company has received notices from the Members signifying their intention to propose their appointment as Independent Directors at the forthcoming Annual General Meeting.

Mr. Arunkumar Ramanlal Gandhi and Mr. Vikram Singh Mehta, who were earlier appointed as Independent Directors of the Company on July 04, 2013 and August 19, 2013 respectively and were liable for retirement by rotation under the Companies Act, 1956 and proposed to be appointed as Independent Directors, not liable to retire

by rotation, at the forthcoming Annual General Meeting pursuant to the provisions of Sections 149, 150(2) and 152 read with Schedule IV and other applicable provisions of the Companies Act, 2013 and rules made thereunder, have not offered themselves for re-appointment. For the time being, such vacancies caused have not yet been filled up.

In view of loss during the financial year ended March 31, 2014, the remuneration paid during the financial year under review to Mr. Ashok Capoor, Managing Director and Mr. P.A. Murali, Executive Director have been considered as "minimum remuneration" pursuant to Section 269 and 309 read with Schedule XIII of the Companies Act, 1956. As the effective capital of the Company is positive, there is no necessity for seeking approval of the Members afresh as payment of "minimum remuneration" in case of inadequacy / no profit during any financial year during their tenure of appointments have been approved by the shareholders earlier. Since Mr. Ashok Capoor and Mr. P.A. Murali both qualify as "Professional Managerial Persons", the approval of the Central Government is also not required pursuant to General Circular No.46/2011 (No.14/03/2011/CL.VII) issued by the Ministry of Corporate Affairs dated July 14, 2011.

AUDITORS

M/s. B.S.R. & Co. LLP, Chartered Accountants, Statutory Auditors of your Company, will hold office up to the conclusion of the forthcoming Annual General Meeting ("AGM") of the Company and are eligible for re-appointment. In terms of the provisions contained in the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the appointment of Statutory Auditors is proposed for a period of five years from the conclusion of the fifteenth Annual General Meeting till the conclusion of the twentieth Annual General Meeting. Their appointment during the aforesaid term of five years shall be subject to ratification by the Members at every subsequent Annual General Meeting. Your Company has received a written confirmation from them to the effect that their appointment, if made, would satisfy the criteria provided in Section 141 of the Companies Act, 2013 for their appointment. The Board recommends the re-appointment of M/s. B.S.R. & Co. LLP, Chartered Accountants as the Statutory Auditors of the Company from the conclusion of the ensuing AGM till the conclusion of the twentieth AGM subject to the remuneration as may be recommended by the Audit Committee in consultation with the Auditors and that such remuneration may be paid on a progressive billing basis to be agreed upon between the Auditors and the Board of Directors.

BOARD OF DIRECTORS' RESPONSES TO OBSERVATIONS, QUALIFICATIONS AND ADVERSE REMARKS IN AUDITOR'S REPORT

The Statutory Auditors have qualified their opinion in relation to the matters specified in Notes 26(a), 26(b), 26(c) and 30(f) of the Financial Statement as follows:

1. **Auditor's observations under Paragraph 1 of the Auditor's report to the financial statement ("the Statement"):** *As stated in Note 26(a) to the Statement, certain parties who had previously given the required undisputed balance confirmations for the year ended 31 March 2013, alleged during the current year, that they have advanced certain amounts to certain alleged UB Group entities and linked the confirmation of amounts due to the Company to repayment of such amounts to such parties by the alleged UB Group entities. Also, some of these parties stated that the dues to the Company will be paid / refunded only upon receipt of their dues from such alleged UB Group entities. These dues of such parties are on account of advances by the Company in the earlier years under agreements for enhancing capacity, obtaining exclusivity and lease deposits in relation to Tie-up Manufacturing Units; agreements for specific projects; or dues owing to the Company from customers. These claims received in the current year may indicate that all or some of such amounts may have been improperly advanced from the Company to such parties for, in turn, being advanced to the UB Group entities. However, this can only be confirmed after a detailed inquiry. Based on the findings of the preliminary internal inquiry by the Management, under the instructions of the Board of Directors; and Management's assessment of recoverability, an aggregate amount of Rs.6,495.5 million has been provided in the Statement and has been disclosed as prior period items. Based on its current knowledge, the Management believes that the aforesaid provision is adequate and no additional material adjustments to the Statement are likely to be required in relation to this matter. As stated in paragraph 4 below, the Board of Directors have instructed the Management to undertake a detailed inquiry into this matter. Pending such inquiry, we are unable to comment on the nature of these transactions; the provision established; or any further impact on the Statement.*

Directors' Response: Information and explanation on the qualification on paragraph 1 of the audit report is

provided in Note 26(a) to the Statement. In particular, as stated in Note 26(a), the transactions referred to in the said Note are on account of amounts that were advanced by the Company in the earlier years and were duly confirmed by the relevant parties as payable to the Company in such earlier years, but were disputed by such parties for the first time when the Company sought balance confirmations from them for the year ended 31 March 2014. This was brought to the attention of the Board after 31 March 2014. Accordingly, as mentioned in Note 26(a), as a matter of prudence, the amounts mentioned in the Note 26(a) have now been provided for. Since the transactions referred to in the said Note 26(a) were entered in to prior to 31 March 2013, they have been reflected as prior period items in the financial statements.

Further, as mentioned in Note 26(a), the Board has: (i) directed a detailed and expeditious inquiry into this matter and (ii) authorized the initiation of suitable action and proceedings as considered appropriate by the Managing Director and Chief Executive Officer (MD) for recovering the Company's dues. Appropriate other action will also be taken commensurate with the outcome of that inquiry.

2. **Auditor's observations under Paragraph 2 of the Auditor's report to the financial statement:** *As stated in Note 30(f) to the Statement, subsequent to the balance sheet date, the Company received a letter dated 5 May 2014 from the lawyers of an entity (Alleged Claimant) alleging that the Alleged Claimant had advanced loans amounting to Rs.2,000 million to Kingfisher Airlines Limited (herein after referred to as "KFA"), a UB Group entity, in an earlier year on the basis of agreements, executed in December 2011 and January 2012, through which the Company was alleged to have created a lien on certain investments in favour of the Alleged Claimant as security for the aforesaid loans. The letter alleged that KFA had defaulted in repayment of the aforesaid loans as well as interest of Rs.790 million due thereon and demanded that the Company should pay the aforesaid amounts and pending such repayments, create a valid pledge on the specified investments. The Company responded to the aforesaid letter vide its letters dated 3 June 2014 and 28 July 2014, wherein the Company denied knowledge of the purported loan transactions and the purported agreements for the creation of*

security on such investments held by the Company. A letter dated 31 July 2014 was received from the Alleged Claimant wherein they have stated that the notice sent earlier did not take into account an addendum to the loan agreement; and after examining the aforesaid addendum, they have no claim or demand of any nature against the Company. In September 2014, scanned copies of the purported agreements and certain related documents were furnished to the Company. These documents indicate that while the agreements may have sought to create a lien on certain investments of the Company; subsequently, the Alleged Claimant and KFA sought to negotiate the release of the lien, which was formalised vide a second addendum in September 2012.

The Management has represented to us that the Company had no knowledge of these purported agreements; that the Board of Directors of the Company have not approved any such purported agreements; and it is not liable under any such purported agreements. We are unable to conclude on the validity of these agreements; any required compliance with the provisions of the Companies Act, 1956; and any consequential impact of the same.

Directors' Response: Information and explanation on the qualification at paragraph 2 of the audit report is provided in Note 30(f) to the Statement. In particular, as stated in Note 30(f), the claim is based on documents purportedly executed by the Company in the months of December 2011 and January 2012. However, the claim was received by the Company only after the year ended 31 March 2014. This matter was only thereafter brought to the knowledge of the Board by the Management. A letter dated 31 July 2014 was received from the Alleged Claimant wherein they have stated that the notice sent earlier did not take into account an addendum to the loan agreement; and after examining the aforesaid addendum, they have no claim or demand of any nature against the Company. Subsequently, in September 2014, the Company obtained scanned copies of the purported agreements (including the purported power of attorney) and various communications between KFA and the Alleged Claimant. These documents indicate that while the purported agreements may have sought to create a lien on certain investments of the Company, subsequently, the Alleged Claimant and KFA sought to negotiate the release of the purported obligation to

create such lien, which was formalised vide a second addendum in September 2012.

The Management has verified from a perusal of the minutes of meetings of the board of directors of the Company that the board of directors at the relevant time had not approved or ratified any such documents. Accordingly, the Company has, in its responses to the Alleged Claimant, disputed the alleged claim and denied having created the alleged security or having executed any document in favour of the Alleged Claimant. Further, the Management, based on legal advice received, does not expect any liability or obligation to arise on the Company out of these allegations.

3. **Auditor's observations under Paragraph 3 of the Auditor's report to the financial statement:** *As stated in Note 26(b) to the Statement, the Company and its subsidiaries had various pre-existing loans / advances / deposits due from United Breweries (Holdings) Limited (hereinafter referred to as "UBHL"). During the current year, pursuant to a previous resolution passed by the Board of Directors on 11 October 2012, these dues (together with interest) were consolidated into an unsecured loan aggregating Rs.13,374 million vide an agreement dated 3 July 2013. The loan has been granted for a period of 8 years with a moratorium period of 6 years. Certain lenders have filed petitions for winding-up against UBHL. UBHL has provided guarantees to lenders and other vendors of Kingfisher Airlines Limited, which have been invoked and are currently being challenged in courts. The Company has also filed its affidavit opposing the aforesaid winding-up petition and the matter is sub-judice. Based on its assessment of the recoverability of the loan, the Company has made a provision of Rs.3,303 million against the loan outstanding and has not recognised the interest income of Rs.963 million on the loan. Given the various uncertainties involved with respect to the litigations involving UBHL as aforesaid and the extended period for repayment of the loan, we are unable to comment on the level of provision established.*

Directors' Response: Information and explanation on the qualification at paragraph 3 of the audit report is provided in Note 26(b) to the Statement. In particular, as stated in Note 26(b), the Management has performed an assessment of the recoverability of the loan and has reviewed valuation reports in relation to UBHL

prepared by reputed independent valuers that were commissioned by UBHL, and shared by UBHL with the Company. As a result of the above mentioned assessment and review by the Management, in accordance with the recommendation of the Management, the Company, as a matter of prudence, has not recognized interest income of Rs.963 Million and has provided Rs.3,303 Million towards the principal outstanding as at 31 March 2014. The Management believes that it should be able to recover, and no further provision is required for the balance amount of Rs.9,957 Million, though the Company will attempt to recover the entire amount of Rs.14,223 Million. However, the Management will continue to assess the recoverability of the said loan on an ongoing basis.

Further, the Board has directed the management to review the underlying loan agreement(s) and / or other relevant documents ("Loan Documents"), to inter-alia assess: (i) whether any event of default(s) under the Loan Documents has occurred on the part of UBHL; (ii) the legal rights and remedies which the Company has under the Loan Documents; (iii) whether the Company should invoke any of the remedies available to it under the Loan Documents (including recalling of the entire loan); and (iv) whether there is any scope of renegotiating the terms and conditions under the Loan Documents.

In this regard, the management should expeditiously take all the necessary steps to fully protect the interest of the Company and shareholders.

4. **Auditor's observations under Paragraph 4 of the Auditor's report to the financial statement:** *As stated in Note 26(c) to the Statement, the Board of Directors have instructed the Management to undertake a detailed inquiry in relation to the matters stated in the paragraphs above; the possible existence of any other transaction of a similar nature; the role of individuals involved; and potential non-compliance (if any) with the provisions of the Companies Act, 1956 and other regulations applicable to the Company. The Board has also instructed the Management to engage independent advisers and specialists, as required, for the inquiry. As the inquiry is yet to be carried out, we are unable to comment on any further adjustment that could be identified as a result of the inquiry; its resultant impact on the Statement; and any potential non-compliances with the provisions of the Companies Act, 1956 and other regulations.*

Directors' Response: Information and explanation on the qualification at paragraph 4 of the audit report is provided in Note 26(c) to the Statement. In particular, as stated in Note 26 (c) above, in addition to commissioning the inquiry, the Board has also authorized the MD to take suitable action and proceedings as considered appropriate by him for recovering the Company's dues. Appropriate other action will also be taken commensurate with the outcome of the inquiry commissioned by the Board. On the basis of the current knowledge and information of the Management, the Management believes that no additional material adjustments to the financial statements are likely to be required in relation to the matters mentioned above in Notes 26(a), 26(b) and 30(f). However, pending completion of the detailed inquiry mentioned above, the Company is unable to determine whether, on completion of such detailed inquiry, there could be any impact on the financial statements.

5. **Auditor's observations under Paragraph 5 of the Auditor's report to the financial statement:** *Though the observations in paragraph 1 above relate to claims received in the current year, the underlying transactions were entered into in earlier years. Accordingly, the financial statements of those earlier years and consequently the opening balances may be incorrectly stated to that extent. Further, the detailed inquiry as referred to in paragraph 4 above may result in further adjustments that may have an impact on the opening balances.*

Directors' Response: Information and explanation on the qualification at paragraph 5 of the audit report is provided in Note 26(a) to the Statement. In particular, as stated in Note 26 (a), while the claims referred to in Note 26(a) were received only when the Company sought balance confirmations from the relevant parties for the year ended 31 March 2014, the transactions referred to in the said Note were entered in to prior to 31st March 2013 and therefore, they have been reflected as prior period items in the financial statements. Further, as stated in Note 26(a) (iii), the Management has stated to the Board that, on the basis of their current knowledge, no additional material adjustments to the financial statements are likely to be required in relation to the matters mentioned in the said Note. As mentioned in Note 26(c) to the financial statement, the Board has commissioned the inquiry referred to in Note 26(c). Upon completion of the inquiry, the Board will consider impact on the financial statements, if any.

- 6(a) **Auditors observation under Paragraph (iii)(a) of Annexure to the Auditor's Report:**

According to the information and explanations given to us, the Company has granted an unsecured loan to a company covered in the register maintained under Section 301 of the Companies Act, 1956 ('the Act') by way of conversion of certain pre-existing loans / advances / deposits due to the Company and its subsidiaries (refer paragraph 3 under 'basis for qualified opinion'). The year-end balance of the loan and the maximum amount outstanding during the year amounted to Rs.13,374 million.

Further, as mentioned in paragraph 1 under 'basis for qualified opinion', certain parties alleged that they have advanced certain amounts to certain alleged UB Group entities and linked the confirmation of amounts due to the Company to repayment of such amounts to such parties by the alleged UB Group entities. Also, some of these parties stated that the dues to the Company will be paid / refunded only upon receipt of their dues from such alleged UB Group entities. Considering the matters disclosed in paragraphs 1 and 4 of 'basis for qualified opinion', we are unable to comment whether any such arrangements represent transactions with any company/ firm/ other party covered in the register maintained under Section 301 of the Act.

Directors' Response: Information and explanation on the qualification at paragraph (iii)(a) of Annexure to the Auditor's report is provided in Note 26(a) to the Statement. Further, the Management has certified to the Board that, on the basis of the Management's current information, particulars of contracts or arrangements that are required to be entered in the register maintained under section 301 of the Companies Act, 1956 (the Act) have been so entered. As mentioned in Note 26(c) to the financial statement, the Board has ordered a detailed and expeditious inquiry in relation to the matters disclosed in paragraphs 1 and 4 of 'basis for qualified opinion' in the auditor's report. On completion of such inquiry, appropriate action if any will be taken.

- 6(b) **Auditor's observation under Paragraph (iii)(b) of Annexure to Auditor's Report :**

In our opinion, the rate of interest and other terms and conditions on which the above unsecured loan has

been granted to the company covered in the register maintained under Section 301 of the Act as stated in sub-clause (a) above, are *prima facie*, prejudicial to the interest of the Company.

Based on its assessment of recoverability, the Company has during the current year, made a provision of Rs.3,303 million against the loan and has not recognised any interest income (amounting to Rs.963 million on the said loan).

Further, as mentioned in paragraph 1 under 'basis for qualified opinion', a provision of Rs.6,495.4 million has been made with respect to amounts due from certain parties who alleged that they have advanced certain amounts to alleged UB Group entities.

Directors' Response: Management informed the Board that: (i) pursuant to a previous resolution passed by the board of directors of the Company on 11 October 2012, certain dues (together with interest) aggregating to Rs.13,374 Million were consolidated into, and recorded as, an unsecured loan by way of an agreement entered into between the Company and UBHL on 3 July 2013; (ii) the interest rate of 9.5% p.a. was in accordance with Section 372A of the Companies Act, 1956, read with the circular issued by the Reserve Bank of India publishing the bank rate in terms section 49 of the Reserve Bank of India Act, 1934.

The management and the nominee directors of the controlling shareholder have informed the Board that they will take all the necessary steps within their power and authority as management and directors of the Company to fully protect the interest of the shareholders in this regard.

Further, the Board has directed the management to review the underlying loan agreement(s) and / or other relevant documents ("Loan Documents"), to inter-alia assess: (i) whether any event of default(s) under the Loan Documents has occurred on the part of UBHL; (ii) the legal rights and remedies which the Company has under the Loan Documents; (iii) whether the Company should invoke any of the remedies available to it under the Loan Documents (including recalling of the entire loan); and (iv) whether there is any scope of renegotiating the terms and conditions under the Loan Documents.

In this regard, the management should expeditiously take all the necessary steps to fully protect the interest of the Company and shareholders.

6(c) Auditor's observation under Paragraph (iii)(c) of Annexure to Auditor's Report: According to the information and explanations given to us, in case of the unsecured loan granted to the company covered in the register maintained under Section 301 of the Act as stated in sub-clause (a) above, no amounts were repayable during the year as per the terms of the loan agreement.

Considering the matters disclosed in paragraphs 1 and 4 under 'basis for qualified opinion', we are unable to comment on the regularity in the receipt of the principal amount and interest relating to any other loan, secured or unsecured, that may have been granted to any company/ firm/ other party covered in the register maintained under Section 301 of the Act, as a result of the transactions disclosed in paragraphs 1 and 4 under 'basis for qualified opinion'.

Directors' Response: The Management has certified to the Board that, on the basis of the Management's current information, particulars of contracts or arrangements that are required to be entered in the register maintained under section 301 of the Act have been so entered. As mentioned in Note 8 to the Statement, the Board has ordered a detailed and expeditious inquiry in relation to the matters disclosed in paragraphs 1 and 4 of 'Basis for Qualified opinion' in the auditor's report. On completion of such inquiry, appropriate action, if any, will be taken.

6(d) Auditor's observations under Paragraph (iii)(d) of Annexure to Auditors Report: According to the information and explanations given to us, in case of the unsecured loan granted to the company covered in the register maintained under Section 301 as stated in sub-clause (a) above, there is no overdue amount of more than Rupees one lakh in respect of the said loan.

Considering the matters disclosed in paragraphs 1 and 4 under 'basis for qualified opinion', we are unable to comment whether there is overdue amount of more than Rupees one lakh in respect of any other loan, secured or unsecured, that may have been granted to any company/ firm/ other party covered in the register maintained under Section 301 of the Act, as a result of the transactions disclosed in paragraphs 1 and 4 under 'basis for qualified opinion'.

Directors' Response: The Management has certified to the Board that, on the basis of the Management's current information, particulars of contracts or arrangements that are required to be entered in the register maintained under section 301 of the Act have been so entered. As mentioned in Note 8 to the Statement, the Board has ordered a detailed and expeditious inquiry in relation to the matters disclosed in paragraphs 1 and 4 of 'Basis for qualified opinion' in the auditor's report. On completion of such inquiry, appropriate action, if any, will be taken.

6(e) Auditor's Observation under Paragraph (iv) of Annexure to the Auditor's Report: In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services during the year.

Except for the matter discussed below, we have not observed any major weaknesses in the internal control system during the course of the audit.

Considering the matters stated under 'basis for qualified opinion', we are unable to comment on the adequacy of the internal control system of the Company at certain points in time during the earlier years with respect to such instances as stated under 'basis for qualified opinion'.

Directors' Response: The matters stated under 'basis for qualified opinion' relate to the period prior to 1 April 2013. The Management believes that the Company has an internal control system commensurate with the size of the Company and the nature of its business. The Board has instructed the Management that, depending on the outcome of the inquiry, further strengthening of the internal control system should be carried out, as may be required.

6(f) Auditor's observation under Paragraph (v)(a) of Annexure to the Auditor's Report: In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements entered into during the year referred to in Section 301 of the Act have been entered in the register required to be maintained under that Section.

However, considering the matters stated under 'basis for qualified opinion', particularly paragraphs 1 and 4 thereof, we are unable to comment whether the particulars of any such contracts or arrangements that may result from the transactions disclosed under 'basis for qualified opinion' and that need to be entered in the register maintained under Section 301 of the Act, have been so entered.

Directors' Response: The Management has certified to the Board that, on the basis of the Management's current information, particulars of contracts or arrangements that are required to be entered in the register maintained under section 301 of the Act have been so entered. As mentioned in Notes 26(a), 26(b) and 30(f) to the Statement, the Board has ordered a detailed and expeditious inquiry in relation to the matters disclosed in paragraphs 1 and 4 of 'Basis for qualified opinion' in the auditor's report. On completion of such inquiry, appropriate action, if any will be taken.

6(g) Auditor's observation under Paragraph (vii) of Annexure to the Auditor's Report: In our opinion, the Company has an internal audit system commensurate with the size and nature of its business during the year, *except in relation to matters stated under 'basis for qualified opinion', where the internal audit system needs to be strengthened.*

Directors' Response: The matters stated under 'basis for qualified opinion' relate to the period prior to 1 April 2013. The Management believes that the Company has an internal audit system commensurate with the size of the Company and the nature of its business. The Board has instructed the Management that, depending on the outcome of the inquiry, further strengthening of the internal audit system should be carried out, as may be required.

6(h) Auditor's observation under Paragraph (x) of Annexure to Auditor's Report: *The accumulated losses of the Company at the end of the year are not less than fifty percent of its net worth. The Company has incurred cash losses in the financial year. However, no cash losses were incurred in the immediately preceding financial year.*

Directors' Response: The Board notes that the accumulated losses of the Company at the end of the year is 52% of its peak net worth in the previous four financial

years. Therefore, the Company will be required to file a report under Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). The Board believes this report under Section 23 would arise as a technical requirement under SICA and does not reflect upon the long term prospects of the Company given the profitable nature of its business and as the accumulated losses are principally on account of exceptional items during the year.

6(i) Auditor's Observation under Paragraph (xi) of Annexure to Auditor's Report: In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to a bank or to any financial institution *except that in case of loans due to banks, principal amounting to Rs.410 million and interest amounting to Rs.474 million were repaid with a delay of up to 67 days and 37 days, respectively.* The Company did not have any outstanding debentures during the year.

Directors' Response: The Management has informed the Board that as of 31 March 2014, there were no outstanding defaults by the Company of any dues to a bank or any financial institution.

6(j) Auditor's Observation under Paragraph (xvi) of Annexure to Auditor's Report: In our opinion and according to the information and explanations given to us, the term loans taken by the Company and applied during the year were for the purpose for which they were raised.

However, considering the matters stated under 'basis for qualified opinion', particularly paragraphs 1, 3 and 4, we are unable to comment whether any transactions relating to such matters represent application of term loans for the purpose for which they were raised.

Directors' Response: The Management has certified to the Board that, on the basis of the Management's current information, the Company has applied term loans taken by the Company during the year for the purpose for which they were raised. However, as mentioned in Note 26(c) to the Statement, the Board has ordered a detailed and expeditious inquiry in relation to the matters disclosed in paragraphs 1, 3 and 4 of 'basis for qualified opinion' in the auditor's report. On completion of such inquiry, appropriate action will be taken, as may be required.

6(k) Auditor's Observation under Paragraph (xxi) of Annexure to Auditor's Report: *As mentioned in detail in*

paragraphs 1 and 2 under 'basis for qualified opinion', wherein it is stated that:

(i) *certain parties alleged that they have advanced certain amounts to certain alleged UB Group entities and linked the confirmation of amounts aggregating to Rs.5,846.9 million due to the Company to repayment of such amounts to such parties by the alleged UB Group entities. Further, some of these parties stated that the dues to the Company will be paid / refunded only upon receipt of their dues from such alleged UB Group entities; and*

(ii) *an alleged instance of a purported agreement to create a lien on certain investments of the Company as security against loans given by an Alleged Claimant to Kingfisher Airlines Limited (KFA) in earlier years was noted. However, in a letter dated 31 July 2014 from the Alleged Claimant, it was stated that the allegation made earlier did not take into account an addendum to the loan agreement; and after examining the aforesaid addendum and the agreement, the Alleged Claimant does not have any claim or demand of any nature against the Company. Subsequently, in September 2014, scanned copies of the purported agreements were furnished to the Management by KFA. The Management has represented to us that the Company had no knowledge of these purported agreements; that the Board of Directors of the Company have not approved any such purported agreements; and it is not liable under any such purported agreements.*

Pending the completion of the inquiry as mentioned in paragraph 4 under 'basis for qualified opinion', we are unable to conclude whether these instances can be termed as 'fraud' and whether there are other instances of a similar nature.

Directors' Response: See responses to paragraphs 1 to 3 of the Auditor's Report to the Financial Statement. As mentioned in the note 30(f) to the Statement, the Board has directed a detailed and expeditious inquiry in relation to the matters disclosed in paragraphs 1 to 5 of "basis for qualified opinion" in the Auditors' Report. Pending the completion of such inquiry, the Board is unable to conclude whether there have been any instances of fraud against the Company. Based on the findings of such inquiry, appropriate action, including action for

recovery of the Company's assets or amounts owing to the Company, will be taken.

LISTING OF SHARES OF THE COMPANY

The Equity Shares of your Company continue to remain listed with Bangalore Stock Exchange Limited, BSE Limited and National Stock Exchange of India Limited. The listing fees for the year 2014-15 have been paid to these 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. 3909.371 Million as at March 31, 2014. Matured deposits for which disposal instructions had not been received from the depositors concerned stood at Rs.52.504 Million as at March 31, 2014. Of this, a sum of Rs.26.759 Million (as of August 29, 2014) has since been paid as per instructions received after the year end.

Effective January 1, 2014, your Company has discontinued acceptance / renewal of fixed deposits from the public and the shareholders.

Pursuant to the provisions of Companies Act, 2013 ("Act"), unless the Company complies with certain conditions as prescribed under Section 73 of the Act read with the Companies (Acceptance of Deposits) Rules, 2014, Company has to repay the fixed deposits which were accepted under the erstwhile provisions of the Companies Act, 1956 within a period of one year from the date of the commencement of the provisions of Section 74 of the Act or from the date on which such payments are due, whichever is earlier. Section 74 of the Act came into force on April 1, 2014. The Board of Directors at their meeting held on August 1, 2014, decided

to repay all the existing fixed deposits with the Company, including the fixed deposits which will mature after March 31, 2015 along with the interest as per the contracted terms, on or before March 31, 2015.

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 and Deposits, remaining unclaimed and unpaid for a period of more than 7 years, have been transferred to the Investor Education and Protection Fund.

Necessary compliance under Rule 3 of the Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012 have been followed.

HUMAN RESOURCES

Employee relations remained cordial at all Company's locations except at the Company's plant at Palakkad in the State of Kerala, where lock-out for a limited period was declared due to labour unrest and the lockout has since been lifted.

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 2013-14.

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 (together with the notes

to such financial statements) for the year 2013-14, 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 loss of the Company for the year ended March 31, 2014;
- 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.
- The statutory auditors have issued a qualified opinion on the financial statements of the Company for the financial year ended 31 March 2014. Such qualifications relate to transactions of earlier years, which have come to the knowledge of this Board only recently. The Board has initiated a detailed and independent inquiry as

referred to in Note no 26 (c) of the Financial Statement. All further actions, including adjustments to the financial statements (including matters arising out of earlier years), if required, will be made in light of the result of the inquiry. However, based on the current knowledge and information of the management, it believes that no additional material adjustments to the financial statements are likely to be required in relation to the matters mentioned above. Subject to the foregoing, the Board has approved the annual financial statements, before the completion of the inquiry in the interest of the public shareholders.

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

ANAND KRIPALU
Managing
Director and Chief
Executive Officer

P.A. MURALI
Executive Director

Mumbai
September 04, 2014

UNITED SPIRITS

ANNEXURE TO DIRECTORS' REPORT

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

CONSERVATION OF ENERGY AND WATER

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

1. Recycle of bottle wash water and Reverse Osmosis of waste water to reduce effluent flow and for water conservation extended to all own units and subsidiaries.
2. Evaporator condensate treatment facility set-up for usage as process water and cooling tower make-up in order to reduce water footprint.
3. Rinsing of PET bottles with air instead of water is being evaluated to reduce bottle wash water requirement.
4. ECO SMART DISTILLATION' for production of ENA is being evaluated which will reduce steam requirement by around 20%.

RESEARCH & DEVELOPMENT (R & D)

Expenditure on R & D: (Rs. in Millions)

(a) Capital	-	15.642
(b) Recurring	-	90.182
Total	-	105.824

Total R & D expenditure as a percentage of total turnover – 0.13%

TECHNOLOGY ABSORPTION

1. 'NO COOK PROCESS' for Grain ENA Production was successfully implemented with increase in recovery and reduction in steam consumption and hence reduced cost of production.
2. Economically viable technology for treating distillery effluent to achieve Zero Discharge as per statutory norms is being implemented at own units and subsidiaries.
3. 'Menthane' technology for Anaerobic Digesters is being evaluated for increase in COD reduction of distillery effluent from 65% to 80%.
4. DDGS Dryers are being installed at Grain Plants for higher realization of by product sale.
5. Trials have been successfully carried out for production of Grape Spirit at higher strength without affecting the quality thereby reducing unit cost of production.
6. Maturation trials are being carried out of Grain Spirit for enhancing the blend quality and reduction of imported Scotch.

FOREIGN EXCHANGE EARNINGS/OUTGO

	(Rupees in Millions)	
	2013-14	2012-13
1. Earnings in Foreign Currency	1,089.065	688.138
2. Imports / Expenditure in Foreign Currency	5,629.190	1,969.936

By Authority of the Board

Mumbai
September 04, 2014

ANAND KRIPALU
Managing Director and
Chief Executive Officer

P.A. MURALI
Executive Director

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	REMUNERATION (Rs.)	QUALIFICATION	EXPERIENCE	DATE OF COMMENCEMENT OF EMPLOYMENT	PARTICULARS OF PREVIOUS EMPLOYMENT
1	ABHAY KEWADKAR	53	Sr Vice President - Wines	9724836	B.TECH (CHEM)	31	23-Aug-06	Vice President & Wine Maker - Grover Vineyards Ltd
2	AINAPUR S R	56	Divisional Vice President	8295774	B.COM, ACA	31	1-Dec-87	Accounts Assistant, Kesarval Beverages Ltd, Goa
3	AJAY B BALIGA	55	Executive Vice President - Manufacturing, Projects & Quality Control	21411280	B.TECH (CHEM ENGG)	33	3-Nov-08	Allied Blenders & Distillers Pvt Ltd, SVP - Business Development & Mfg
4	AMRIT THOMAS	47	President & Chief Marketing Officer	42419921	B.TECH, PGDM	22	12-Jun-07	CATEGORY HEAD - BEVERAGES, HLL
5	ANANDA PRASAD S	61	Sr General Manager - Taxation	10036138	B.Com, LL.B.	30	1-Jul-84	Mysore Wine Products Ltd. - Asst Manager Accounts
6	ANANT IYER	54	Chief Operating Officer - East	12675194	M.SC., M.M.S.	30	15-Jun-92	CONTROLLER MARKETING, CONSOLIDATED DISTILLERIES LTD
7	ARVIND JAIN	51	Divisional Vice President - Sales	6817455	PGDM	30	12-Apr-91	Area Manager-Titan Watches Ltd.
8	ASHOK CAPOOR	61	President & Managing Director	66168869	B.A. (ECO), MBA	39	12-May-92	CHIEF OPERATING OFFICER - ERSTWHILE HERBERTSONS LIMITED
9	ASHOKE ROY	57	Deputy President	14570323	B.com, C A	1	1-Nov-13	Whyte & Mackay - CFO
10	BANERJEE A R	57	Regional Compliance Head	7405667	B.Com, ICWAI	18	1-Apr-96	Bangal Waterproof Ltd. - Cost Accountant
11	BINOO KRISHNA	45	Assistant Vice President - Finance	14531556	B.Sc., CA; PG Diploma - Other	17	14-Sep-07	Deloitte - Senior Manager Audit & assurance
12	CHANDRA BHUSHAN SRIVASTAVA	57	DVP - SALES	8489690	B.Sc.	36	8-Aug-11	RPC Head - Allied Blenders and Distilleries Private Limited
13	DEBASHISH SHYAM	46	Sr. Vice President - Emerging Market	10632203	BSC, PGDBM	23	20-Sep-04	Head - Marketing & Alliances (Internet Services), Bharti Infotel Ltd, New Delhi
14	DEBASISH DAS	56	Sr. VP - Manufacturing	11478670	B.SC, B. TECH, PGDBM	31	20-Aug-84	Chemist, Eastern Distilleries Pvt Ltd, Kolkata
15	DHARMARAJAN S	56	Divisional Vice President - Finance & Accounts	8387684	B.COM, ACA, LLB	30	7-Nov-86	Consultant, N M Raiji & Co, Bombay
16	KEDAR V ULMAN	40	Executive Vice President - Sourcing & Business Development	19069196	BE, IIM - B	18	24-Apr-09	SR. MANAGER, ACCENTURE SERVICES PVT LTD
17	KESHAHA BABU C S	42	Assistant Vice President - Quality Control	6725230	Bachelors Degree - Others; BE	3	3-Nov-11	Motorola India Private Ltd Head Quality Assurance
18	LAL RANGWANI	49	Divisional Vice President - Sales	6923520	B.Com.; M.Com, PGDBM	27	7-Aug-87	Herbertsons TSE
19	LALIT KUMAR GUPTA	54	Sr Vice President - Legal	10600528	B.SC, LLB, DLL	31	1-Jun-98	JOINT MANAGER - LEGAL, SHRIRAM FOODS AND FERTILIZERS
20	LALIT R GABHANE	50	Assistant Vice President - EHS	6426131	B.Sc, BE, Diploma; ME	2	6-Jan-12	ITC Senior Specialist-EHS
21	MATHEW XAVIER	50	Chief Operating Officer - Andhra	17146369	PGDM / B.COM	25	10-Nov-03	VP MARKETING ERSTWHILE SWDL
22	MURALI P A	56	Executive Director & CFO	63147852	B.COM, ACA	33	5-Jul-93	ZONAL ACCOUNTANT - SHAW WALLACE & CO LTD
23	MURALI V	52	Assistant Vice President - Manufacturing	7399922	MEPGDBA	24	1-Oct-90	McDowell & Co. Ltd./Carew Phipson Ltd.
24	MUTHURAMAN RAMANATHAN	48	AVP - Manufacturing	7256870	Bachelors Degree - Others; BE	3	18-Apr-11	Bina Foods Pvt. Ltd. Co. General manager
25	N HEMANTH MENON	43	DVP - Finance	15351734	CA	2	1-Aug-12	Whyte & Mackay, UK - Finance Director
26	N R RAJSEKHER	58	Chief Operating Officer - South & AP	24136828	B.SC, PGCPM - IIM	35	8-Apr-82	VP SALES ERSTWHILE SWDL
27	NAFISA JOSEPH	35	Special Assistant	7713613	B. Com.	5	2-Mar-09	Hirco Development Pvt Ltd. Executive Assistant
28	NAGAPPA G S	59	Chief Operating Officer - West	10578661	B.SC	38	1-Aug-75	Executive - Erstwhile Herbertsons LTD
29	NANDINI VERMA	60	EVP - Corporate Affairs	17449021	BA HONOURS, IFDAF	42	13-Apr-07	VP - CORPORATE AFFAIRS & PR, JET AIRWAYS

Report of the Directors (Contd.)

SL. NO	NAME	AGE	DESIGNATION & NATURE OF DUTIES	REMUNERATION (Rs.)	QUALIFICATION	EXPERIENCE	DATE OF COMMENCEMENT OF EMPLOYMENT	PARTICULARS OF PREVIOUS EMPLOYMENT
30	PARAMJIT SINGH GILL	52	President - All India Operations	39628538	B.SC, M.PHIL, DIP IN LABOUR LAW, CHARTERED MARK	31	1-Jul-92	EVP, UNITED NATIONAL BREWERIES (SA) (PTY) LIMITED, CENTURION
31	PODDAR P N	61	Sr Vice President - Manufacturing	10130381	M.TECH, DMS	38	1-Jan-88	PRODUCTION MANAGER, UNION CARBIDE (I) LTD
32	PRAKASH MIRPURI	50	Avp - Corp Media	7587584	BGL (Bachealor of General law)	31	9-Apr-07	IPAN, Director - Client Services
33	PRASAD S N	56	Sr. VP - F&A	20452992	B.COM, ACA, ACS	30	7-Mar-91	COMP SECRETARY & INTERNAL AUDITOR, NUTRINE CONFECTIONARY LTD
34	RAJAN D SALVI	57	AVP - SPECIAL PROJECTS	6713913	M.Sc.; PGDBM	3	1-Aug-11	Milly Glass Works Group General Manager
35	SANJAY RAINA	49	Executive Vice President - Human Resources	21770083	MSW - PERSONNEL MGMT	27	19-Nov-08	Motorola Inda Pvt Ltd, Head HR - Network, Supply Chain - India & ER - SE Asia
36	SANKARANARAYANA K R	58	Assistant Vice President - Technical	6494179	B.Sc.; Bachelors Degree - Others, M.Sc.	35	2-Jul-79	Tungabhadra Sugar Works Executive
37	SASTRY S V S V	52	Divisional Vice President	6993111	B.Sc	2	14-Jun-12	ABD Pvt. Ltd VP South RPC
38	SATISH S	54	Assistant Vice President - P & C	13943928	B.COM.	33	21-Jul-89	Accounts Officer, BPL Sanyo Ltd
39	SATSANGI R	57	Divisional Vice President - Manufacturing	8949018	B.TECH (MECH)	35	19-Feb-96	Plant Manager, Pepsico India Holding, Bangalore
40	SHARMA V K	71	Executive Director - Chairmans Office	12594107	B.SC (NDA), PGDBM & IA	40	5-Oct-84	EXE DIRECTOR - CHAIRMAN'S OFFICE ERSTWHILE HERBERTSONS LIMITED
41	SHOVAN GANGULI	53	Sr. Vice President	8369571	Doctorate	1	25-Feb-13	Hindustan Unilever Limited Platform Director- Bioscience, Nutrition, Health
42	SOWMIYANARAYAN S	47	AVP - Accounts	11537917	B.Com.; AICMA	19	5-Jul-95	Ashok Leyland - Accounts Executive
43	SREENATH K V	57	Senior General manager - Chairman's Office	7601089	BCOM	39	1-Apr-12	Steno-Accounts/Clerk-Bombay Paints & Allied Products Ltd
44	SUDARSHAN V ACHARYA	55	Senior Vice President - Raw Materials, Logistics & Imports	8241640	B.COM., DO-MAT, DIP-LABOUR LAW	32	20-Jan-89	Asst Manager - Purchase, Astra IDL Ltd, Bangalore
45	SURESH MENON I P	57	Executive Vice President - Planning & Control	28772756	MMS	36	1-Apr-85	SECRETARY & FINANCE MANAGER, UB ELECTRONIC INSTRUMENTS LTD
46	SURYANARAYANAN S	53	Assistant Vice President - Engineering	7506561	B.SC, B.TECH (MECH)	31	10-Feb-89	Purchase Officer, Sundaram - Clayton Ltd, Hosur
47	UNNATI SINHA	47	Sr Vice President - Marketing	16676884	B.SC, MBA, DIP IN B M	23	14-Nov-11	Sales & Marketing Head- Colgate Palmolive
48	VENKATARAMAN V S	60	Executive Vice President and Company Secretary	35646085	BCOM (Hons), ACS	42	20-Aug-82	DEPUTY COMPANY SECRETARY, UNITED BREWERIES LTD
49	VINEET CHHABRA	49	Chief Operating Officer - Emerging Markets	29065290	B.COM, CA	21	15-Jun-11	CEO - GLOBAL GREEN
50	VINEET KUMAR KAPILA	53	Chief Operating Officer - RPC North	19462328	B.Com, PDGM	29	30-Nov-12	President & CEO- Spencers Retail
51	VIVEK PRAKASH	54	Chief Operating Officer - CSD	20503639	B.COM, LLB, MBA	32	15-Jun-98	DY GENERAL MANAGER - SHAW WALLACE & CO LTD
Part of the Year								
1	ANIL KUMAR KUSH	58	Chief Executive - VMSRF	4933802	PHD, MBA	30	13-May-05	SCIENTIFIC DIRECTOR - GENESIS MANAGEMENT CONSULTANTS
2	HARISHA BHAT A	60	Deputy President & Group Treasurer	4055274	CA	46	22-Nov-90	MANAGER TREASURY - DIGITAL EQUIPMENT (I) LTD
3	BHARATH RAGHAVAN	50	Sr Vice President - Legal & Secretarial	3322580	B.COM, ACS, BGL	19	13-Feb-98	Sr. Mgr- Fixed Income-Peregrine Capital India P Ltd.
4	A.K SEN	58	Sr General Manager - Materials	2434809	B.Com, PGDM, M.Com	30	19-Apr-82	McDowell&Co. Ltd./Carew Phipson Ltd. Controller-Materials
5	RAJIV SURI	56	Sr. VP - Finance	1871065	B.COM, MBA, CA	36	16-May-94	SR MANAGER - MARKTING FINANCE, RELIANCE INDUSTRIES LIMITED

SL. NO	NAME	AGE	DESIGNATION & NATURE OF DUTIES	REMUNERATION (Rs.)	QUALIFICATION	EXPERIENCE	DATE OF COMMENCEMENT OF EMPLOYMENT	PARTICULARS OF PREVIOUS EMPLOYMENT
6	P.C JOSEPH	61	General Manager - Sales	1788658	B.A	38	11-Oct-76	Herbertsons Senior Distribution Executive
7	RAVI NEDUNGADI	56	President & Chief Financial Officer - UB Group	12884601	B.COM (HONS), ICWA, CA	35	1-Jan-90	GROUP FINANCE DIRECTOR, UB INTERNATIONAL LTD., U.K.
8	DR. BINOD K MAITIN	65	Sr Vice President - QA & Technical	10800726	M.SC., PH.D.,	43	14-Dec-88	Sr. Research Officer & Head, Analytical Research Group, Shriram Institute For Industrial Research
9	RAGHUNATHAN A	62	EVP - Finance & Accounts	9578250	B.COM, ACA	39	24-Sep-79	EVP - FINANCE & ACCOUNTS ERSTWHILE HERBERTSONS LIMITED

Notes:

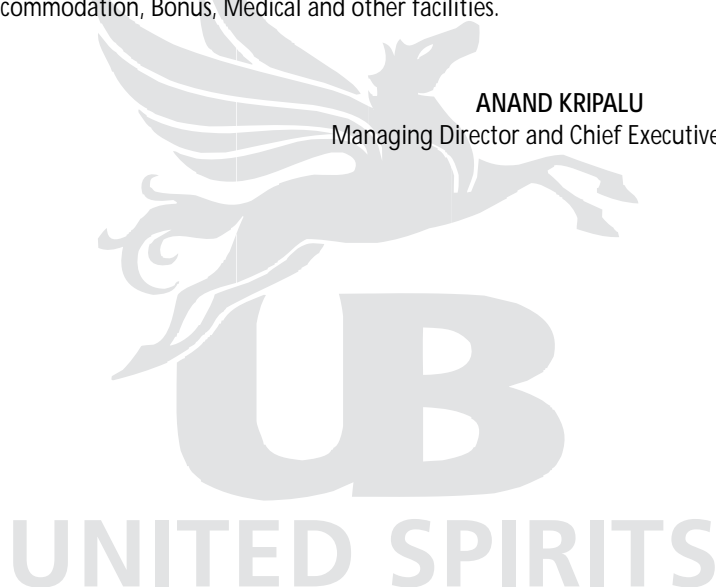
1. No Employee is on Contract Employment. Other Terms and Conditions are as per Service Rules of the Company from time to time.
2. None of the above mentioned employees is related to any Director of the Company.
3. Remuneration as shown above includes Salary, House Rent Allowance, Company's contribution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

By Authority of the Board

Mumbai
September 04, 2014

ANAND KRIPALU
Managing Director and Chief Executive Officer

P.A. MURALI
Executive Director



1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Your Company is committed to good Corporate Governance on a continuous basis and accordingly adheres to the basic tenets of good Corporate Governance of integrity, accountability, fairness and transparency in all its operations.

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 of the Company at present comprises:

1 Non-Executive Chairman

2 Executive Directors

3 Non-Executive Directors and

6 Independent Directors

During the financial year under review, Nine Board Meetings were held, i.e., on May 15, 2013, May 27, 2013, July 04, 2013, July 31, 2013, August 19, 2013, September 24, 2013, November 08, 2013, January 08, 2014 and February 13, 2014.

Attendance of each Director at the Board Meetings and the last Annual General Meeting and details of number of outside Directorships and Committee positions 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 24.09.2013	No. of other Companies in which Director	No of Committees (other than the Company) in which Chairman/Member
Dr. Vijay Mallya	Non-Executive Chairman	7	Yes	12	Nil
Mr. Ashok Capoor *	Managing Director	8	Yes	2	1 (Chairman)
Mr. Gilbert Ghostine	Non-Executive Director	5	Yes	Nil	Nil
Mr. G.N. Bajpai	Independent Non-Executive Director	8	Yes	15	8 (Chairman of 5)
Mr. Arunkumar Ramanlal Gandhi	Independent Non-Executive Director	6	Yes	3	2
Mr. Sudhakar Rao	Independent Non-Executive Director	4	Yes	10	5 (Chairman of 3)
Mr. D. Sivanandhan	Independent Non-Executive Director	6	Yes	7	1 (Chairman)
Ms. Renu Sud Karnad **	Independent Non-Executive Director	4	No	N.A.	N.A.
Mr. Ravi Rajagopal	Non-Executive Director	5	Yes	Nil	Nil
Mr. P.A. Murali	Executive Director	6	Yes	9	2 (Chairman of 1)
Mr. Paul Steven Walsh	Non-Executive Director	1	No	Nil	Nil
Mr. Vikram Singh Mehta	Independent Non-Executive Director	2	Yes	9	1
Mr. Anand Kripalu ⁺	Managing Director	N.A.	N.A.	1	Nil
Dr.(Mrs.) Indu Shahani ⁺⁺	Independent Non-Executive Director	N.A.	N.A.	7	1
Mr. S.R. Gupte ^{***}	Non-Executive Vice Chairman	1	N.A.	N.A.	N.A.
Mr. M.R. Doraiswamy Iyengar ^{***}	Independent Non-Executive Director	3	N.A.	N.A.	N.A.
Mr. B.M. Labroo ^{***}	Independent Non-Executive Director	3	N.A.	N.A.	N.A.

Name of Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM held on 24.09.2013	No. of other Companies in which Director	No of Committees (other than the Company) in which Chairman/Member
Mr. Sreedhara Menon***	Independent Non-Executive Director	1	N.A.	N.A.	N.A.
Mr. Sudhindar Krishan Khanna***	Independent Non-Executive Director	3	N.A.	N.A.	N.A.

* Ceased to be Managing Director and Director with effect from May 01, 2014.

** Ceased to be Director with effect from February 25, 2014 due to resignation.

*** Ceased to be Director with effect from July 04, 2013 due to resignation.

+ Appointed as Additional Director and then Managing Director and Chief Executive Officer on August 14, 2014 and is proposed to be appointed as Director and then Managing Director and Chief Executive Officer at this Annual General Meeting.

++ Appointed as Additional Director in the capacity of Independent Director on August 14, 2014 and is proposed to be appointed as Independent Director at this Annual General Meeting.

NOTES:

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

- Out of 12 other Companies in which Dr. Vijay Mallya is a Director, 3 are Private Limited Companies of which 1 is a subsidiary of a Public Company and 1 is a Section 25 Company.
- Out of 15 other Companies in which Mr. G.N. Bajpai is a Director, 3 are Private Limited Companies and 2 are Section 25 Companies.
- Out of the 10 other Companies in which Mr. Sudhakar Rao is a Director, 1 is a Private Limited Company and 4 are Section 25 Companies.
- Out of 7 other Companies in which Mr. D. Sivanandhan is a Director, 2 are Private Limited Companies.
- Out of 9 other Companies in which Mr. P.A. Murali is a Director, 5 are Private Limited Companies of which 2 are subsidiaries of a Public Company and 1 is a Section 25 Company.
- Out of 9 other Companies in which Mr. Vikram Singh Mehta (Mr. Mehta) is a Director, 1 is a Private Limited Company. Mr. Mehta is also Designated Partner in TMA Estates LLP.
- Out of 7 other Companies in which Dr.(Mrs). Indu Shahani is a Director, 2 are Private Limited Companies.
- None of the Directors is related to any other Director.

DISCLOSURES REGARDING APPOINTMENT AND REAPPOINTMENT OF DIRECTORS

DIRECTOR RETIRING BY ROTATION AND BEING REAPPOINTED

DR. VIJAY MALLYA (DIN: 00122890)

Dr. Vijay Mallya (Dr. Mallya) was elected as Chairman of the erstwhile United Breweries Limited [now United Breweries (Holdings) Limited] by the shareholders following the demise of his father in 1983.

Prior to being entrusted with the responsibilities of running a conglomerate, Dr. Mallya worked for the American Hoechst Corporation in the U.S.A. and in the U.K. Since 1980 he assisted his father, then Chairman of the UB Group in managing the important brewing and spirits divisions. Upon assuming the position of Chairman in October 1983, Dr. Mallya initiated the process of defining a corporate structure with performance accountability, inducting professional management and consolidating businesses. The UB Group is solely focused on increasing value for its stakeholders through its various operating businesses, through strategic partnerships and alliances.

Dr. Mallya has received several professional awards both in India and overseas. Dr. Mallya is a Member of Parliament, Council of States of the Republic of India.

Dr. Mallya holds 12,510 equity shares in the Company.

Dr. Mallya has over 34 years of experience.

Details of Dr. Mallya's Directorships in other Indian Companies and Committee Memberships are as under:

Directorships in other Indian Companies	Position held
Kingfisher Airlines Limited	Chairman & MD & Member
Bayer CropScience Limited	Chairman & Member
Mangalore Chemicals & Fertilizers Ltd	Chairman
Sanofi India Limited	Chairman & Member
United Breweries Limited	Chairman & Member
United Breweries (Holdings) Ltd	Chairman & Member
Four Seasons Wines Limited	Chairman
United Racing and Bloodstock Breeders Ltd	Chairman & Member
Royal Challengers Sports Pvt Ltd	Chairman
Kingfisher East Bengal Football Team Pvt Ltd	Chairman
VJM Investments Pvt Ltd	Chairman & Member
Motor Sports Association of India	Managing Committee Member

Dr. Mallya is a member of Corporate Social Responsibility Committee and Risk Management Committee of Directors of the Company. Dr. Mallya is a Member (Chairman) of Corporate Social Responsibility Committee of United Breweries Limited.

APPOINTMENT OF DIRECTORS

MR. SUDHAKAR RAO (DIN: 00267211)

Mr. Sudhakar Rao (Mr. Rao) is a retired Indian Administrative Service Officer of the 1973 batch. He is currently a Director in a number of Indian Companies including BSE Limited, CMC Limited and L&T Infrastructure Development Projects Limited.

Mr. Rao holds a Master's Degree in Economics from the Delhi School of Economics and a Master's Degree in Public Administration from the Kennedy School of Government, Harvard University.

After initial postings at the field level in the State of Karnataka, Mr. Rao went on deputation to the Union Government, as Under Secretary in the Ministry of Power, where he was closely associated with the work of the path breaking Rajyadhyaksha Committee on Power. Thereafter, he was Deputy Commissioner & District Magistrate of Shimoga District during 1982 and 1983. Mr. Rao proceeded on deputation to the Government of India once again after completing his district assignment, and was Deputy Secretary in the Department of Economic Affairs, Ministry of Finance for two years and Director in the Prime Minister's Office for two years, dealing with policy matters covering social sectors. Later he was Joint Secretary in the Ministry of Power, entrusted with the development of hydel power in the country following which he was posted Minister (Economic) in the Embassy of India in Washington for four years.

On his return to the State Government in 2000, he held various assignments, including Chairman & Managing Director of the Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC), Principal Secretary, Finance; Principal Secretary, Home; Principal Secretary to the Chief Minister of Karnataka; Development Commissioner and finally, Chief Secretary of Karnataka, from which post he retired from Government service on 30th September, 2009.

On retirement, he was appointed as a Member of the Public Enterprises Selection Board (PSEB) from which post he resigned on 26th October, 2010 to take up other engagements.

He was conferred the Kannada Rajyotsava Award, under the public service category by the Government of Karnataka on 1st November, 2010.

Mr. Rao does not hold by himself or for any other person on a beneficial basis, any shares in the Company.

Mr. Rao has over 36 years of experience in public administration.

Details of Mr. Rao's Directorships in other Indian Companies and Committee Memberships are as under:

Directorships in other Indian Companies	Position held
BSE Institute Limited	Chairman / Director
BSE Limited	Director
CMC Limited	Director
L&T Infrastructure Development Projects Ltd	Director
Nitesh Estates Limited	Director
Nitstone Waste Management Pvt Ltd	Director
GMR Varalakshmi Foundation	Director
BFSI Sector Skill Council of India	Director
Common Purpose India	Director
IFFCO Foundation	Director

Mr. Rao is the Chairman of the Audit Committee of CMC Limited and L&T Infrastructure Development Projects Limited and a member of the Audit Committee of BSE Limited. He is the Chairman of the Shareholders/Investors' Grievance Committee of CMC Limited and member of the Shareholders/Investors' Grievance Committee in BSE limited.

Mr. Rao is a member of the Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee, Committee of Directors and Chairman of Corporate Social Responsibility of Directors of the Company.

MR. D. SIVANANDHAN (DIN: 03607203)

Mr. Sivanandhan Dhanushkodi (Mr. Sivanandhan) is one of the most highly regarded Indian Police Service (IPS) officers in India, with an illustrious career spanning several postings during his 35 years of service.

Mr. Sivanandhan has dedicated his life to the eradication of corruption and organized crime and is renowned for his use of strategy & intelligence to uphold the rule of law.

During his tenure, he raised resources to upgrade the police force capabilities and welfare in the form of the latest law enforcement equipment, hospitals, gymnasiums, schools and other facilities.

Mr. Sivanandhan is the driving force behind Securus First India Private Limited, where he actively oversees and advises case teams during investigations.

Most recently, he has been a member of the special task force in the National Security Council Secretariat (Prime Minister's Office) for revamping India's internal and external national security measures. He is also the security advisor to the Reserve Bank of India.

Mr. Sivanandhan does not hold by himself or for any other person on a beneficial basis, any shares in the Company.

Mr. Sivanandhan has 36 years of experience.

Details of Mr. Sivanandhan's Directorships in other Indian Companies and Committee Memberships are as under:

Directorships in other Indian Companies	Position held
S.D. Fine Chem Limited	Director
Forbes & Company Limited	Director
Aquamall Water Solutions Limited	Director
Eureka Forbes Limited	Director
The Ratnakar Bank Limited	Director
Securus First India Private Limited	Director
Securus First Digital Services Private Limited	Director

Mr. Sivanandhan is the Chairman of the Audit Committee of Directors of Eureka Forbes Limited.

Mr. Sivanandhan is a member of the Audit Committee, Chairman of Stakeholders Relationship Committee and a member of Nomination and Remuneration Committee of Directors of the Company.

DR.(MRS). INDU SHAHANI (DIN: 00112289)

Dr.(Mrs). Indu Shahani, is a Ph.D in Commerce from University of Mumbai on enhancing Academia Institutional linkages,

Academician with over three decades of teaching experience at University and Degree College, member of University Grants Commission, member of various Committees, Academic Council, Audit & Corporate Governance Committee of HSBC, Director of the Rotary Club of Bombay and Member Junior/Youth Red Cross of the Indian Red Cross Society and has pioneering linkages with various bodies such as CII, BCCI, IMC. She was awarded the Honorary Doctor of Letters degree by the University of Westminster in London. She is Ex-Sheriff of Mumbai and the Principal of H.R.College of Commerce & Economics.

Dr. (Mrs). Indu Shahani has 38 years of teaching experience.

Dr. (Mrs). Indu Shahani does not hold by herself or for any other person on a beneficial basis, any shares in the Company.

Details of Dr. (Mrs). Indu Shahani's Directorships in other Indian Companies and Committee Memberships are as under:

Directorships in other Indian Companies	Position held
Eureka Forbes Limited	Director
Bajaj Electricals Limited	Director
Colgate-Palmolive (India) Limited	Director
Lafarge India Private Limited	Director
Franklin Templeton Investments	Director
Franklin Templeton Trustee Services Private Limited	Director
Indian Oil Corporation Limited	Director

Dr. (Mrs). Indu Shahani is a member of the Audit Committee of Directors of Colgate-Palmolive (India) Limited.

MR. ANAND KRIPALU (DIN: 00118324)

Mr. Anand Kripalu (Mr. Kripalu) is a B.Tech from IIT, Madras and MBA from IIM, Calcutta and has done an Advanced Management Program in Wharton Business School. Mr. Kripalu has over 30 years of experience in FMCG business.

Mr. Kripalu was formerly President, India and South Asia, at Mondelez International. In this position, Mr. Kripalu played a key role in leading Mondelez after the Cadbury acquisition by Kraft in India. He presided over eight years of continuous growth and helped the India business earn status as one of India's Most Admired Companies in 2012 and #3 Most Admired FMCG Company in 2013.

Mr. Kripalu does not hold by himself or for any other person on a beneficial basis, any shares in the Company.

Details of Mr. Kripalu's Directorships in other Indian Companies and Committee Memberships are as under:

Directorships in other Indian Companies	Position held
Marico Limited	Director

DIRECTORS NOT SEEKING RE-APPOINTMENT

Mr. Gilbert Ghostine, who retires by rotation at the forthcoming Annual General Meeting, has not offered himself for re-appointment. For the time being, the vacancy caused by such retirement has not yet been filled up.

Mr. G.N. Bajpai, Mr. Arunkumar Ramanlal Gandhi and Mr. Vikram Singh Mehta, who were earlier appointed as Independent Directors of the Company on various dates and liable for retirement by rotation under the Companies Act, 1956 and proposed to be appointed as Independent Directors, not liable to retire by rotation, at the forthcoming Annual General Meeting, pursuant to the provisions of Sections 149, 150(2) and 152 read with Schedule IV and other applicable provisions of the Companies Act, 2013 and rules made thereunder, have not offered themselves for re-appointment. For the time being, such vacancies caused have not yet been filled up.

3. AUDIT COMMITTEE

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

Mr. Arunkumar Ramanlal Gandhi (Chairman)	Non-Executive Independent Director
Mr. G.N. Bajpai	Non-Executive Independent Director
Mr. Sudhakar Rao	Non-Executive Independent Director
Mr. D. Sivanandhan	Non-Executive Independent Director
Mr. Vikram Singh Mehta*	Non-Executive Independent Director
Mr. Gilbert Ghostine	Non-Executive Director
Mr. Ravi Rajagopal	Non-Executive Director

* Appointed as member of the Audit Committee with effect from September 24, 2013

Note: Consequent upon Mr. Arunkumar Ramanlal Gandhi, Mr. G.N. Bajpai, Mr. Vikram Singh Mehta and Mr. Gilbert Ghostine not seeking re-appointment at the forthcoming Annual General Meeting, the Committee will be reconstituted.

The terms of reference of the Audit Committee were revised keeping in view the provisions of Section 177

of the Companies Act, 2013 and inter alia, includes the following:

- 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.
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
 - Major accounting entries based on exercise of judgment by management
 - Qualifications in draft audit report
 - Significant adjustments arising out of audit
 - Disclosure of any related party transactions.
- Reviewing with the management, performance of statutory and internal auditors, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function including the structure of the internal audit department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up thereon.
- 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.
- 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.
- 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, 2014 and has recommended its adoption. In addition, the Committee has also reviewed Unaudited (Provisional) quarterly results for June 30, 2013, quarterly and six months results for September 30, 2013 and quarterly and nine months results for December 31,

2013 which were subjected to a Limited Review by the Statutory Auditors of the Company and audited financial results for the year ended March 31, 2014.

During the financial year under review, seven meetings were held i.e., on May 14, 2013, July 31, 2013, August 18, 2013, September 24, 2013, November 08, 2013, January 07, 2014 and February 12, 2014. The details of attendance by members of the Committee are as below:

Name of the Director	No. of Meetings	Meetings attended
Mr. Arunkumar Ramanlal Gandhi (Chairman)	6	6
Mr. G.N. Bajpai	6	6
Mr. Sudhakar Rao	6	5
Mr. D. Sivanandhan	6	6
Ms. Renu Sud Karnad *	6	4
Mr. Gilbert Ghostine	5	4
Mr. Ravi Rajagopal	5	4
Mr. Vikram Singh Mehta **	Nil	Nil
Mr. S.R. Gupte***	1	1
Mr. M.R. Doraiswamy Iyengar***	1	1
Mr. B.M. Labroo***	1	1
Mr. Sreedhara Menon***	1	1

* Ceased to be a member of the Audit Committee with effect from February 25, 2014 due to resignation

** Appointed as a member of the Audit Committee with effect from September 24, 2013

*** Resigned as a member of the Audit Committee with effect from July 04, 2013

4. NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee constituted by the Company comprises at present the following Directors:-

Mr. Arunkumar Ramanlal Gandhi (Chairman)	Non-Executive Independent Director
Mr. G.N. Bajpai	Non-Executive Independent Director
Mr. Sudhakar Rao	Non-Executive Independent Director
Mr. D. Sivanandhan	Non-Executive Independent Director
Mr. Gilbert Ghostine	Non-Executive Director
Mr. Vikram Singh Mehta*	Non-Executive Independent Director

*Appointed as a member of the Nomination and Remuneration Committee with effect from April 23, 2014

Note: Consequent upon Mr. Arunkumar Ramanlal Gandhi, Mr. G.N. Bajpai, Mr. Vikram Singh Mehta and Mr. Gilbert Ghostine not seeking re-appointment at the forthcoming Annual General Meeting, the Committee will be reconstituted.

The terms of reference of the Committee were revised keeping in view the provisions of Section 178 of the Companies Act, 2013 and inter alia, includes the following:

- To assist the Board of Directors of the company to:-
 - Determine, review and propose compensation principles and policy of the company
 - Assess and review compensation plans recommended by the management
 - Recommend the compensation packages of the company's Executive Directors
- Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board of Directors their appointment and removal and shall carry out evaluation of every director's performance.
- Approve and recommend matters relating to compensation by way of salary, perquisites, benefits etc., to the Managing/Whole Time/Executive Directors of the Company.
- Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of Directors a policy, relating to the remuneration for the directors including independent directors, key managerial personnel and other employees.

The policy shall, inter alia, cover termination payments to the Executive Committee members and other Senior Executives and oversight of the same by the Committee.

The remuneration policy shall set guidelines for the Executive Committee / Managing Director to approve remuneration to the Managing Committee members and their direct reports and other executives.

- The Committee shall carry out any other acts and deeds as may be delegated by the Board of Directors and deal with such other matters as may be prescribed under the Companies Act, 2013, the listing agreements and other statutory enactments.

- f) The Committee shall provide guidance to the Human Resources Department to set up policy and procedure for succession planning of Key Managerial Personnel and other senior management of the Company.
- g) The Committee shall approve any share incentive plans for the employees of the Company.
- h) The Committee shall have powers to seek information it requires for the performance of its duties from any employee of the Company.

During the financial year under review, three meetings were held on July 01, 2013, July 23, 2013 and January 07, 2014.

The details of attendance by members of the Committee are as below:

Name of the Director	No. of Meetings	Meetings attended
Mr. Arunkumar Ramanlal Gandhi (Chairman)	2	1
Mr. G.N. Bajpai	2	2
Mr. Sudhakar Rao	2	2
Mr. D. Sivanandhan	2	2
Ms. Renu Sud Karnad *	2	1
Mr. Gilbert Ghostine	1	1
Mr. Vikram Singh Mehta**	N.A.	N.A.
Mr. M.R. Doraiswamy Iyengar***	1	1
Mr. B.M. Labroo***	1	1

* Ceased to be a member of the Nomination and Remuneration Committee with effect from February 25, 2014 due to resignation

** Appointed as a member of the Nomination and Remuneration Committee with effect from April 23, 2014

*** Resigned as a member of the Nomination and Remuneration Committee with effect from July 04, 2013

Remuneration of Directors:

The details of Remuneration paid/payable to the Directors during the Financial Year April 1, 2013 to March 31, 2014 are given below:

a) Executive Directors

i) Managing Director: Mr. Ashok Capoor

Salary & Allowances	Performance Linked incentive	Perquisites	Retirement Benefits
Rs.	Rs.	Rs.	Rs.
25,689,300	25,859,979	9,022,085	5,597,505

Notes:

- Mr. Ashok Capoor was appointed as the Managing Director of the Company for a period of three years with effect from May 02, 2011. The terms and conditions of appointment and remuneration of Mr. Ashok Capoor were approved by the shareholders at the Annual General Meeting held on September 29, 2011 and the terms of remuneration were revised at the Board Meeting held on February 04, 2013, which were approved by the shareholders at the Annual General Meeting held on September 24, 2013.
- Mr. Ashok Capoor ceased to be Managing Director and Director with effect from May 01, 2014.
- There was no severance fee and no stock option has been granted during the year.
- As there was no profit during the financial year ended March 31, 2014, the remuneration paid has exceeded the limit prescribed in Section 309 of the Companies Act, 1956 read with Schedule XIII of the Companies Act, 1956. However, since, the effective capital of Company is positive, fresh approval of the Members is not sought. Besides, approval of the Central Government is also not sought, pursuant to General Circular No.46/2011 (No.14/03/2011/CL.VII) dated July 14, 2011 issued by the Ministry of Corporate Affairs in this regard as he qualifies as a "Professional Managerial Person".

ii) Executive Director: Mr. P.A. Murali *

Salary & Allowances	Performance Linked incentive	Perquisites	Retirement Benefits
Rs.	Rs.	Rs.	Rs.
20,680,790	16,413,809	6,415,716	4,275,342

* From July 04, 2013 to March 31, 2014

Notes:

- Mr. P.A. Murali was appointed as the Executive Director of the Company for a period of five

years with effect from July 04, 2013. The terms and conditions of appointment and remuneration of Mr. P.A. Murali are as set out in the resolution approved by the shareholders at the Annual General Meeting held on September 24, 2013 and as per the rules of the Company as applicable.

2. The terms of remuneration payable to Mr. P.A. Murali was revised at the Board Meeting held on April 30, 2014, which are as set out in the Special Resolution to be approved by the shareholders at the ensuing Annual General Meeting to be held on September 30, 2014.
3. The employment of Mr. P.A. Murali is terminable on either side by giving six months' notice as per the rules of the Company.
4. There is no severance fee.
5. No stock option has been granted during the year.
6. As there was no profit during the financial year ended March 31, 2014, the remuneration paid has exceeded the limit prescribed in Section 309 of the Companies Act, 1956 read with Schedule XIII of the Companies Act, 1956. However, since, the effective capital of Company is positive, fresh approval of the Members is not sought. Besides, approval of the Central Government is also not sought, pursuant to General Circular No.46/2011 (No.14/03/2011/CL.VII) dated July 14, 2011 issued by the Ministry of Corporate Affairs in this regard as he qualifies as a "Professional Managerial Person".

No managerial remuneration has been paid to Mr. Anand Kripalu during the financial year ended March 31, 2014 since he has been appointed as Managing Director and Chief Executive Officer w.e.f. August 14, 2014.

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	160,000
Mr. Ashok Capoor *	N.A.
Mr. Gilbert Ghostine	Nil
Mr. G.N. Bajpai	320,000
Mr. Arunkumar Ramanlal Gandhi	290,000
Mr. Sudhakar Rao	290,000
Mr. D. Sivanandhan	300,000
Ms. Renu Sud Karnad **	170,000
Mr. Ravi Rajagopal	Nil
Mr. P.A.Murali	N.A.
Mr. Paul Steven Walsh	Nil
Mr. Vikram Singh Mehta	60,000
Mr. Anand Kripalu ⁺	N.A.
Dr. (MRS.) Indu Shahani ⁺⁺	Nil
Mr. S.R. Gupte ^{***}	60,000
Mr. M.R. Doraiswamy Iyengar ^{***}	150,000
Mr. B.M. Labroo ^{***}	130,000
Mr. Sreedhara Menon ^{***}	Nil
Mr. Sudhindar Krishan Khanna ^{***}	60,000

* Ceased to be Managing Director and Director with effect from May 01, 2014

** Ceased to be Director with effect from February 25, 2014 due to resignation

***Resigned as a Director with effect from July 04, 2013

+ Appointed as Additional Director in the capacity of Managing Director on August 14, 2014 and is proposed to be appointed as Director and Managing Director at this Annual General Meeting.

++ Appointed as Additional Director in the capacity of Independent Director on August 14, 2014 and is proposed to be appointed as Independent Director at this Annual General Meeting.

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.

No commission is proposed to be paid for the financial year ended March 31, 2014 due to absence of profits.

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 Malliya	12,510
Mr. Ashok Capoor *	Nil
Mr. Gilbert Ghostine	Nil
Mr. G.N. Bajpai	Nil
Mr. Arunkumar Ramanlal Gandhi	Nil
Mr. Sudhakar Rao	Nil
Mr. D. Sivanandhan	Nil
Ms. Renu Sud Karnad **	Nil
Mr. Ravi Rajagopal	Nil
Mr. P.A. Murali	Nil
Mr. Paul Steven Walsh	Nil
Mr. Vikram Singh Mehta	Nil
Mr. Anand Kripalu	Nil
Dr. (Mrs). Indu Shahani	Nil

* Ceased to be Managing Director and Director with effect from May 01, 2014

** Ceased to be Director with effect from February 25, 2014 due to resignation.

5. **STAKEHOLDERS RELATIONSHIP COMMITTEE**

The Stakeholders Relationship Committee constituted by the Company comprises at present the following Directors:

Mr. D. Sivanandhan	Non-Executive Independent Director (Chairman)
Mr. G.N. Bajpai	Non-Executive Independent Director
Mr. Arunkumar Ramanlal Gandhi	Non-Executive Independent Director
Mr. Sudhakar Rao	Non-Executive Independent Director

Note: Consequent upon Mr. G.N. Bajpai and Mr. Arunkumar Ramanlal Gandhi not seeking re-appointment at the forthcoming Annual General Meeting, the Committee will be reconstituted.

The terms of reference of the Stakeholders Relationship Committee were revised keeping in view the provisions of Section 178 of the Companies Act, 2013 and inter alia, includes the following:

- i. Review the redressal of shareholders, debenture holders and depositors or any other security holders grievances / complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, non-receipt of interest warrants, etc., and ensure cordial relation with the Stakeholders.
- ii. Review the adherence to service standards relating to the various services rendered by the Company and Company's Registrars & Transfer Agents.
- iii. Review the status of the litigations, complaints / suits filed by or against the Company relating to the shares / fixed deposits, debentures or any other securities of the Company before any Courts / other appropriate authorities, and in particular where directors are implicated or could be made liable.
- iv. Review the impact of enactments/ amendments made by the Ministry of Corporate Affairs/ Securities and Exchange Board of India and other regulatory authorities on matters concerning the Stakeholders in general.
- v. Review matters relating to transfer of unclaimed and unpaid dividend, matured deposits, interest accrued on the matured deposits, debentures etc., to the Investor Education and Protection Fund as specified under the Companies Act, 1956 / 2013.
- vi. Review the status of claims received for unclaimed shares and dividend on unclaimed shares.
- vii. Review the initiatives taken to reduce quantum of unclaimed dividends / unclaimed deposits.
- viii. The Chairman of the Committee or in his absence, any other member of the Committee authorised by the Chairman in his behalf shall attend the general meetings of the Company.
- ix. The Shareholders / Investors Grievance Committee shall act on such further terms of reference as may

be considered necessary and specified by the Board in writing from time to time.

- x. Review service standards and investor service initiatives undertaken by the company.

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

During the financial year under review, three meetings were held on May 15, 2013, November 27, 2013 and February 12, 2014.

The details of attendance by members of the Committee are as below:

Name of the Director	No. of Meetings	Meetings attended
Mr. D. Sivanandhan (Chairman)	2	2
Mr. G.N. Bajpai	2	2
Mr. Arunkumar Ramanlal Gandhi	2	2
Mr. Sudhakar Rao	2	2
Ms. Renu Sud Karnad *	2	Nil
Mr. M.R. Doraiswamy Iyengar**	1	1
Mr. B.M. Labroo**	1	1

* Ceased to be a member of the Stakeholders Relationship Committee with effect from February 25, 2014 due to resignation

**Resigned as a member of the Stakeholders Relationship Committee with effect from July 04, 2013

The Company/Company's Registrars received 75 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, 2014.

6. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

In terms of the provisions of Section 135 of the Companies Act, 2013, all the Companies having net worth of Rs.500 Crores or more or turnover of Rs.1,000 Crores or more or a net profit of Rs.5 Crores or more during any financial year will be required to constitute a Corporate Social Responsibility (CSR) Committee of the Board of Directors

consisting of three or more Directors, at least one of whom will be an Independent Director and have a CSR Policy approved by the Board of Directors.

Accordingly, the Board of Directors on May 16, 2014, constituted the CSR Committee comprising Dr. Vijay Mallya, Mr. Sudhakar Rao (Chairman) and Mr. P.A. Murali to carry out the following activities:

- a) Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities as specified in Schedule VII of the Companies Act, 2013 as under:
 - i) Eradicating hunger, poverty and malnutrition, promoting healthcare including preventive healthcare and sanitation and making available safe drinking water;
 - ii) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
 - iii) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
 - iv) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water;
 - v) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art, setting up public libraries, promotion and development of traditional arts and handicrafts;
 - vi) Measures for the benefit of armed forces veterans, war widows and their dependents;
 - vii) Training to promote rural sports, nationally recognized sports, paralympic sports and Olympic sports;

- viii) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- ix) Contributions to funds provided to technology incubators located within academic institutions which are approved by the Central Government;
- x) Rural development projects.
- b) Recommend the amount of expenditure to be incurred on the activities referred to in paragraph (a) above; and
- c) Monitor the CSR Policy of the Company from time to time.

7. RISK MANAGEMENT COMMITTEE

In terms of Securities Exchange Board of India (SEBI) Circular dated April 17, 2014, effective October 1, 2014, every Company which comes under the top 100 listed companies by market capitalization as at the end of the immediate previous financial year, has to constitute a Risk Management Committee. Although the SEBI Circular is effective only from October 1, 2014, the list of top 100 listed companies in terms of market capitalization has been released by the BSE Limited and the Company is included in the list of top 100 listed companies. Hence, the Board considered it as a good practice to form a Committee now.

Accordingly, the Board of Directors on May 16, 2014, constituted the Risk Management Committee comprising the following Directors:

Dr. Vijay Mallya

Mr. Vikram Singh Mehta (Chairman)

Mr. Gilbert Ghostine

Mr. P.A. Murali

Note: Consequent upon Mr. Vikram Singh Mehta and Mr. Gilbert Ghostine not seeking re-appointment at the forthcoming Annual General Meeting, the Committee will be reconstituted.

8. OTHER COMMITTEES

The Company also has a **Committee of Directors** with authority delegated by the Board of Directors from time to time, 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 and for other routine operations such as issue of power of attorney, operation of bank accounts etc.

The Committee comprises at present the following Directors:

Mr. Sudhakar Rao

Mr. Ravi Rajagopal

Mr. P.A. Murali

In connection with the open offer made by Relay B.V., an indirect wholly owned subsidiary of Diageo plc., to the public shareholders of the Company (which open offer completed on July 2, 2014), a Committee of Independent Directors was constituted on April 23, 2014, pursuant to the requirement of Regulation 26(7) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, which comprised the following Independent Directors:

- Mr. G.N. Bajpai, Chairman
- Mr. D. Sivanandhan
- Mr. Arunkumar Ramanlal Gandhi
- Mr. Sudhakar Rao
- Mr. Vikram Singh Mehta

9. 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, 2013	September 24, 2013	11.00 a.m.	Good Shepherd Auditorium, Opposite St. Joseph's Pre-University College, Residency Road, Bangalore 560 025
March 31, 2012	September 25, 2012	11.30 a.m.	Good Shepherd Auditorium, Opposite St. Joseph's Pre-University College, Residency Road, Bangalore 560 025

Financial Year ended	Date	Time	Venue
March 31, 2011	September 29, 2011	11.30 a.m.	Good Shepherd Auditorium, Opposite St. Joseph's Pre-University College, Residency Road, Bangalore 560 025

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 24, 2013	(i) Appointment of Mr. P.A. Murali as Executive Director (ii) Revision in the terms of remuneration payable to Mr. Ashok Capoor, Managing Director (iii) Alteration of Articles of Association of the Company
September 29, 2012	No special resolution was passed at this meeting.
September 29, 2011	Appointment of Mr. Ashok Capoor as 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 proposed requiring passing by way of Postal Ballot.

No Resolution was passed through Postal Ballot during 2013-14.

Subsequent to the financial year 2013-14, pursuant to Sections 110 and 180 of the Companies Act, 2013 (the "Act") read with the Companies (Management and Administration) Rules, 2014, 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
May 09, 2014	July 04, 2014	Special Resolution under Section 180 of the Companies Act, 2013: Sale and transfer of the entire issued share capital of Whyte and Mackay Group Limited	Carried with requisite majority. Number of Votes cast in favour – 85,030,996 (99.80%) and Number of Votes cast against – 170,178 (0.20%). Date of Announcement: July 04, 2014

The Postal Ballot exercise, under Section 110 of the Act, was conducted by Ms. Mangala Rohith, a Company Secretary in practice, scrutinizer appointed for the purpose.

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

10. DISCLOSURES

During the financial year ended March 31, 2014, 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 except in relation to non-compliance of the provisions of Clause 41 of the Listing Agreement relating to publication of Audited Financial Results for the year ended March 31, 2014 and Un-audited Financial Results for the quarter and June 30, 2014, within the respective time limits stipulated in the said Clause. Necessary clarifications/explanations for delay in such compliances have been given to the Stock Exchanges concerned.

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, 2014 and a declaration to this effect signed by the Chief Executive Officer 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.

11. MEANS OF COMMUNICATION

The quarterly 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 BSE Limited and National Stock Exchange of India Limited.

The Company has designated an exclusive email id viz. uslinvestor@unitedspirits.in to enable the investors to post their grievances and monitor its redressal.

12. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

13. GENERAL SHAREHOLDER INFORMATION

a)	Corporate Identification Number	L01551KA1999PLC024991
b)	AGM Date, Time and Venue	Tuesday, September 30, 2014 at 2.30 p.m. at Level 1, UB Tower, #24, Vittal Mallya Road, Bangalore 560 001
c)	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
	Audited Financial Results	By May 30
d)	Date of Book closure	September 22, 2014 to September 30, 2014 (both days inclusive)
e)	Listing on Stock Exchanges:	The shares of the Company are listed on the following Stock Exchanges: 1. Bangalore Stock Exchange Limited (BgSE) 2. BSE Limited (BSE) 3. National Stock Exchange of India Limited (NSE)
The listing fees for the years 2013-14 and 2014-15 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, 30, Ramana Residency, 4 th Cross, Sampige Road, Malleswaram, Bangalore 560 003 Tel. Nos. (080) 2346 0815-818 Fax No. (080) 2346 0819 Email: bglsta@integratedindia.in
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 Stakeholders Relationship 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, 2014)	<table> <tr> <th>Depositories</th><th>Shares</th><th>%</th></tr> <tr> <td>NSDL</td><td>136019174</td><td>93.59</td></tr> <tr> <td>CDSL</td><td>7204371</td><td>4.96</td></tr> <tr> <td>Total</td><td>143223545</td><td>98.55</td></tr> </table>	Depositories	Shares	%	NSDL	136019174	93.59	CDSL	7204371	4.96	Total	143223545	98.55
Depositories	Shares	%												
NSDL	136019174	93.59												
CDSL	7204371	4.96												
Total	143223545	98.55												
n)	Outstanding GDRs/ ADRs/ Warrants or any other Convertible instruments	1,538,638 Global Depository Shares (GDSs) representing 769,319 Equity Shares of Rs.10/- each as on March 31, 2014 (Two GDSs representing One equity share of Rs.10/- each)												
o)	Plant Locations	<ol style="list-style-type: none"> 1. Cherthala (Kerala) 2. Chennai (Tamil Nadu) 3. Hyderabad I (Telangana) 4. Hyderabad II (Telangana) 5. Ponda (Goa) 6. Hathidah (Bihar) 7. Kumbalgodu (Karnataka) 8. Rosa (Uttar Pradesh) 9. Udaipur (Rajasthan) 10. Serampore (West Bengal) 11. Bhopal - I (Madhya Pradesh) 12. Bhopal - II (Madhya Pradesh) 13. Asansol (West Bengal) 14. Nasik-I (Maharashtra) 15. Nasik-II (Maharashtra) 16. Puducherry (Puducherry) 17. Alwar (Rajasthan) 18. Aurangabad (Maharashtra) 19. Meerut (Uttar Pradesh) 20. Hospet (Karnataka) 21. Pathankot (Punjab) 22. Palwal (Haryana) 23. Gopalpur - on - sea (Orissa) 24. Palakkad (Kerala) 25. Baddi (Himachal Pradesh) 26. Bhadrakali (West Bengal) 27. Baramati (Maharashtra) 28. Zuari Nagar (Goa) 												

p)	Address for correspondence	<p>Shareholder correspondence should be addressed to the Company's Registrars and Transfer Agents:</p> <p>Integrated Enterprises (India) Limited, 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore 560 003. Tel. Nos. (080) 2346 0815-818 Fax No.(080) 2346 0819 Email: bglsta@integratedindia.in</p> <p>Investors may also write or contact Mr. V.S. Venkataraman, Company Secretary or Mr. B.L. Akshara, Deputy General Manager – Secretarial, at the Registered Office of the Company at UB Tower, #24, Vittal Mallya Road, Bangalore 560 001 Tel. Nos. (080) 3985 6500 / 2221 0705 Fax No. (080) 3985 6862</p>
q)		<p>In compliance with the provisions of Clause 47(f) of the Listing Agreement with the Stock Exchanges, an exclusive email id, viz., uslinvestor@unitedspirits.in 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</p>

Pursuant to Clause 5A of the Listing Agreement, an Unclaimed Suspense Account was opened with Stock Holding Corporation of India Limited on February 14, 2013 and the unclaimed shares as mentioned below were transferred to the account titled "United Spirits Limited Unclaimed Suspense Account" after the Company's Registrars & Transfer Agents sent three reminders to all the shareholders whose share certificates were returned undelivered and remained unclaimed.

Particulars	No. of shareholders	No. of equity shares held
Aggregate number of shareholders and the outstanding shares in the Unclaimed Suspense Account lying as on April 01, 2013	5,713	561,421

Particulars	No. of shareholders	No. of equity shares held
Number of shareholders who approached issuer for transfer of shares from Unclaimed Suspense Account during the year	87	17,116
Number of shareholders to whom shares were transferred from Unclaimed Suspense Account during the year	87	17,116
Aggregate number of shareholders and the outstanding shares in the Unclaimed Suspense Account lying at the end of the year	5,626	544,305

The voting rights on the above shares shall remain frozen till the rightful owner claims the shares.

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 (renamed as Nomination and Remuneration Committee).

(3) Shareholder Rights

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

(4) Audit qualifications

There are certain qualifications in the Audit Report of the Statutory Auditors for the year ended March 31, 2014, and the same has been explained in the Notes to Accounts and need no further explanation here. However, the Company endeavours to move towards a regime of unqualified financial statements.

(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

The Company has a Whistle Blower Policy as part of the Code of Business Conduct and Ethics.

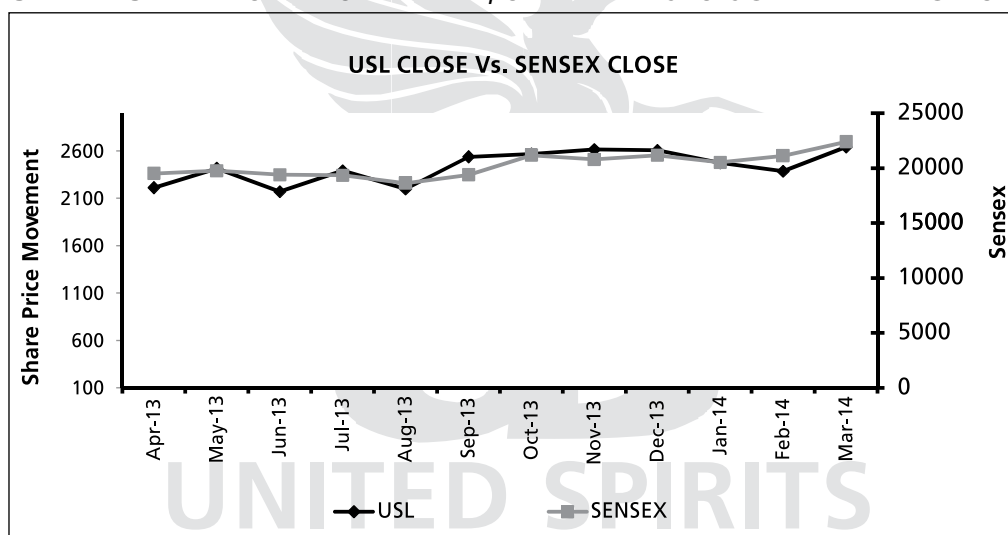
UNITED SPIRITS

ANNEXURE A: MARKET PRICE DATA
United Spirits Limited - Monthly BSE

Month	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume
Apr-13	2228.80	1708.20	2212.35	7657280
May-13	2605.00	2190.75	2415.60	6420331
Jun-13	2551.65	2027.00	2171.00	6953306
Jul-13	2815.00	2196.60	2391.70	5654161
Aug-13	2474.00	1993.30	2199.50	4105192
Sep-13	2675.00	2200.20	2538.20	3066318
Oct-13	2758.80	2402.00	2569.90	2908286
Nov-13	2685.80	2317.00	2615.95	10189895
Dec-13	2678.00	2501.25	2607.05	1952028
Jan-14	2816.35	2415.00	2474.45	5683246
Feb-14	2580.00	2254.05	2386.50	1897672
Mar-14	2732.10	2362.00	2641.20	1793454

United Spirits Limited - Monthly NSE

Month	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume
Apr-13	2228.70	1707.70	2210.95	37775786
May-13	2608.65	2190.00	2414.50	32158542
Jun-13	2553.45	2028.40	2167.80	26617249
Jul-13	2810.00	2192.00	2384.80	28700394
Aug-13	2472.25	1992.95	2200.85	21402516
Sep-13	2676.75	2202.00	2533.20	16179598
Oct-13	2759.95	2405.05	2574.15	14241179
Nov-13	2687.50	2315.05	2615.30	21543138
Dec-13	2677.80	2500.00	2608.55	12519789
Jan-14	2815.00	2415.00	2473.35	14221862
Feb-14	2578.80	2252.60	2387.25	12414391
Mar-14	2730.95	2362.30	2647.45	10906154

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

ANNEXURE C: DISTRIBUTION OF HOLDINGS (as on March 31, 2014)
VALUEWISE

Shareholding of nominal value	Shareholders		Share Amount	
	Number	% to Total	in Rs.	% to Total
Rs.	(3)	(4)	(5)	(6)
Upto - 5,000	66310	96.20	47517380	3.28
5,001 - 10,000	1018	1.48	7670280	0.53
10,001 - 20,000	486	0.71	7065320	0.49
20,001 - 30,000	196	0.28	4979680	0.34
30,001 - 40,000	103	0.15	3688350	0.25
40,001 - 50,000	98	0.15	4546780	0.31
50,001 - 100,000	196	0.28	14433190	0.99
100,001 and above	520	0.75	1363376450	93.81
Total	68927	100.00	1453277430	100.00

CATEGORYWISE

Category	No. of Shares	% of Equity Capital
Promoter Group	56123018	38.62
Resident Body Corporate (including clearing members)	10644646	7.32
Banks / FI / FII / MF / UTI / Trust / Central/ State Government & Insurance Companies	64195558	44.17
NRI / OCB / FCB / Foreign Nationals	751312	0.52
G D S	769319	0.53
Resident Individuals	12843890	8.84
Total	1453277430	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 March 31, 2014 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 March 31, 2014, no grievances are pending against the Company as per the records maintained by the Company and presented to the Stakeholders Relationship 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
September 04, 2014

SUDHIR V HULYALKAR
Company Secretary (in practice)
FCS 6040 CP 6137

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.

Mumbai
September 04, 2014

Anand Kripalu
Managing Director and
Chief Executive Officer

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, 2014.

Mumbai
September 04, 2014

Anand Kripalu
Managing Director and
Chief Executive Officer

MANAGEMENT DISCUSSION & ANALYSIS REPORT

A. INDUSTRY OVERVIEW:

India is the second largest market for alcoholic spirits accounting for approximately 13% of global volumes for calendar year 2013 according to the international research agency Euromonitor. The Indian branded alcoholic spirits industry, at around 309 million cases (each case equal to 9 Bulk Litres), was only marginally up from the 307 million cases of the previous fiscal.

The Indian spirits market has seen double digit volume growth over many years, however the last two fiscal years (2012-13 and 2013-14) have seen this drop sharply to low single digits with performance in the reported year virtually flat with growth under 1%. Higher consumer prices following increases in duties and taxes by governments, often unreasonable, always impacts consumer demand of discretionary goods and alcoholic spirits have been no exception.

According to the Impact Databank, performance of the world's leading spirits in 2013 – the top 100 alcoholic spirits brands – grew only 0.1%. The introduction of anti-extravagance measures by the Chinese government along with challenging economic conditions in mature and other emerging markets impacted the global premium spirits market. The top 25 brands, however, grew slightly better at 0.8%. 16 of the top 25 brands either lost ground or grew volumes under 5%. It is a matter of pride for your Company that 6 of the top 25 brands in volume terms belong to the United Spirits Limited (USL) stable while in value terms, the McDowell's No.1 franchise (across the whisky, brandy and rum flavours), at US\$ 3.59 billion, internationally, is the second-largest alcoholic spirits brand by retail value. Additionally, three other brands of your Company – Bagpiper, Old Tavern and Director's Special - are listed in the Value Top 100.

B. REGULATORY ENVIRONMENT:

The Indian alcoholic spirits market is highly regulated by the States within whose purview the Indian Constitution places this industry. The multiplicity of States creates a complex tax and licensing environment that limits economies of scale and reduces the ability of new manufacturers and new products to achieve national distribution and gain competitive advantage.

The Goods and Services Tax (GST) has been touted as

the panacea for resolving the situation created by the host of taxes currently levied by Central and State Governments. Such a dramatic change in the taxation scenario would have helped to provide a national common market for Goods and Services, spur economic growth by removing the cascading of taxes while at the same time providing for increased compliance and better administration. However, the inclusion of potable alcohol within the ambit of GST has seen the pendulum swing from one extreme to the other - numerous State Governments are being guided by their individual revenue considerations to not only keep potable alcohol out of the purview of GST but also specifically legislate as such in the Constitution itself. Path-breaking changes such as GST should be 'flawless' – the Constitution must provide for a 'perfect' GST and any 'imperfections' necessitated by pulls and pressures of politics could be introduced via the GST Acts/Rules of the Centre and the States. Unfortunately for the Alcobev industry however, this is not the way things stand at present. Both leading political parties have expressed their intent to bring in GST – the manner of its implementation will need to be seen.

C. BUSINESS ANALYSIS:

Commodity cycles are the bane of the alcoholic spirits industry and government intervention only complicates the problem further. States have been known to allow or ban exports of molasses or spirit that only compounds a problem that started with the mandatory blending of ethanol with motor spirit. During the previous year, the Government of India saw it fit to allow a quantum jump in the floor price for ethanol supplies to over Rs.40/litre from the earlier more-than-comfortable price of Rs.27/litre for ethanol supplies to the Oil Marketing Companies (OMCs). While this has in no way helped step up the quantities available to the OMCs - according to Government estimates ethanol blended fuel was only 1.37% of the overall fuel sold in the country, prices of ethanol for the alcoholic spirits industry have taken a quantum jump. Sugarcane is a high water consumption crop and is often the first casualty of drought conditions particularly in the key sugarcane producing states thereby further reducing the availability of molasses.

Your Company had foreseen the risks that these commodity cycles and Government intervention could cause to its

operations and profits and had drawn up a strategy to hedge these fluctuations through securing its supply side by investing in distillation assets thereby ensuring availability of its primary raw material at reasonable prices. Manufacturing facilities were acquired in Andhra Pradesh (Tern Distilleries Pvt. Ltd.), Maharashtra (Pioneer Distilleries Ltd.) and Karnataka (Sovereign Distilleries Ltd.) – these three units together have a total distillation capacity of 378 Kilo Litres Per Day (KLPD). These new capacities have been supplemented by investments in existing distillation plants, like Rosa in UP and Hospet in Karnataka. Benefits from these investments have not been realised as originally envisaged because of delays in requisite capital expenditure to make these plants compliant with the new, stringent pollution control norms that have come into being.

Your Company has also aimed creating dedicated capacities of key supply elements like glass containers and tamper proof closures. With this strategic intent, your Company has underwritten capacities in two new ventures – one manufacturing glass containers and the other manufacturing tamper-evident security closures. Both these projects have come on-stream during the year and have helped to ease the supply situation of both glass containers and tamper evident security closures.

The surge in demand has required your Company to expand its manufacturing foot print which as at March 31, 2014 consisted of 33 owned manufacturing facilities in India and Nepal, 11 facilities in India leased from 3rd parties and 53 facilities operated under tie-up manufacturing contracts. Of these 97 facilities, 8 have in-house ENA distillation capability. This unique manufacturing foot print reduces the cost of operations by minimising interstate taxes and the cost of logistics apart from helping to reduce trade investment in inventory through quicker and more frequent order servicing.

Members of the Company are aware that in every relevant shareholder communication, your Company has highlighted that by restricting the flow of orders to our Poonamallee, Chennai facility, the capacity at that facility was being curtailed – this notwithstanding the fact that there is significant consumer demand for our brands in the Tamil Nadu market. As a consequence of this continuing impasse, the shareholders have approved a proposal to hive-off its Poonamallee, Chennai unit as a 'going concern'. Under the terms of

the agreement, the proposal is subject to the approval of the Honourable High Courts of Madras and Karnataka and other regulatory authorities. The transaction will have retrospective effect from April 1, 2013. While the approval of the Honourable High Court of Madras has been received subsequent to the financial year under review, it is expected that the approval of the Honourable High Court of Karnataka will be received in the current financial year. Your Company has an agreement with the buyers of the Unit whereby they would continue to produce and sell the brands of your Company in the Tamil Nadu market on payment of a franchise fee to your Company.

Sales of the Company's brands in the Prestige and Above segment grew 15% in the fiscal year ended March 31, 2014 and stood at 33 million cases (Previous Year 28.7 million). For reasons which have been highlighted above and in quarterly communication following the declaration of results, viz. rising cost of inputs, forced curtailment of capacity in Tamil Nadu etc., your Company deliberately de-emphasised sales of its popular brands which recorded sales of 87.6 million cases, a drop of 8% from the previous year's 95 million cases. Overall sales of USL stood at 120.7 million cases (Previous Year 123.7 million). Imputed turnover, i.e. the price at which the Company's brands were billed from its manufacturing facilities (own/leased/contracted) and its warehouses, stood at Rs.9,799 Crore net of duties and taxes (Previous Year Rs.9,386 Crore) a rise of 4%. The imputed turnover of the Company's brands in the Prestige and Above category during the year was Rs. 4,257 Crore, up by 19% from the Rs.3,581 Crore recorded in FY 2012-13.

D. MARKETING:

McDowell's No.1 Whisky is India's largest alcoholic spirits brand in both volume and value terms with sales in excess of 23.7 million cases that retailed at US\$ 1.95 billion – this is per the data for calendar year 2013 compiled by Impact Databank and published by Impact International, a leading Alcobev industry monitor. Three of the six fastest growing brands during calendar year 2013 are from the USL stable – viz., Hayward's Whisky, McDowell's No. 1 Whisky and McDowell's VSOP Brandy.

Sales of McDowell's No.1 Celebration Rum at 19 million cases grew 7% to become the world's largest dark rum – it has for many years now been India's largest rum by a wide margin.

The McDowell's No.1 franchise with a presence across three flavours - Whisky, Brandy and Rum sold over 52 million cases, an increase of 7.9% over the 48.2 million cases it sold in the previous fiscal.

Your Company ended fiscal 2013 with 19 'Millionaire' brands – brands that sell over a million cases in a fiscal year.

Men's Club Brandy registered a 14-fold increase in volumes to end fiscal 2013 just short of the 3 million cases mark during the current year.

Last fiscal's annual report had alluded to the repositioning of Royal Challenge Whisky that had been tried out as part of a strategy to facilitate consumers to conveniently 'step-up' from one price band to another without having to 'leap' across price bands. This test marketing met with considerable success in terms of both volumes and value, and in late 2013 was extended to more markets yielding similar results – the brand has grown 27% between fiscal 2013 & 2014 and has resulted in a win-win for both the consumers and for your Company. This repositioning had generated considerable comment amongst industry observers as it was seen as a departure from the premiumization agenda of the Company. On the contrary, this has to be seen in the context of a company that had grown inorganically through the acquisition/merger of companies each with a product portfolio and individual pockets of strength. This has also to be viewed as a part of the strategy that your Company has been pursuing since long – repositioning its brands across the value chain in its constant endeavour to reach new consumers across new price points and retain existing consumers within its portfolio as consumers move up or down the price ladder on any occasion or for any reason.

The Emerging Markets Division has progressed well with its foray into four chosen emerging markets in Asia and Africa – Vietnam, Myanmar, Nigeria and Angola. During the year the Division extended its foot print to Malaysia which has, post the end of the fiscal, become the second country outside India to start production of McDowell's No.1 Whisky. McDowell's No.1 Whisky is today a Millionaire brand in Nigeria. The Division also successfully integrated the Whyte & Mackay portfolio into its sales range. For most of the year export of IMFL through UB Global, a Division of United Breweries (Holdings) Limited continued – this arrangement has transitioned to the Emerging Markets Division effective May 2014.

E. RISKS & CONCERNS, OPPORTUNITIES & THREATS:

The 'demographic window' is a much talked about factor in any discussion on India, more so in the context of a greying population in other parts of the world including China. Of particular interest to us in the Alcobev industry is the large number of young Indians who will come of legal drinking age over the next few years and thereby become a large and enviable base of potential consumers. This has been one of the key reasons why the Indian Alcobev industry has been growing in double digits until very recently. During the last couple of years however this growth has sharply dropped to low single digits – in fact, during fiscal year 2013-14, the industry has been almost static with a sub – 1% growth. In our opinion this is primarily due to the interventions by State Governments increasing duties, taxes and where applicable, the margins of the para statal members of the trade chain which range from 0.3% to nearly 50%.

Indians are joining the work force sooner than in the past and together with changing lifestyles, dismantling of social barriers to consumption of alcoholic products and the change in mind sets – living for today compared to the earlier generation which believed in saving for a rainy day – we believe all these will augur well for your Company in the foreseeable future. The Company's focused drive to upgrade the shape of its business towards more premium brands is but a reflection of how we see Indian society moving in the years to come.

In the past, Governments, both at the Centre and more so in the States, have picked on the alcoholic beverages industry when confronted with unbalanced budgets and revenue deficits. On the basis of a fallacious belief that demand in this industry is price inelastic, Governments have chosen to continuously push up taxes and duties to levels such that today, in most states, taxes and duties comprise about three-fifths of the street price of this industry's products. Additionally, from a tax on alcoholic content, most State Governments have now transitioned to *ad valorem* taxes, very often linked to the street prices. Coupled with over-regulation and the unreasonable trade margins in some states that we spoke of earlier in this report, the growth of the alcoholic beverages industry is being stymied.

A politically savvy sugar lobby has been pushing the case for ethanol blended fuel. The Central Government, faced by rising foreign exchange pressures, has succumbed to such pressures increasing the mandatory ethanol

blending ratio to 10% of all motor fuels produced in India. This is notwithstanding the reluctance of the OMCs to go through with this requirement. A recent statement by the Central Government also accepts that the blending of ethanol with fuel has in fact been as low as 1.37%, against the mandatory 5% earlier and 10% now. It is only the sugar lobby that is over joyed at this move of the Central Government since it provides them with a higher alternate price which becomes a benchmark for customers from the Alcobeve industry.

Over 70% of the Indian Alcobeve industry is in the hands of para statal agencies either at the wholesale or the retail levels or both. Such agencies have become an avenue for increasing Government's share of the street price and are often loath to grant price increases even in line with inflation. In such a scenario, margins will be under pressure and the Company can only look to achieving operational efficiencies to keep with rising costs and downward trending margins.

F. OUTLOOK:

India's demographic dividend is a well-known story. With over half of the Indian population under the age of 25 and more and more young Indians joining the work force with more disposable income in their hands at ages earlier than the previous generation, the Indian spirits industry is expected to see a large increase in its target consumers and hence continue on the growth path. The only hindrance to such continued growth could be the unbridled efforts of the State Governments to continue enhancing duties and taxes.

In a scenario where nearly three out of every four cases is sold by the Company to para statal organisations, price increases are not easy to come by. However, your Company continues to be in the forefront of discussions with these agencies to push through price increases. Notwithstanding this, 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 certain markets as also through reduced trade spends.

Your Company has also been in the forefront of discussions with the Central Government in the areas of Service Tax and GST and has made out a strong case for the inclusion of alcoholic beverages in the appropriate legislation even if alcoholic beverages are to be kept out of the first phase of implementation. The new

Government in power at the Centre seems committed to resolving the impasse with the States on the question of compensation arising from the introduction of GST. Current indications are that in all probability the Government may succumb to the pressures from the States and keep Alcoholic Beverages not only out of GST but also out of the Constitutional Amendment for the introduction of GST, if the Alcobeve industry is excluded from levy of the tax on its finished produce, it will end up with cost pressures owing to an increased input cost which will now be subject to 20% GST compared to a 12-odd % excise duty and a 2% CST.

G. INTERNAL CONTROL SYSTEM:

The Company has a robust system of internal control which has been incorporated in the enterprise-wide SAP system. Additionally, during the year the Company introduced a new centralized Software ARIBA for optimising commodity prices and smoothening the procurement process. This is already yielding economies in procurement.

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

H. INTERNATIONAL OPERATIONS:

Bouvet Ladubay's operating profit grew during fiscal 2014 by 30% and the PAT grew by 31.50% when compared to the previous year. The Company's revenue increased marginally in the financial year 2013-14 as compared to the previous year 2012-13 which is mainly a combination of increase in volume and increase in selling price. The volumes increased marginally by 1.3% from 5.62 million bottles to 5.69 million bottles. The Company's products continue to do well in their traditional markets of Europe, notably France & Germany. Around 50% of Bouvet's volume sales are from Germany.

In Whyte and Mackay (W&M), the branded goods turnover grew by 12% year on year and is now almost 65% of the W&M's turnover (45% last year). Both turnover and profits were lower in the current year due to decrease in bulk sales.

While the Own Label business continues to be under pricing pressure, tactical one time sales of surplus bulk liquid generates both cash and profits.

EBIDTA before exceptional items amounted to GBP 24.94 mio versus GBP 44.80 mio in the previous year.

As mentioned earlier in this report, the Emerging Markets Division is progressing with its foray into the emerging markets of Nigeria, Angola, Myanmar & Vietnam. Through market research, a couple of other countries are also being identified to spread the emerging market canvas.

I. MANAGEMENT:

Members must be aware that Relay B.V. ("Relay"), an indirect wholly owned subsidiary of Diageo plc, completed acquisition of 25.02% of your Company's shares on July 04, 2013, pursuant to a share purchase agreement dated November 09, 2012 (as amended from time to time) amongst United Breweries (Holdings) Limited ("UBHL"), Kingfisher Finvest India Limited ("KFIL"), SWEW Benefit Company, Palmer Investment Group Limited, UB Sports Management Overseas Limited and the trustees of USL Benefit Trust, a preferential allotment agreement dated November 09, 2012 amongst the Company, Relay and Diageo plc and an open offer made to the public shareholders of the Company pursuant to the provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. In addition, Relay, Diageo, UBHL and KFIL also entered into a shareholders' agreement dated November 09, 2012 (as amended from time to time), which came into effect on July 04, 2013, and the Company executed a deed of adherence on July 04, 2013 and became a party to this shareholders' agreement.

As a result, the Board of Directors of your Company was reconstituted with Mr S R Gupte, Mr B M Labroo, Mr M R Doraiswamy Iyengar, Mr Sreedhara Menon and Mr S K Khanna stepping down from the Board after a long association with the Company. New directors who joined the Board at different stages pursuant to the change in shareholding were, Mr Gilbert Ghostine, Mr Ravi Rajagopal, Mr Arunkumar Ramanlal Gandhi, Mr Sudhakar Rao, Mr D Sivanandhan, Ms Renu Sud Karnad, Mr Vikram Singh Mehta, Mr Paul Steven Walsh, Mr. Anand Kripalu and Dr. (Mrs.) Indu Shahani. Dr Vijay Mallya and Mr G N Bajpai continue to be members of the Board. In addition to Mr Ashok Capoor who continued as Managing Director, Mr P A Murali, Chief Financial Officer of the Company was appointed as an Executive Director on the Board, while continuing as Chief Financial Officer.

After three years as Managing Director of your Company and over 15 years with the erstwhile Herbertsons Limited, which integrated into USL, Mr Ashok Capoor resigned as Managing Director and Director on April 30, 2014. Mr Anand Kripalu, a FMCG industry veteran with considerable experience in Hindustan Unilever and Cadbury India, joined the Company on October 01, 2013 as Chief Executive Officer-designate, consequent to the resignation of Mr Ashok Capoor, took over as Chief Executive Officer on May 01, 2014 and was appointed as the Managing Director and Chief Executive Officer on August 14, 2014.

Ms Renu Sud Karnad stepped down from the Board on and from February 25, 2014.

J. HUMAN RESOURCES:

Your Company's human capital now stands at over 6,500 employees including permanent factory workmen. During the fiscal year there has been a stoppage of production at the Palakkad (Kerala) manufacturing unit of the Company between 11th October 2013 to 21st April 2014 due to industrial unrest. This has now been satisfactorily resolved and the unit is back in production.

K. 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

ANAND KRIPALU	P.A. MURALI
Managing Director and Chief Executive Officer	Executive Director

Mumbai
September 04, 2014

To the Members of United Spirits Limited

Report on the financial statements

We have audited the accompanying financial statements of United Spirits Limited ("the Company"), which comprise the balance sheet as at 31 March 2014, the statement of profit and loss and the cash flow statements of the Company for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 (hereinafter referred to as "the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

1. As stated in Note 26(a) to the financial statements, certain parties who had previously given the required undisputed balance confirmations for the year ended 31 March 2013, alleged during the current year, that they have advanced certain amounts to certain alleged UB Group entities and linked the confirmation of amounts due to the Company to repayment of such amounts to such parties by the alleged UB Group entities. Also, some of these parties stated that the dues to the Company will be paid / refunded only upon receipt of their dues from such alleged UB Group entities. These dues of such parties are on account of advances by the Company in the earlier years under agreements for enhancing capacity, obtaining exclusivity and lease deposits in relation to Tie-up Manufacturing Units; agreements for specific projects; or dues owing to the Company from customers. These claims received in the current year may indicate that all or some of such amounts may have been improperly advanced from the Company to such parties for, in turn, being advanced to the UB Group entities. However, this can only be confirmed after a detailed inquiry. Based on the findings of the preliminary internal inquiry by the Management, under the instructions of the Board of Directors; and Management's assessment of recoverability, an aggregate amount of Rs. 6,495.4 million has been provided in the financial statements and has been disclosed as prior period items. Based on its current knowledge, the Management believes that the aforesaid provision is adequate and no additional material adjustments to the financial statements are likely to be required in relation to this matter. As stated in paragraph 4 below, the Board of Directors have instructed the Management to undertake a detailed inquiry into this matter. Pending such inquiry, we are unable to comment on the nature of these transactions; the provision established; or any further impact on the financial statements;
2. As stated in Note 30(f) to the financial statements, subsequent to the balance sheet date, the Company received a letter dated 5 May 2014 from the lawyers of an entity (Alleged Claimant) alleging that the Alleged Claimant had advanced loans amounting to Rs. 2,000 million to Kingfisher Airlines Limited (hereinafter referred to as "KFA"), a UB Group entity, in an earlier year on the basis of agreements, executed in December 2011 and January 2012, through which the Company was alleged to have created a lien on certain investments in favour of the Alleged Claimant as security for the aforesaid loans. The letter alleged that KFA had defaulted in repayment of the aforesaid loans as well as interest of Rs. 790 million due thereon and demanded that the Company should pay the aforesaid amounts and

pending such repayments, create a valid pledge on the specified investments. The Company responded to the aforesaid letter vide its letters dated 3 June 2014 and 28 July 2014, wherein the Company denied knowledge of the purported loan transactions and the purported agreements for the creation of security on such investments held by the Company. A letter dated 31 July 2014 was received from the Alleged Claimant wherein they have stated that the notice sent earlier did not take into account an addendum to the loan agreement; and after examining the aforesaid addendum, they have no claim or demand of any nature against the Company. In September 2014, scanned copies of the purported agreements and certain related documents were obtained by the Company. These documents indicate that while the agreements may have sought to create a lien on certain investments of the Company; subsequently, the Alleged Claimant and KFA sought to negotiate the release of the lien, which was formalised vide a second addendum in September 2012.

The Management has represented to us that the Company had no knowledge of these purported agreements; that the Board of Directors of the Company have not approved any such purported agreements; and it is not liable under any such purported agreements. We are unable to conclude on the validity of these agreements; any required compliance with the provisions of the Companies Act, 1956; and any consequential impact of the same;

3. As stated in Note 26(b) to the financial statements, the Company and its subsidiaries had various pre-existing loans / advances / deposits due from United Breweries (Holdings) Limited (hereinafter referred to as "UBHL"). During the current year, pursuant to a previous resolution passed by the Board of Directors on 11 October 2012, these dues (together with interest) were consolidated into an unsecured loan aggregating Rs. 13,374 million vide an agreement dated 3 July 2013. The loan has been granted for a period of 8 years with a moratorium period of 6 years. Certain lenders have filed petitions for winding-up against UBHL. UBHL has provided guarantees to lenders and other vendors of Kingfisher Airlines Limited, which have been invoked and are currently being challenged in courts. The Company has also filed its affidavit opposing the aforesaid winding-up petition and the matter is sub-judice. Based on its assessment of the recoverability of the loan, the Company has made a provision of Rs. 3,303 million against the loan outstanding and has not recognised the interest income of Rs. 963 million on

the loan. Given the various uncertainties involved with respect to the litigations involving UBHL as aforesaid and the extended period for repayment of the loan, we are unable to comment on the level of provision established;

4. As stated in Note 26(c) to the financial statements, the Board of Directors have instructed the Management to undertake a detailed inquiry in relation to the matters stated in the paragraphs above; the possible existence of any other transaction of a similar nature; the role of individuals involved; and potential non-compliance (if any) with the provisions of the Companies Act, 1956 and other regulations applicable to the Company. The Board has also instructed the Management to engage independent advisers and specialists, as required, for the inquiry. As the inquiry is yet to be carried out, we are unable to comment on any further adjustment that could be identified as a result of the inquiry; its resultant impact on the financial statements; and any potential non-compliances with the provisions of the Companies Act, 1956 and other regulations; and
5. Though the observations in paragraph 1 above relate to claims received in the current year, the underlying transactions were entered into in earlier years. Accordingly, the financial statements of those earlier years and consequently the opening balances may be incorrectly stated to that extent. Further, the detailed inquiry as referred to in paragraph 4 above may result in further adjustments that may have an impact on the opening balances.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014;
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date; and
- (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to:

1. Note 25(c) to the financial statements, which states that subsequent to the balance sheet date, a bank has declared one of the directors of the Company as a willful defaulter in respect of another company where he is a promoter director. The Reserve Bank of India's Master Circular on Willful Defaulters along with certain covenants in the loan agreements sanctioned by the Company's bankers raise an uncertainty on the impact of this development on the availability of credit facilities to the Company. The said director has assured the Board that he will take appropriate steps to ensure that the operations of the Company are not impacted. Having received such assurance from the said director and appropriate comfort from the controlling shareholder of the Company, the financial statements have been prepared on a going concern basis;
2. Note 27(a) to the financial statements, wherein it is stated that during the year, on 8 November 2013, the Board of Directors approved the scheme of arrangement between United Spirits Limited and Enrica Enterprises Private Limited ('Enrica') and its shareholders and creditors as the case may be ('the Scheme') in respect of transfer of undertaking of the Company in Tamil Nadu by way of slump sale on a going concern basis under Section 391 read with Section 394 of the Companies Act, 1956, with appointed date 1 April 2013. The Scheme has been approved by the equity shareholders, secured creditors and unsecured creditors at the court convened meeting held on 16 June 2014. The relevant petitions have been filed before the respective jurisdictional High Courts by the Company and Enrica and awaiting for their approval. The Company has also entered into a franchise agreement with Enrica which prescribes a royalty payment to the Company for grant of manufacturing, marketing, distribution and sale rights to Enrica in defined territories. From the appointed date upto the effective date, the royalty payable shall be a fixed amount per case or the Franchisee's Profit (before tax and royalty) in respect of the franchised products, whichever is lower. Subsequent to the effective date, royalty at net sales realization linked slab rate will accrue to the Company as per the franchise agreement. Pending approval of the scheme, no effect has been given in the financial statements;
3. Note 28(i) to the financial statements, wherein it is stated that Tern Distilleries Private Limited, a wholly owned subsidiary of the Company ('TERN') will be amalgamated with the Company pursuant to a Draft Rehabilitation Scheme and applicable provisions of Sick Industrial Companies (Special Provisions) Act, 1985 with the appointed date 1 April 2013 ('TERN Scheme'). The entire operations of TERN comprise transactions with the Company. The net impact on the stand-alone financial performance of the Company from such amalgamation is expected to be insignificant when effected. The equity shareholders of the Company have approved the TERN Scheme at their Extraordinary General Meeting held on 18 March 2014 and the approval by the Board for Industrial and Financial Reconstruction is awaited. Pending approval of the TERN Scheme, no effect has been given in the financial statements;
4. Note 28(ii) to the financial statements, wherein it is stated that SW Finance Co. Limited, a wholly owned subsidiary of the Company will be amalgamated with the Company with the appointed date 1 January 2014 ('SWFCL Scheme') pursuant to the applicable provisions of the Companies Act, 1956, and subject to the sanction of the Honourable jurisdictional High Courts / any such competent authority. The accounting for the above amalgamation shall be done upon receiving the necessary sanctions / approval from various regulatory authorities including the Registrar of Companies. Upon the SWFCL Scheme becoming effective, SWFCL will stand merged with the Company. Pending approval of the SWFCL Scheme, no effect has been given in the financial statements;
5. Note 27(b) to the financial statements, wherein it is stated that the Board of Directors decided to initiate a process based on the outline time-table provided in connection with the decision of the Office of Fair Trade to explore a potential sale of all or part of Whyte and Mackay Group (WMG). As a culmination of this process, subsequent to the year-end, on 9 May 2014 for an Enterprise Value of GBP 430 million, the Company's wholly owned subsidiary, United Spirits (Great Britain) Limited (USGBL or the Seller) entered into a Share Sale and Purchase agreement (SPA) with Emperador UK Limited and Emperador Inc. in relation to the sale of the entire issued share capital of Whyte and Mackay Group Limited. USGBL appointed third party financial advisers in respect of the sale process. The financial closure of the proposed transaction as contemplated by the terms of the SPA (as may be amended and modified from time to time), is subject to satisfaction of certain conditions precedent. The equity shareholders of the Company have approved the proposed sale of WMG by the Seller. The Company has filed an application with Reserve Bank of India (through authorized dealer of the Company) for its approval. Based on the Management's assessments of the recoverability of the investments and loans given for the Whyte and Mackay Group, a provision amounting to Rs. 43,216 million has been made in the books including diminution in the value of investment in subsidiaries viz Palmer Investment Group Limited and Montrose International S.A.; the same has been disclosed as an exceptional item; and

6. Note 25(b) to the financial statements, wherein it is stated that during the year ended 31 March 2014, the Company decided to prepay credit facilities availed from a bank amounting to Rs. 6,216.6 million secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust. The Company deposited a sum of Rs. 6,280 million including prepayment penalty of Rs. 40 million with the bank and instructed the bank to debit the amount from the cash credit account towards settlement of the loan and release the assets / shares pledged by the Company. The bank, however, disputed the prepayment and continues to debit the account towards the installments and interest as per the loan agreement. The Company has disputed the same and a case is pending before the Honourable High Court of Karnataka. Pending settlement with the bank, the loan amount and balance available in cash credit account is presented on net basis in the financial statements as at 31 March 2014.

Our opinion is not qualified in respect of these matters.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - a. *Except for the matters described in the Basis for Qualified Opinion paragraph, we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;*
 - b. *Except for the matters described in the Basis for Qualified Opinion paragraph, in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;*

- c. The balance sheet, the statement of profit and loss, and the cash flow statement dealt with by this report are in agreement with the books of account;
- d. *Except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate affairs in respect of Section 133 of the Companies Act, 2013; and*
- e. On the basis of written representations received from the directors as on 31 March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

Other matter

The financial statements of the Company for the year ended 31 March 2013, were audited by another auditor whose report dated 15 May 2013 expressed an unmodified opinion on those statements.

for B S R & Co. LLP
Chartered Accountants
Firm registration number: 101248W/W-100022

Sunil Gaggar
Partner
Membership number: 04315

Place : Mumbai
Date : 4 September 2014

Annexure referred to in our Report to the members of United Spirits Limited ("the Company") for the year ended 31 March 2014.

We report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of fixed assets has been physically verified during the year and no material discrepancies were noticed on such verification.
- (c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) (a) The inventory, except goods-in-transit and stocks lying with third parties, has been physically verified by the Management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained by the Management.
- (b) The procedures for physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) According to the information and explanations given to us, the Company has granted an unsecured loan to a company covered in the register maintained under Section 301 of the Companies Act, 1956 ('the Act') by way of conversion of certain pre-existing loans / advances / deposits due to the Company and its subsidiaries (refer paragraph 3 under 'Basis for Qualified Opinion'). The year-end balance of the loan and the maximum amount outstanding during the year amounted to Rs. 13,374 million.

Further, as mentioned in paragraph 1 under 'Basis for Qualified Opinion', certain parties alleged that they have advanced certain amounts to certain alleged UB Group entities and linked the confirmation of amounts due to the Company to repayment of such amounts to such parties by the alleged UB Group entities. Also, some of these parties stated that the

dues to the Company will be paid / refunded only upon receipt of their dues from such alleged UB Group entities. Considering the matters disclosed in paragraphs 1 and 4 of 'Basis for Qualified Opinion', we are unable to comment whether any such arrangements represent transactions with any company / firm / other party covered in the register maintained under Section 301 of the Act.

- (b) *In our opinion, the rate of interest and other terms and conditions on which the above unsecured loan has been granted to the company covered in the register maintained under Section 301 of the Act as stated in sub-clause (a) above, are prima facie, prejudicial to the interest of the Company.*

Based on its assessment of recoverability, the Company has during the current year, made a provision of Rs. 3,303 million against the loan and has not recognised any interest income (amounting to Rs. 963 million on the said loan).

Further, as mentioned in paragraph 1 under 'Basis for Qualified Opinion', a provision of Rs. 6,495.4 million has been made with respect to amounts due from certain parties who alleged that they have advanced certain amounts to alleged UB Group entities.

- (c) According to the information and explanations given to us, in case of the unsecured loan granted to the company covered in the register maintained under Section 301 of the Act as stated in sub-clause (a) above, no amounts were repayable during the year as per the terms of the loan agreement.

Considering the matters disclosed in paragraphs 1 and 4 under 'Basis for Qualified Opinion', we are unable to comment on the regularity in the receipt of the principal amount and interest relating to any other loan, secured or unsecured, that may have been granted to any company / firm / other party covered in the register maintained under Section 301 of the Act, as a result of the transactions disclosed in paragraphs 1 and 4 under 'Basis for Qualified Opinion'.

- (d) According to the information and explanations given to us, in case of the unsecured loan granted to the company covered in the register maintained under Section 301 as stated in sub-clause (a) above, there is no overdue amount of more than Rupees one lakh in respect of the said loan.

Considering the matters disclosed in paragraphs 1 and 4 under 'Basis for Qualified Opinion', we are unable to comment whether there is overdue amount of more than Rupees one lakh in respect

of any other loan, secured or unsecured, that may have been granted to any company / firm / other party covered in the register maintained under Section 301 of the Act, as a result of the transactions disclosed in paragraphs 1 and 4 under 'Basis for Qualified Opinion'.

- 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. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services during the year.

Except for the matter discussed below, we have not observed any major weaknesses in the internal control system during the course of the audit.

Considering the matters stated under 'Basis for Qualified Opinion', we are unable to comment on the adequacy of the internal control system of the Company at certain points in time during the earlier years with respect to such instances as stated under 'Basis for Qualified Opinion'.

- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements entered into during the year referred to in Section 301 of the Act have been entered in the register required to be maintained under that Section.

However, considering the matters stated under 'Basis for Qualified Opinion', particularly paragraphs 1 and 4 thereof, we are unable to comment whether the particulars of any such contracts or arrangements that may result from the transactions disclosed under 'Basis for Qualified Opinion' and that need to be entered in the register maintained under Section 301 of the Act, have been so entered.

- (b) Further to our comments in paragraph (v) (a) above, in our opinion, and according to the information and explanations given to us, the transactions entered in the register maintained under Sections 301 of the Act, exceeding the value of Rs 5 lakh with each party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time except for purchases of certain services which are

for the Company's specialised requirements and for which suitable alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.

- (vi) In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A, Section 58AA or other relevant provisions of the Act and the rules framed thereunder / the directives issued by the Reserve Bank of India (as applicable) with regard to deposits accepted from the public. Accordingly, there have been no proceedings before the Company Law Board or National Company Law Tribunal (as applicable) or Reserve Bank of India or any Court or any other Tribunal in this matter and no order has been passed by any of the aforesaid authorities.

- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business during the year, *except in relation to matters stated under 'Basis for Qualified Opinion', where the internal audit system needs to be strengthened.*

- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Act in respect of the products manufactured by the Company and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.

- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of 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 and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities, though there has been a slight delay in a few cases.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues were in arrears as at 31 March 2014 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Custom duty and Wealth tax which have not been deposited with the appropriate authorities on account of any dispute. The particulars of

dues of Income-tax, Sales tax, Service tax and Excise duty as at 31 March 2014 which have not been deposited on account of disputes are stated in Appendix 1.

(x) *The accumulated losses of the Company at the end of the year are not less than fifty percent of its net worth. The Company has incurred cash losses in the financial year. However, no cash losses were incurred in the immediately preceding financial year.*

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to a bank or to any financial institution except that in case of loans due to banks, principal amounting to Rs. 410 million and interest amounting to Rs. 474 million were repaid with a delay of upto 67 days and 37 days, respectively. The Company did not have any outstanding debentures during the year.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund/ nidhi/ mutual benefit fund/ society.

(xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company.

(xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company and applied during the year were for the purpose for which they were raised.

However, considering the matters stated under 'Basis for Qualified Opinion', particularly paragraphs 1, 3 and 4, we are unable to comment whether any transactions relating to such matters represent application of term loans for the purpose for which they were raised.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to companies/ firms/ parties covered in the register maintained under Section 301 of the Act.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money by public issues during the year and there was no opening unutilised money raised by public issues.

(xxi) As mentioned in detail in paragraphs 1 and 2 under 'Basis for Qualified Opinion', wherein it is stated that:

- certain parties alleged that they have advanced certain amounts to certain alleged UB Group entities and linked the confirmation of amounts aggregating to Rs 5,846.9 million due to the Company to repayment of such amounts to such parties by the alleged UB Group entities. Further, some of these parties stated that the dues to the Company will be paid / refunded only upon receipt of their dues from such alleged UB Group entities; and

- an alleged instance of a purported agreement to create a lien on certain investments of the Company as security against loans given by an Alleged Claimant to Kingfisher Airlines Limited (KFA) in earlier years was noted. However, in a letter dated 31 July 2014 from the Alleged Claimant, it was stated that the allegation made earlier did not take into account an addendum to the loan agreement; and after examining the aforesaid addendum and the agreement, the Alleged Claimant does not have any claim or demand of any nature against the Company. Subsequently, in September 2014, scanned copies of the purported agreements were furnished to the Management by KFA. The Management has represented to us that the Company had no knowledge of these purported agreements; that the Board of Directors of the Company have not approved any such purported agreements; and it is not liable under any such purported agreements.

Pending the completion of the inquiry as mentioned in paragraph 4 under 'Basis for Qualified Opinion', we are unable to conclude whether these instances can be termed as 'fraud' and whether there are other instances of a similar nature.

for B S R & Co. LLP
Chartered Accountants
Firm registration number: 101248W/W-100022

Sunil Gagar
Partner
Membership number: 104315

Place : Mumbai
Date : 4 September 2014

Appendix 1 to the Annexure to the Auditor's report (continued)

Name of the Statute	Nature of dues	Disputed demand (Rs. in million)	Paid (Rs. in million)	Unpaid (Rs. in millions)	Periods to which the amount relates to	Forum where the dispute is pending
The Income-tax Act, 1961	Income Tax	5,434.380	5,446.671	0.102	Assessment years – 2006-07, 2007-08, 2008-09, 2009-10	Income Tax Appellate Tribunal
The Income-tax Act, 1961	Income Tax	3,629.576	3,504.909	124.667	Assessment years – 2004-05, 2010-11, 2011-12	Commissioner of Income Tax (Appeals)
Central Excise Act, 1944	Excise Duty	6.000	-	6.000	1991-92, 1992-93, 1993-94, 1994-95, 1995-96, 1996-97, 1997-98, 2001-02	Supreme Court
Central Excise Act, 1944	Excise Duty	1.872	-	1.872	2004-05	High Courts
Central Excise Act, 1944	Excise Duty	0.534	-	0.534	1994-95	Commissioner of Central Excise
Central and Respective State Sales Tax Acts	Entry Tax	73.818	-	73.818	2009-10	Supreme Court
Central and Respective State Sales Tax Acts	Sales Tax / Value Added Tax	167.421	134.252	33.169	1980-81 to 1984-85, 1988-89, 1989-90, 1992-93, 1995-96 to 2001-02, 2011-12, 2013-14	High Courts
Central and Respective State Sales Tax Acts	Entry Tax	46.333	7.033	39.300	1984-85, 1985-86, 2003-04 to 2010-11	High Courts
Central and Respective State Sales Tax Acts	Sales Tax / Value Added Tax	88.778	18.814	69.937	1982-83 to 2000-01, 2004-05	Appellate Tribunal
Central and Respective State Sales Tax Acts	Entry tax	8.593	7.501	1.092	1987-88	Appellate Tribunal
Central and Respective State Sales Tax Acts	Sales Tax / Value Added Tax	5.723	-	5.723	1993-94, 2004-05, 2005-06, 2006-07	Appellate and Revisional board
Central and Respective State Sales Tax Acts	Entry Tax	49.415	-	49.415	2004-05, 2006-07	Appellate and Revisional board
Central and Respective State Sales Tax Acts	Sales Tax / Value Added Tax	296.181	288.497	7.684	1999-2000 to 2002-03, 2004-05 to 2011-12	Joint Commissioner
Central and Respective State Sales Tax Acts	Entry Tax	7.118	1.000	6.118	2007-08 to 2010-11	Joint Commissioner
Central and Respective State Sales Tax Acts	Sales Tax / Value Added Tax	24.856	14.810	10.047	1984-85, 1992-93, 2002-03, 2003-04, 2005-06, 2006-07, 2013-14	Deputy Commissioner
Central and Respective State Sales Tax Acts	Entry Tax	18.804	15.266	3.538	2007-08	Deputy Commissioner
Central and Respective State Sales Tax Acts	Sales Tax / Value Added Tax	1.189	-	1.189	1995-96, 2008-09	Assistant Commissioner
Central and Respective State Sales Tax Acts	Sales Tax / Value Added Tax	8.968	-	8.968	2005-06 to 2010-11	Additional Commissioner

Name of the Statute	Nature of dues	Disputed demand (Rs. in million)	Paid (Rs. in million)	Unpaid (Rs. in millions)	Periods to which the amount relates to	Forum where the dispute is pending
Central and Respective State Sales Tax Acts	Entry Tax	7.403	-	7.403	2008-09	Additional Commissioner
Central and Respective State Sales Tax Acts	Sales Tax / Value Added Tax	2.815	2.064	0.750	1993-94, 1995-96 to 1999-00, 2003-04	Assessing Officer
Service Tax - Finance Act, 1994	Service Tax	292.784	26.570	266.214	2004-05 to 2010-11	CESTAT
Respective State Excise Acts	State Excise	2.096	-	2.096	1971-72	Supreme Court
Respective State Excise Acts	State Excise	139.950	35.350	104.600	1963-64, 1983-84, 1986-87, 1988-89 to 1993-94, 1997-98 to 2001-02, 2003-04, 2007-08 to 2010-11	High Courts
Respective State Excise Acts	State Excise	290.623	4.283	286.340	1974-75 to 1989-90, 1991-92, 1993-94 to 1998-99, 2001-02 to 2007-08, 2011-12	Excise Commissioner
Respective State Excise Acts	State Excise	1.593	-	1.593	1986-87, 1992-93 to 1998-99	Excise Superintendent
Respective State Excise Acts	State Excise	1.701	-	1.701	1994-95	District Magistrate and Collector
Respective State Excise Acts	State Excise	12.170	-	12.170	1981-84	Chinsurah Court, Hooghly
Respective State Excise Acts	State Excise	8.311	-	8.311	1993-94	Additional District Magistrate
Respective State Excise Acts	State Excise	0.081	-	0.081	1994-95	Collector
Respective State Excise Acts	State Excise	2.407	-	2.407	2003-04 to 2007-08	Appellate Tribunal

The above appendix does not include cases where the respective authorities have appealed against orders passed in favour of the Company.

		Rs. Million	
	Note	As at 31-March-2014	As at 31-March-2013
Equity and liabilities			
Shareholders' funds			
Share capital	2	1,453.277	1,307.950
Reserves and surplus	3	36,691.591	62,611.660
		<u>38,144.868</u>	<u>63,919.610</u>
Non-current liabilities			
Long-term borrowings	4.1	13,589.399	9,963.612
Other long-term liabilities	4.2	643.656	620.733
Long-term provisions	4.3	563.756	376.258
		<u>14,796.811</u>	<u>10,960.603</u>
Current Liabilities			
Short-term borrowings	5.1	32,985.672	23,572.401
Trade payables	5.2	11,874.974	13,290.454
Other current liabilities	5.3	9,462.635	18,039.540
Short-term provisions	5.4	1,038.896	1,715.040
		<u>55,362.177</u>	<u>56,617.435</u>
		<u>108,303.856</u>	<u>131,497.648</u>
Assets			
Non-current assets			
Fixed assets			
Tangible assets	6.1	11,861.625	11,557.538
Intangible assets	6.2	21.015	17.056
Capital work-in-progress		496.188	341.974
		<u>12,378.828</u>	<u>11,916.568</u>
Non-current investments	7	8,089.731	14,807.659
Deferred tax assets (net)	8	545.559	325.777
Long-term loans and advances	9	36,982.025	62,979.420
Other non-current assets	10	1.300	1.300
		<u>45,618.615</u>	<u>78,114.156</u>
Current assets			
Current investments	11.1	1,206.578	1,214.319
Inventories	11.2	15,354.036	13,214.592
Trade receivables	11.3	17,135.771	17,686.906
Cash and bank balance	11.4	4,972.903	1,834.875
Short-term loans and advances	11.5	11,636.378	7,514.884
Other current assets	11.6	0.747	1.348
		<u>50,306.413</u>	<u>41,466.924</u>
		<u>108,303.856</u>	<u>131,497.648</u>

Significant accounting policies

See accompanying notes to financial statements

As per our report of even date attached.

for **B S R & Co. LLP**

Chartered Accountants

Firm registration number: 101248W/W-100022

for and on behalf of Board of Directors

Anand Kripalu
Managing Director & CEO

P.A. Murali
Executive Director & CFO

Sunil Gaggar
Partner
Membership number:10431

Ravi Rajagopal
Director

V.S. Venkataraman
Company Secretary

Place: Mumbai
Date: 4 September 2014

Place : Mumbai
Date : 4 September 2014

Statement of profit and loss

		Rs. Million	
	Note	For the year ended 31-March-2014	For the year ended 31-March-2013
Revenue			
Revenue from operations	12	207,348.767	188,344.017
Less: Excise duty		123,085.314	105,162.342
		84,263.453	83,181.675
Other operating income	13.1	902.471	655.666
Other income	13.2	1,489.053	1,248.146
Total		86,654.977	85,085.487
Expenses			
Cost of materials consumed	14	44,775.022	40,952.359
Purchase of traded goods		7,926.464	7,251.090
Change in inventories of finished goods, work-in-progress and stock-in-trade	15	(2,309.713)	1,704.764
Employee benefits expense	16	5,644.410	4,347.062
Finance costs	17	6,129.997	6,561.722
Depreciation and amortisation expense	6	855.025	718.269
Other expenses	18	30,699.325	18,493.772
[Includes prior period expenditure of Rs. 6,495.480 Million (2013: Rs. Nil) Refer note 26(a)]			
Total		93,720.530	80,029.038
Profit / (loss) before exceptional items and taxation		(7,065.553)	5,056.449
Less: Exceptional items	19	43,216.262	216.481
Profit / (loss) before taxation		(50,281.815)	4,839.968
Tax expense			
Current tax		1,350.223	1,671.000
Reversal of tax relating to earlier years		(384.038)	-
Deferred tax charge / (credit)		(219.781)	(38.992)
Profit / (loss) for the year		(51,028.219)	3,207.960
Basic and diluted earnings per share (Face value of Rs. 10 each)	20	(356.60)	24.53
Significant accounting policies	1		
See accompanying notes to financial statements			

As per our report of even date attached.

for B S R & Co. LLP
Chartered Accountants
Firm registration number: 101248W/W-100022

for and on behalf of Board of Directors

Anand Kripalu
Managing Director & CEO

P.A. Murali
Executive Director & CFO

Sunil Gaggar
Partner
Membership number:10431

Ravi Rajagopal
Director

V.S. Venkataraman
Company Secretary

Place: Mumbai
Date: 4 September 2014

Place : Mumbai
Date : 4 September 2014

	Rs. Million	
	For the year ended 31-March-2014	For the year ended 31-March-2013
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	(50,281.815)	4,839.968
Adjustments for		
Depreciation and amortisation expense	855.025	718.269
Bad debts and advances written off	27.444	37.044
Loss on sale of fixed assets / written off (net)	1.633	161.857
Loss on sale of investments	-	4.004
Provision for doubtful debts / advances / deposits	10,127.475	14.410
Provision for advances and diminution in the value of investment in subsidiaries	43,216.262	173.121
Provision towards turnover tax relating to earlier years under amnesty scheme	-	43.360
Interest expense and debt issue costs	6,129.997	6,561.722
Guarantee commission received	(223.743)	-
Unrealised foreign exchange gain	(293.371)	(333.261)
Liabilities no longer required written back	(131.276)	(213.690)
Bad debts / advances recovered	(65.635)	(1.053)
Dividend income	(39.888)	(48.389)
Interest Income	(853.153)	(750.989)
Operating profit before working capital changes	8,468.955	11,206.373
(Increase) / decrease in trade receivables	(1,969.264)	(4,896.910)
(Increase) / decrease in other receivables	(4,865.529)	1,268.575
(Increase) / decrease in inventories	(2,139.444)	1,307.767
Increase / (decrease) in trade and other payables	(1,704.722)	3,414.268
	(10,678.959)	1,093.700
Cash generated from / (used in) operations	(2,210.004)	12,300.073
Income taxes paid (net)	(1,629.894)	(1,637.330)
Cash generated from / (used in) operations	(3,839.898)	10,662.743
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,406.559)	(1,292.617)
Proceeds from sale of fixed assets	14.113	351.154
Finance lease payments	(6.048)	(11.609)
Consideration paid on acquisition of shares in a subsidiary	(355.988)	657.122
Proceeds from sale of current investments	8.252	187.587
Movement in other bank balances	79.224	(142.089)
Loans given to related parties	(10,670.699)	(7,956.472)
Realisation of loans from related parties	3,922.864	1,437.633
Interest received	323.306	740.372
Guarantee commission received	223.743	-
Dividend received	39.378	31.594
Net cash generated from / (used in) investing activities	(7,828.414)	(5,997.325)

Cash flow statement (continued)

		Rs. Million
	For the year ended 31-March-2014	For the year ended 31-March-2013
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from preferential allotment	20,927.195	-
Expenses incurred on issue of shares	(276.681)	-
Proceeds / (repayment) of long term borrowings		
Proceeds	6,182.500	6,083.131
Repayment	(14,135.330)	(6,569.984)
Proceeds / (repayment) of deposits (net)	(476.331)	(1,963.207)
Inter corporate deposits	(465.652)	437.174
Proceeds of short term borrowings	13,866.504	3,400.000
Repayment of short term borrowings	(2,500.000)	(1,500.000)
Working capital loan / cash credit from banks (net)	(1,953.233)	1,215.912
Interest and finance charges paid (including on finance lease Rs. 1.406 Million (2013: Rs. 2.307 Million))	(5,862.642)	(6,532.008)
Dividends paid	(363.336)	(326.303)
Corporate dividend tax on distributed profit	(57.430)	(53.047)
Net cash generated from / (used in) financing activities	14,885.564	(5,808.332)
Net (decrease) / increase in cash and cash equivalents	3,217.252	(1,142.914)
Cash and cash equivalents as at 31 March 2013*	765.450	1,908.364
Cash and cash equivalents as at 31 March 2014*	3,982.702	765.450
	3,217.252	(1,142.914)

*Refer Note 11.4

Notes:

- The above cash flow statement has been compiled from and is based on the balance sheet as at 31 March 2014 and the related statement of profit and loss for the year ended on that date.
- 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.
- Previous year's figures have been regrouped wherever necessary in order to conform to this year's presentation.

As per our report of even date attached.

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

for and on behalf of Board of Directors

Anand Kripalu
 Managing Director & CEO

P.A. Murali
 Executive Director & CFO

Sunil Gaggar
Partner
 Membership number:10431

Ravi Rajagopal
 Director

V.S. Venkataraman
 Company Secretary

Place: Mumbai
 Date: 4 September 2014

Place : Mumbai
 Date : 4 September 2014

1. Significant accounting policies

1.1 Company overview

United Spirits Limited ("the Company") is a public company domiciled and headquartered in India. It is incorporated under the Companies Act, 1956 and its shares are listed on the Bangalore Stock Exchange Limited, BSE Limited and National Stock Exchange of India Limited. The Company is engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines).

1.2 Basis of preparation of financial statements

The financial statements of the Company are prepared under historical cost convention, except as otherwise stated, on the accrual basis of accounting, in accordance with the Generally Accepted Accounting Principles (GAAP) in India. GAAP comprises, the Accounting Standards as specified in the Companies (Accounting Standard) Rules 2006, the relevant provisions of the Companies Act, 1956, the relevant provisions of the Companies Act, 2013 (to the extent applicable) and the guidelines issued by the Securities and Exchange Board of India ('SEBI').

1.3 Use of estimates

The preparation of the financial statements, in conformity with GAAP, requires that the Management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

1.4 Fixed assets (Tangible and Intangible)

- (a) Tangible fixed assets are stated at their original cost of acquisition or construction and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation of the assets concerned less accumulated depreciation, 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 (and accounted under purchase method) are determined at their fair values, on the date of acquisition or as approved under the schemes of amalgamation.
- (c) Fixed assets held for disposal are stated at their net book value or estimated net realisable value, whichever is lower.
- (d) Intangible fixed assets are stated at the consideration paid for acquisition less accumulated amortisation, if any.
- (e) The cost of the fixed assets not ready for their intended use before such date, are disclosed as capital work-in-progress.

1.5 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 under 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 Statement of profit and loss on accrual basis.

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

1. Significant accounting policies (continued)

1.6 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 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 to the Companies Act, 1956 based on the number of shifts, depreciation is provided for the full year on triple shift basis.
- (b) Fixed assets acquired on amalgamation are depreciated over the remaining useful life at the date of acquisition and computed based on rates prescribed in Schedule XIV to the Companies Act, 1956, as below:

Buildings – Factory	1 to 30 years
– Non factory	1 to 54 years
Plant & machinery	1 to 20 years
- (c) Assets taken on finance lease are amortised over their estimated useful lives or the lease term, whichever is lower.
- (d) Leasehold Land is not amortised.
- (e) Goodwill arising on amalgamation is charged to the Statement of profit and loss 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.
- (h) Depreciation on additions and disposals during the year is provided on proportionate basis. Fixed assets individually costing less than Rs 5,000 are fully depreciated in the year of purchase.

1.7 Impairment

The Company assesses at each balance sheet date whether there is any indication that an asset, including intangible, may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined, if no impairment loss had been recognised.

1.8 Investments

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

Current investments are valued at lower of cost and fair value, for each investment individually.

1.9 Inventories

Inventories which comprise raw materials, work-in-progress, finished goods, stock-in-trade, packing materials, stores and spares and loose tools are carried at the lower of cost or net realizable value.

Cost of inventories comprises all costs of purchase, cost of conversion, borrowing cost and other costs incurred in bringing the inventories to their present location and condition.

1. Significant accounting policies (continued)

1.9 Inventories (continued)

In determining the cost, weighted average cost method is used. In the case of manufactured inventories and work-in-progress, fixed production overheads are allocated on the basis of normal capacity of production facilities.

Work-in-progress is valued at input material cost plus conversion cost as applicable.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The comparison of cost and net realizable value is made on an item-by-item basis.

Due allowance is made for obsolete and slow moving items.

1.10 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

1.11 Revenue recognition

Revenue from sale of goods is recognised on transfer of property in the goods for a price or all significant risks and rewards of ownership to the buyer which is generally on dispatch of goods 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) comprises surplus income from Tie-up units (net share of the Company) and is recognised on the basis of the information provided to the Company by the Tie-up units. Income arising 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.

Income from distribution service is accounted based on the terms of the agreements for the service.

Interest income and guarantee commission is accounted on a time-proportion basis taking into account the amounts invested and the rate of interest.

1.12 Foreign currency transactions

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

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 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 Statement of profit and loss, 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 Statement of profit and loss 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 29 March 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.

1. Significant accounting policies (continued)

1.13 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.

Death benefit :

During the financial year, the Company has taken Group term policy with a Insurance company with lump sum coverage for a specific category of executives. Premium paid to Insurance company are recognised as expense. The Company will not have any further liability. On death of an employee, specific amount will be paid by Insurance company to the nominee of the deceased. In the earlier years, the Company had an insurance policy where the liability was not fully covered and the death benefit payable at the time of death was based on 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.

(b) Defined-benefit plans

Gratuity:

The Company provides for gratuity, a defined benefit plan (the Gratuity Plan), to 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 Statement of profit and loss as income or expense. Gratuity fund benefits are administered by a Trust formed for this purpose.

Provident fund:

The 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 if any 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 Statement of profit and loss as income or expense.

(c) Other employee benefits:

- i) 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 obligation at the balance sheet date based on an actuarial valuation.
- ii) 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.

1.14 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.

1.15 Research and development

Research costs are expensed as incurred. Product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, further economic benefit are probable, the Company has an intention and ability to complete and use or sell the product and the costs can be measured reliably.

1.16 Taxes on income

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

1. Significant accounting policies (continued)

1.16 Taxes on income (continued)

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 (as the case may be) that sufficient future taxable income will be available against which such deferred tax asset can be realised.

The Company offsets, the current tax assets and liabilities (on a year on year basis) where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

1.17 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.

1.18 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.

Provision for onerous contracts, i.e. contracts where the expected unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation.

1.19 Contingencies

A disclosure for contingent liabilities is made where there is a possible obligation or a present obligation that may probably not require an outflow of resources or an obligation for which the future outcome cannot be ascertained with reasonable certainty. When there is a possible or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.

1.20 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.

1.21 Debt issue costs

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 debt issue costs is included under Finance Costs.

1.22 Borrowing costs

Borrowing costs incurred for the acquisition or construction or manufacture 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.

1.23 Government grants related to revenue

Government grants related to revenue are recognised in the Statement of profit and loss on a systematic basis over the periods to which they relate when there is a reasonable assurance that the Company will comply with the conditions attaching to them and the reasonable certainty exists of the collection.

1.24 Exceptional items

When an item of income or expense within profit or loss from ordinary activity is of such size, nature or incidence that their disclosure is relevant to explain the performance of the Company for the year, the nature and amount of such items is disclosed as exceptional items.

2. Share capital

Authorised

395,000,000 (2013: 395,000,000) Equity Shares of Rs.10/- each
 159,200,000 (2013: 159,200,000) Preference Shares of Rs.10/- each

Issued, Subscribed and Paid-up

145,327,743 (2013: 130,794,968) Equity Shares of Rs.10/- each fully paid up

	Rs. Million	
	As at 31-March-2014	As at 31-March-2013
395,000,000 (2013: 395,000,000) Equity Shares of Rs.10/- each	3,950.000	3,950.000
159,200,000 (2013: 159,200,000) Preference Shares of Rs.10/- each	1,592.000	1,592.000
	5,542.000	5,542.000
145,327,743 (2013: 130,794,968) Equity Shares of Rs.10/- each fully paid up	1,453.277	1,307.950
	1,453.277	1,307.950

a. Reconciliation of the number of shares outstanding

	No. of Shares	As at 31-March-2014	No. of Shares	As at 31-March-2013
Balance at the beginning of the year	130,794,968	1,307.950	130,794,968	1,307.950
Add: Equity shares issued on preferential allotment made during the year (Refer note b(i))	14,532,775	145.327	-	-
Balance at the end of the year	145,327,743	1,453.277	130,794,968	1,307.950

b. Preferential allotment of equity shares

- i) On 27 May 2013, the Company allotted 14,532,775 equity shares of face value of Rs. 10/- each at a price of Rs. 1,440/- per share (including a premium of Rs. 1,430/- per equity share) to Relay B.V. an indirect wholly owned subsidiary of Diageo plc., on a preferential allotment basis in terms of the preferential allotment agreement entered between Relay B.V., the Company and Diageo plc. on 9 November 2012 and pursuant to the approval of the shareholders through postal ballot on 14 December 2012 by a way a of special resolution, for an aggregate amount of Rs. 20,927.195 Million.
- ii) On 4 July 2013, in terms of the share purchase agreement dated 9 November 2012 between Palmer Investment Group Limited (Palmer) and UB Sports Management Overseas Limited (UB Sports) (both wholly owned subsidiaries of the Company), USL Benefit Trust (of which the Company is a beneficiary) (USLBT), SWEW Benefit Company (SWEW), United Breweries (Holdings) Limited (UBHL) and Kingfisher Finvest India Limited (KFIL) with Relay B.V. and Diageo plc., the sale of 21,767,749 equity shares ("Sale Shares") of the Company in aggregate by UBHL, KFIL, SWEW, Palmer and UB Sports to Relay B.V. at a price of Rs. 1,440/- per sale share were completed.
- iii) During the year, Relay B.V. (wholly owned subsidiary of Diageo plc), has further acquired through the open offer and from the open market 5,526,608 equity shares representing 3.80% of the equity share capital of the Company.
- iv) Subsequent to the balance sheet date, Relay B.V. further acquired 37,785,214 equity shares representing 26 % equity share capital of the Company through an open offer. As a result of the acquisition of these shares, Relay B.V. holds 79,612,346 equity shares, representing 54.78 % equity share capital of the Company as on date and has become the holding company of the Company.

c. Rights, preferences and restrictions attached to equity shares

The Company has one class of equity shares having a face value of Rs. 10 per share. Each holder of the equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their holdings.

d. Shares held by holding / ultimate holding company and / or their subsidiaries / associates

Out of the equity shares issued by the Company, shares held by its promoter company, ultimate holding company and their subsidiaries / associates are as below:

	No. of Shares	As at 31-March-2014	No. of Shares	As at 31-March-2013
Relay B V (wholly owned subsidiary of Diageo plc) *	41,827,132	418.271	-	-
United Breweries (Holdings) Limited *	8,617,699	86.177	20,573,968	205.740
Kingfisher Finvest India Limited (formerly "Kingfisher Radio Limited ")	5,595,590	55.956	12,676,342	126.763
Rossi & Associates Private Limited	35,112	0.351	35,112	0.351
Vittal Investments Private Limited	31,270	0.313	31,270	0.313
Dr. Vijay Mallya	12,510	0.125	12,510	0.125
Devi Investments Private Limited	2,700	0.027	2,700	0.027
Mallya Private Limited	1,005	0.010	1,005	0.010
	56,123,018	561.230	33,332,907	333.329

* On 20 December 2013, the Honorable Karnataka High Court passed an order in the matter involving United Breweries (Holdings) Limited (UBHL) and its creditors and the Diageo group setting aside an earlier leave order which permitted UBHL to sell 10,141,437 equity shares in the Company, pending disposal of the winding up petitions against UBHL. On the above matter, UBHL and Diageo plc has approached the Honorable Supreme Court by way of SLPs challenging the order of the division bench. Pending, disposal of the above SLPs, the Honorable Supreme Court has directed that status quo be maintained in respect of the transaction of sale of shares to Relay B.V.

e. Aggregate number of shares issued for consideration other than cash during the period of five years immediately preceding the reporting date

	As at 31-March-2014	As at 31-March-2013
Equity shares allotted as fully paid up pursuant to amalgamations for consideration other than cash not earlier than five years	12,949,760	12,949,760

f. Details of shareholders holding more than 5% shares in the company

	As at 31-March-2014		As at 31-March-2013	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Relay B.V.	41,827,132	28.78%	-	-
United Breweries (Holdings) Limited	8,617,699	5.93%	20,573,968	15.73%
Kingfisher Finvest India Limited (formerly "Kingfisher Radio Limited ")	-	-	12,676,342	9.69%
The above represents both legal and beneficial ownership of shares				

g. The 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 Million. These GDSs are listed on the Luxembourg Stock Exchange. Out of the above, 1,538,638 GDS outstanding (representing 769,319 equity shares) as of 31 March 2014 have no voting rights.

3. Reserves and surplus

	Rs. Million	
	As at 31-March-2014	As at 31-March-2013
Capital redemption reserve	578.946	578.946
Securities premium account	25,176.823	25,176.823
At the beginning of the year	20,781.868	-
Add: Addition during the year (Refer note 2 (b) (i))	45,958.691	25,176.823
	276.681	-
Less: Share issue expenses	45,682.010	25,176.823
Other reserves:		
Central subsidy (Refer note 1 below)	1.500	1.500
Contingency reserve (Refer note 2 below)	110.000	110.000
Foreign currency translation reserve (Refer note 9 (b))		
At the beginning of the year	4,734.854	2,428.044
Add: Addition during the year	4,643.680	2,306.810
	9,378.534	4,734.854
General reserve		
At the beginning of the year	11,775.730	11,275.730
Add: Addition during the year		
Transferred from statement of profit & loss	-	500.000
	11,775.730	11,775.730
Surplus as per statement of profit and loss		
At the beginning of the year	20,233.807	17,905.879
Add: profit / (loss) for the year	(51,028.219)	3,207.960
	(30,794.412)	21,113.839
Less: Appropriations:		
Dividend paid with respect to previous year	36.332	-
(Dividend Rs. 2.50 per share)		
Corporate tax on dividend paid	4.385	-
Proposed dividend on equity shares	-	326.987
(Dividend Rs. Nil (2013: Rs. 2.50 per share))		
Corporate tax on dividend	-	53.045
Transfer to general reserve	-	500.000
	(30,835.129)	20,233.807
	36,691.591	62,611.660

Notes:

- 1) Taken over on amalgamation of Shaw Wallace Distilleries Limited with the Company during the year ended 31 March 2006 as per the terms of the arrangement approved by the Honorable High Courts of Karnataka and Mumbai.
- 2) Taken over on amalgamation of McDowell & Co. Limited with the Company during the year ended 31 March 2001 as per the terms of the arrangement approved by the Honorable High Court of Karnataka.

	Rs. Million	
	As at 31-March-2014	As at 31-March-2013
4.1. Long-term borrowings		
Secured		
Term loans		
From banks	7,189.405	14,267.287
From others	-	500.000
Finance lease (Refer note 22(a))	7.551	13.599
Unsecured		
Fixed deposits	3,856.867	4,273.626
Term loans		
From banks	85.555	717.223
From others	256.718	-
Inter-corporate deposit	6.522	472.174
Loans from related party (Refer note 24)	4,624.338	-
	<u>16,026.956</u>	<u>20,243.909</u>
Less: Current maturities		
Secured		
Term loans		
From banks	430.201	6,261.475
From others	-	140.00
Finance lease	-	6.048
Unsecured		
Fixed deposits	1,655.225	2,775.452
Term loans	85.555	631.670
From banks		
From others	256.718	-
Inter-corporate deposit	6.522	465.652
	<u>13,589.399</u>	<u>9,963.612</u>

Also refer note 25 (c)

A. Nature of security and terms of repayment for secured borrowings:

Nature of security	Terms of repayment
(i) Term loans from banks amounting to Rs. Nil (2013: Rs. 3,954.0 Million) are 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.	The loan has been repaid fully during the year.
(ii) Term loans from banks amounting to Rs. Nil (2013: Rs. 4,065.656 Million) are 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.	The Loan has been repaid fully during the year. (Refer note 25 (b))
(iii) Term loans from banks amounting to Rs. 631.274 Million (2013: Rs. 664.500 Million) are secured by a charge on certain fixed assets of the Company.	Repayable in 5 annual installments after three years from the date of loan (25 October 2010) along with interest of base rate plus 3% (current effective rate is 12.50%)
(iv) Term loans from banks amounting to Rs. Nil (2013: Rs. 1500.0 Million) are secured by a charge on certain fixed assets of the Company and fixed asset of a subsidiary company.	The loan has been repaid fully during the year.

- | | |
|---|--|
| (v) Term loans from banks amounting to Rs. Nil (2013: Rs. 2,000.0 Million) are secured by a charge on certain fixed assets of the Company and pledge of certain shares held by the Company. | The loan has been repaid fully during the year. |
| (vi) Term loan from banks amounting to Rs. Nil (2013: Rs. 937.500 Million) are secured by a charge on certain fixed assets of the Company. | The loan has been repaid fully during the year. |
| (vii) Term loan from banks amounting to Rs. 412.500 Million (2013: Rs. Nil) are secured by a charge on certain fixed assets of the Company and pledge of shares held by UB Group entities. | Repayable in 16 equal quarterly installments, starting 15 months from the date of first disbursement (3 May 2013) along with interest base rate plus 2.5% (current effective rate is 13.25 %). |
| (viii) Term loan from banks amounting to Rs. 5,000.0 Million (2013: Rs. Nil) are secured by a charge on certain fixed assets of the Company. | Repayable end of 3rd year from the date of first disbursement (3 March 2014) along with interest of 10.85 %. |
| (ix) Term loan from banks amounting to Rs. 1,145.631 Million (2013: Rs. 1,145.631 Million) are secured by a charge on certain fixed assets of the Company and pledge of shares held by UB Group entities. | Repayable in 16 equal quarterly installments, starting 15 months from the date of first disbursement (22 March 2013) along with interest base rate plus 3.85% (current effective rate of 14.1%). |
| (x) Term loans from other (financial institution) amounting to Rs. Nil (2013: Rs. 500.0 Million) are secured by a charge on certain fixed assets of the Company. | The loan has been repaid fully during the year. |

b. Terms of repayment for unsecured borrowings

Borrowings	Terms of repayment
i. Long term loan from banks:	
(a) amounting to Rs. NIL (2013: Rs. 375.0 Million) are guaranteed by a director of the Company	The loan has been repaid fully during the year.
(b) amounting to Rs. 85.555 Million (2013: Rs. 342.223 Million)	Repayable in 36 equal monthly installments with a moratorium of 1 year from the date of loan (27 August 2010) along with interest base plus 4.75% (current effective rate is 16%).
ii. Fixed Deposits	Repayable within 1- 3 years from the date of issue and not on demand or notice except at the discretion of the Company. Rate of interest is 11-11.5%.
iii. Inter-corporate deposits	
(a) amounting to Rs. 6.522 Million (2013: Rs. 22.174 Million)	These represent an obligation acquired on amalgamation of erstwhile Shaw Wallace & Company Limited (SWCL) with the Company in an earlier year. Pursuant to the Order of Honorable High court of Calcutta on 5 June 2012, has been directed the Company to pay in monthly installments over the period of two years.
(b) amounting to Rs. Nil (2013: Rs. 200.0 Million)	The loan has been repaid fully during the year.
(c) amounting to Rs. Nil (2013: Rs. 250.0 Million)	The loan has been repaid fully during the year.
iv. from others Rs. 256.718 Million (2013: Rs. Nil)	Repayable fully on 25 October 2014 along with interest of 12.40%.
v. from related party Rs. 4,624.338 Million (2013: Rs. Nil)	Repayable after expiry of three years from the date of disbursement along with interest of 13%.

		Rs. Million	
		As at 31-March-2014	As at 31-March-2013
4.2. Other long-term liabilities			
Security deposits		294.769	304.006
Due to asset vendors		348.887	316.727
		643.656	620.733
4.3. Long-term provisions			
Employee benefits:			
Provision for death relief scheme		-	21.734
Provision for shortfall in provident fund trust (Refer note 21(b))		123.972	57.638
Provision for compensated absences		420.980	274.649
Provision for pension liability (Refer note 21(b))		18.804	22.237
		563.756	376.258
5.1. Short-term borrowings			
Secured			
Working capital loans from banks (Refer note 25(b))		16,719.168	18,672.401
Short-term loan from banks		2,400.000	3,900.000
Unsecured			
Short-term loan from banks		13,866.504	1,000.000
		32,985.672	23,572.401
Also refer note 25(c)			
	Nature of security	Terms of repayment	
(i)	Working capital loans are secured by hypothecation of inventories, book debts and other current assets.	The average rate of interest is 12.40%.	
(ii)	Short-term loan from bank amounting to Rs. Nil (2013: Rs. 1,500.0 Million) are secured by a charge on certain fixed assets of the Company and pledge of shares held by the UB Group Entities.	The loan has been repaid fully during the year.	
(iii)	Short-term loan from bank amounting to Rs. 2,400.0 Million (2013: Rs. 2,400.0 Million) are secured by a pledge of certain shares held by the Company and UB Group entities.	Repayable in 6 months from the date of rollover (21 November 2013) along with interest of 11.75%.	
5.2. Trade payables			
Acceptances*		3,137.806	3,084.065
Dues to micro and small enterprises (Refer note 31)		78.364	70.627
Trade creditors**		7,435.248	10,134.977
Dues to related parties **		1,223.556	0.785
		11,874.974	13,290.454

* Includes bills drawn against inland letters of credit of Rs. 2,301.99 Million (2013: Rs. 2,686.569 Million) and secured by a charge on debtors, inventories and other current assets.

** The year end foreign currency exposures that have not been hedged Rs. 65.887 Million (USD 1.094 Million) [(2013: Rs. 23.569 Million (USD:0.437 Million))] and Rs. 49.246 Million (GBP: 0.495 Million) [(2013: Rs. 2.953 Million (GBP: 0.037 Million))]

5.3. Other current liabilities

Current maturities of :

	Rs. Million	
	As at 31-March-2014	As at 31-March-2013
Long-term borrowings (Refer note 4.1)	2,434.221	10,274.249
Finance lease obligations	3.336	6.048
Interest accrued but not due	351.550	489.334
Interest accrued but not due - related party	405.139	-
Unpaid / unclaimed dividends / debentures *	20.869	20.887
Unpaid / unclaimed matured fixed deposits *	96.341	155.913
Advances from customers and others	401.269	637.419
Due to directors	-	56.428
Due to asset vendors	377.898	458.001
Employee payables	624.154	690.169
Statutory dues	1,881.164	2,334.751
Other liabilities	2,866.694	2,916.341
	9,462.635	18,039.540

* As required under Section 205C of the Companies Act, 1956, the Company has transferred Rs. 4.067 Million (2013: Rs. 3.414 Million) to the Investor education and protection fund (IEPF) during the year.

5.4. Short-term provisions

Employee benefits:

Provision for gratuity* (Refer note 21(b))	521.406	247.691
Provision for death relief scheme	-	1.732
Provision for compensated absences	149.477	102.616
Provision for pension liability (Refer note 21(b))	2.304	-
Proposed dividend	-	326.987
Corporate tax on proposed dividend	-	53.045
Provision for income tax (net of advance tax)	363.852	981.112
Fringe benefit tax (net of payments)	1.857	1.857
	1,038.896	1,715.040

(* Includes Rs. 7.240 Million (2013: Rs. Nil) received from other funds on account of transfer of few executives' and is payable to the Company's trust)

6. Fixed assets
6.1. Tangible assets

Description	Gross block at cost			Accumulated depreciation			Rs. Million
	As at 01-April-2013	Additions during the year	Deletion / Adjustment during the year	As at 31-March-2014	Charge for the year	Deletion / Adjustment during the year	
Land							
Freehold	3,157.666	-	-	3,157.666	-	-	3,157.666
Leasehold	112.261	-	-	112.261	-	-	112.261
Buildings	3,473.812	21.502	-	3,495.314	102.842	-	2,862.438
(Notes 1 to 3 below)				611.374		714.216	
Plant and equipment	7,417.495	1,072.792	56.882	8,433.405	2,584.738	45.047	4,832.757
Furniture and fixture	430.107	11.747	3.644	438.210	134.561	1.560	295.546
Office equipment:							
Finance lease	21.174	-	16.698	4.476	18.127	3.046	3.047
Others	363.295	60.351	4.152	419.494	206.522	41.315	156.773
Vehicles:							
Finance lease	15.156	-	1.863	13.293	6.433	3.016	8.723
Others	216.990	1.825	6.659	212.156	175.749	15.574	41.241
Aircraft	186.290	-	-	186.290	99.204	87.086	87.086
	15,394.246	1,168.217	89.898	16,472.565	3,836.708	848.984	11,861.625
Previous year	14,484.449	1,547.580	637.783	15,394.246	714.173	124.771	11,557.538

6.2. Intangible assets

Description	Gross block at cost			Accumulated amortisation			Rs. Million
	As at 01-April-2013	Additions during the year	Deletion / Adjustment during the year	As at 31-March-2014	Charge for the year	Deletion / Adjustment during the year	
Trademark, Formulae and License	40.944	10.000	-	50.944	23.888	6.041	17.056
	40.944	10.000	-	50.944	23.888	6.041	17.056
Previous year	40.944	-	-	40.944	19.792	4.096	17.056

Notes:

- Buildings include an amount of Rs. 357.014 Million (2013: Rs. 357.014 Million) which is yet to be registered in the name of the Company.
- Cost of buildings includes the following payments made for the purpose of acquiring the right of occupation of Mumbai godown space:
 - 660 equity shares (unquoted) of Rs. 100 each fully paid in Shree Madhu Industrial Estate Limited Rs. 0.066 Million (2013: Rs. 0.066 Million). Application has been made for duplicate share certificates and the same is in the process.
 - 199, 6 % Debentures (unquoted) of Rs.1,000 each fully paid in Shree Madhu Industrial Estate Limited Rs.0.199 Million (2013: Rs. 0.199 Million). Application has been made for duplicate debentures certificates and the same is in the process.
 - Deposit with Shree Madhu Industrial Estate Limited Rs.0.132 Million (2013: Rs. 0.132 Million)
- Cost of buildings include value of fully paid shares Rs.0.006 Million (2013: Rs. 0.006 Million) held in Co-operative Housing Societies.

31-March-2014	31-March-2013
848.984	714.173
6.041	4.096
855.025	718.269
- Depreciation and amortisation for the year ended :

Depreciation charge	848.984
Amortisation	6.041
	855.025

Rs. Million

7. Non-current investments

(Valued at cost)

Particulars	Face value	Nos.	As at 31-March-2014	Nos.	As at 31-March-2013
Trade investments					
Quoted					
In fully paid equity shares					
McDowell Holdings Limited	₹ 10	50,000	0.500	50,000	0.500
United Breweries Limited (Refer note 5 below)	₹ 1	8,500,000	150.000	8,500,000	150.000
In subsidiary companies					
Pioneer Distilleries Limited (Refer notes 3,4 & 5 below)	₹ 10	11,561,217	1,285.814	10,922,032	1,244.754
Unquoted					
In fully paid equity shares					
Yankay Associates Private Limited	₹ 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	₹ 500	1,000	0.500	1,000	0.500
In subsidiary companies					
Sovereign Distilleries Limited (Refer notes 3 & 5 below)	₹ 10	58,442,746	315.462	58,442,746	315.462
SW Finance Co. Limited (Formerly Shaw Wallace Breweries Limited)	₹ 10	80,198,513	3,302.175	80,198,513	3,302.175
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	27,668,899	290.652	14,111,139	141.111
McDowell & Co. (Scotland) Limited	£ 1	1,575,000	125.505	1,575,000	125.505
USL Holdings Limited	US\$ 1	500,000	22.183	500,000	22.183
United Spirits (Shanghai) Trading Company Limited	RMB 10	500,000	26.635	500,000	26.635
Royal Challengers Sports Private Limited	₹ 10	14,690	1,699.053	14,690	1,699.053
Tern Distilleries Private Limited (Refer note 3 below)	₹ 10	4,000,000	139.539	4,000,000	139.539
In fully paid preference shares					
In subsidiary companies					
12% Non- cumulative redeemable optionally convertible preference shares of Four Seasons Wines Limited	₹ 10	30,612,245	321.530	15,612,245	156.122
12% Cumulative redeemable (redeemable after 20 years) preference shares of Four Seasons Wines Limited	₹ 10	8,000,000	80.000	8,000,000	80.000
			<u>15,297.259</u>		<u>14,941.250</u>

Rs. Million

7. Non-current investments (continued)

Particulars	Face value	Nos.	As at 31-March-2014	Nos.	As at 31-March-2013
Other Investments					
Quoted					
In fully paid equity shares					
Mangalore Chemicals & Fertilizers Limited	₹ 10	6,150	0.032	6,150	0.032
Housing Development Finance Corporation Limited	₹ 10	240	0.002	240	0.002
ICICI Bank Limited	₹ 10	8,916	0.382	8,916	0.382
HDFC Bank Limited	₹ 10	200	0.002	200	0.002
Vijaya Bank	₹ 10	42,100	0.466	42,100	0.466
Radico Khaitan Limited	₹ 2	537,850	2.043	537,850	2.043
Khaitan Chemicals & Fertilizers Limited	₹ 1	13,880	0.725	13,880	0.725
Unquoted					
In fully paid units					
Unit Trust of India (Refer note 1 below)					
- UTI Balance Fund -Income - Retail (formerly known as US 2002)	₹ 10	402,201	9.005	402,201	9.005
In fully paid equity shares					
Madhav Co-operative Housing Society Limited	₹ 50	5	-	5	-
Rampur Fertilizers Limited	₹ 10	27,760	0.527	27,760	0.527
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
Inv-Ansa Industrial Premises Co-op Soc Ltd	₹ 50	60	0.003	60	0.003
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 (Refer note 2 below)	₹ 100	117	0.012	117	0.012
5.0% Woodlands Medical Centre Limited (Refer note 2 below)	₹ 100	270	0.027	270	0.027
In Government securities					
Indira Vikas Patra			0.003		0.003
National Savings / Plan / Def. Certificates (Deposited with Govt.Authorities)			0.172		0.193
			13.540		13.561
Total Investments			15,310.799		14,954.811
Less: Provision for diminution in the value of investments (Refer note 27(b))			7,221.068		147.152
			8,089.731		14,807.659
Aggregate value of quoted investments:					
- Book value			1,439.966		1,398.906
- Market value			7,792.432		6,646.955
Aggregate book value of unquoted investments			6,649.765		13,408.753

Note:

- Investments in Unit Trust of India represent those made under Rule 3A of the Companies (Acceptance of Deposit) Rules, 1975.
- Market quotations are not available.
- The carrying cost of certain investments amounting to Rs. 1,740.815 Million (2013: Rs. 8,162.555 Million), substantially exceeds the year end net worth and the market value of shares held by the Company directly (includes indirectly through its subsidiaries for the previous year). 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.
- On 11 July 2013 pursuant to the open offer made to the public shareholders of Pioneer Distilleries Limited in terms of Regulations 3(1), 4 and 5(1) of the Regulations of SEBI (Substantial Acquisition of Shares and Takeovers) 2011 by Relay B.V. together with Diageo plc. and the Company as persons acting in concert, 639,185 equity shares were acquired during the year.
- The Company has pledged the shares held in Pioneer Distilleries Limited (partly), Sovereign Distilleries Limited and United Breweries Limited with banks for the term loan availed.

	As at 31-March-2014	Rs. Million As at 31-March-2013
8. Deferred tax assets (net)		
Deferred tax assets		
Provision for doubtful debts / advances / deposits	980.112	706.992
Employee benefits	243.211	232.002
Others	74.890	82.672
	<u>1,298.213</u>	<u>1,021.666</u>
Deferred tax liabilities		
Depreciation	752.654	695.889
	<u>545.559</u>	<u>325.777</u>
9. Long term loans and advances		
(Unsecured, considered good, unless stated otherwise)		
Capital advances (Refer note c (ii) below)	100.570	74.385
Loans and advances to tie-up units	271.362	373.602
Loans and advances to related parties: (Refer notes (a) (i), (b) and (c) (i) below)		
Considered good	29,306.968	54,967.947
Considered doubtful	39,515.055	69.549
	<u>68,822.023</u>	<u>55,037.496</u>
Less: Provision for doubtful loans and advances (Refer note 27(b))	39,515.055	69.549
	<u>29,306.968</u>	<u>54,967.947</u>
Advance income tax (Net of provisions)	1,647.006	1,600.617
Security deposits: (Refer notes (a) (ii & iii) below)		
Considered good	1,057.794	3,864.843
Considered doubtful	1,416.809	6.809
	<u>2,474.603</u>	<u>3,871.652</u>
Less: Provision for doubtful deposits (Refer note 26)	1,416.809	6.809
	<u>1,057.794</u>	<u>3,864.843</u>
Pre-paid expenses (Refer note (a) (iv) below)	2,617.713	-
Other advances:		
Considered good (Refer note (a) (v) below)	1,980.552	2,098.026
Considered doubtful (Refer note 26)	3,519.526	1,925.951
	<u>5,500.078</u>	<u>4,023.977</u>
Less: Provision for doubtful advances	3,519.526	1,925.951
	<u>1,980.552</u>	<u>2,098.026</u>
	<u>36,982.025</u>	<u>62,979.420</u>

- (a) The above amounts include:
- (i) Rs.52,333.490 Million (2013: Rs. 48,833.202 Million) given as interest free loans to subsidiaries.
 - (ii) due from company secretary Rs. 3.041 Million (2013: Rs. 2.579 Million). Maximum amount outstanding at any time during the year Rs. 3.041 Million (2013: Rs. 2.579 Million).
 - (iii) due from the directors of the company Rs. 15.055 Million (2013: Rs. 7.250 Million). Maximum amount outstanding at any time during the year Rs. 15.055 Million (2013: Rs. 7.250 Million)
 - (iv) Rs. 2,581.250 Million (2013: Rs. Nil) paid under trade mark licence agreement.
 - (v) amount deposited Rs. 350.0 Million (2013: Rs. Nil) in Civil Court, Panjim to establish the proprietary interest it has on the property.
- (b) The Company has, granted interest free loans in foreign currency amounting to Rs. 47,928.849 Million (2013: Rs. 41,340.698 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. 45,060.887 Million (2013: Rs. 40,417.206 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. 9,378.534 Million [2013: Rs. 4,734.854 Million (Credit)] 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. During the current year the company has made a provision of Rs. 36,142.32 Million (2013: Rs. NIL) against the loan after adjusting the amount estimated to be recovered and the accumulated balance in the foreign currency translation reserve.(Refer note no 27(b)).
- (c) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under :
- (i) loans and advances to subsidiaries Rs. 44,206.621 Million (USD 737.890 Million), Rs. 3,893.969 Million (GBP 39.100 Million), Rs. 2,365.550 Million (Euro 28.750 Million) (2013: Rs. 40,215.037 Million (USD 740.890 Million), Rs. 1,322.937 Million (GBP 16.100 Million), Rs. 1,996.688 Million (Euro 28.750 Million).
 - (ii) Capital advances Rs. 16.433 Million (USD 0.257 Million) (2013: Nil) and Rs.0.095 Million (Euro: 0.001 Million)

	As at 31-March-2014	Rs. Million As at 31-March-2013
10. Other non-current assets (unsecured)		
(i) Long-term trade receivables - considered good		
- considered doubtful	-	-
	5.000	61.935
Less: Provision for doubtful debts	5.000	61.935
	5.000	61.935
(ii) Others		
Long-term deposits with banks		
On margin money deposits	1.300	1.300
	1.300	1.300
	1.300	1.300

	Rs. Million	
	As at 31-March-2014	As at 31-March-2013
11.1. Current investments		
(Valued at cost or fair value, whichever is lower)		
Unquoted		
Interest as Sole Beneficiary in USL Benefit Trust *	1,196.969	1,196.968
Investments in mutual funds:		
HSBC Mutual Fund	1.696	1.696
ICICI Prudential Liquid Fund	7.789	7.279
SBI SHF Liquid Plus	-	0.439
SBI-Premier Liquid Fund	0.124	7.622
SBI SHF Short Term Debt Fund	-	0.315
	1,206.578	1,214.319
* The Company's shares held by USL Benefit Trust was pledged in favor of Unit Trust of India Investment Advisory Services Limited, a Security Trustee for Punjab National Bank (PNB) and IDBI Bank Limited (IDBI) for the term loan availed by Company from PNB and IDBI. The loan has been repaid and PNB has issued "No Objection Letter", however IDBI is yet to release the Company's shares. Writ Petition has been filed by the Company and the same is pending before Honorable High Court of Karnataka. (Also refer note 25(b)).		
11.2. Inventories		
(Valued at lower of cost and net realisable value)		
Raw materials [(including materials in transit Rs. 331.359 Million (2013: Rs.137.195 Million)]	1,644.457	1,303.643
Work-in-Progress* [(including held by a branch outside India Rs. 4,321.700 Million (2013: Rs. 2,361.481 Million)]	9,040.127	6,476.423
Finished goods	2,962.743	3,701.853
Stock-in-trade [including goods in transit Rs. 5.243 Million (2013: Rs. 3.308 Million)]	83.254	82.449
Packing materials, stores and spares	1,623.455	1,650.224
	15,354.036	13,214.592
* Interest included in the closing stock of work-in-progress.	457.660	570.302
11.3. Trade receivables		
(Unsecured, considered good unless stated otherwise)		
Outstanding for a period more than six months:		
Considered good	240.849	188.673
Considered goubtful	109.677	15.752
	350.526	204.425
Others:		
Considered good*	16,894.922	17,498.233
Considered doubtful	2,464.665	-
	19,710.113	17,702.658
Less: Provision for doubtful debts (Refer note 26)	2,574.342	15.752
	17,135.771	17,686.906

* includes due from related parties - Rs. 739.173 Million (2013: Rs. 517.551 Million) (Refer note 24(c))

* The year end foreign currency exposures that have not been hedged Rs. 431.80 Million (USD 6.232 Million) [2013: Rs. 288.664 (USD: 5.132 Million)]

		Rs. Million	
		As at 31-March-2014	As at 31-March-2013
11.4. Cash and bank balance			
(a) Cash and cash equivalents:			
Cash on hand		4.544	4.559
Cheques on hand		63.607	37.914
Balances with banks:			
On current accounts (Refer note (i) below)		3,914.551	722.977
		3,982.702	765.450
(b) Other bank balances:			
On unpaid dividend accounts		20.869	20.887
On unpaid deposit accounts		76.308	83.260
Margin money deposits		1.300	1.300
Deposits due to mature within 12 months from the reporting date (Refer note (ii),(iii),(iv) below)		893.024	965.278
		991.501	1,070.725
(c) Amounts disclosed under non-current assets (refer note 10)			
On margin money deposits		(1.300)	(1.300)
		(1.300)	(1.300)
		4,972.903	1,834.875

The above accounts:

- (i) includes Rs. 3.469 Million (2013: Rs. Nil) in Exchange Earners Foreign Currency (EEFC) Account and Rs. 9.713 Million (2013: Rs. 7.181 Million) in Foreign currency and have not been hedged.
- (ii) includes Rs. 449.154 Million (2013: Rs. 583.528 Million) deposited in accordance with Companies (Acceptance of Deposit) Rules, 1975.
- (iii) includes Rs. 179.250 Million (2013: Rs. 138.0 Million) pledged as security against loan from a bank.
- (iv) includes Rs. 225.388 Million (2013: Rs. 207.634 Million) has been kept under escrow pending resolution of various taxation matters.

11.5. Short-term loans and advances

(Unsecured, considered good unless stated otherwise)

Income accrued on Investments and deposits / advances

Considered good	56.371	62.936
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Considered doubtful	48.467	-
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Income accrued on advances - related parties (Refer note 24(c))

Considered good	536.411	-
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Considered doubtful	963.069	-
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Advances to related parties (Refer note 24(c))

3,865.800	1,423.146
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Advances to Tie-up units:

Considered good	1,594.595	1,916.349
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Considered doubtful	670.880	-
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Taxes and duties paid in advance

3,465.274	1,729.890
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Loans and advances to employees

31.774	29.322
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Advances to suppliers:

Considered good*	1,370.263	1,820.400
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Considered doubtful	412.316	-
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Pre-paid expenses **

715.890	532.841
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13,731.110	7,514.884
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Less: Provision for doubtful advances (Refer note 26)

2,094.732	-
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11,636.378	7,514.884
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* The year end foreign currency exposures that have not been hedged Rs. 835.834 Million (USD 13.866 Million) (2013: Rs. 435.832 Million) (USD: 8.749 Million)) and Rs. 174.264 Million (Euro: 2.020 Million) (2013: Rs. 0.686 Million (Euro:0.010 Million)).

** Includes Rs. 263.00 Million (2013: Rs. Nil) paid under trade mark license agreement.

11.6. Other current assets

Assets held for sale (net of provisions)

0.747	1.348
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0.747	1.348
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		Rs. Million	
		For the year ended 31-March-2014	For the year ended 31-March-2013
12. Revenue from operations			
Sales (gross)		202,312.851	183,478.940
Income arising from sale by manufacturers under 'Tie-up' agreements (Tie-up units) (Refer note 38)		4,614.160	4,647.644
Income from brand franchise		421.756	217.433
		<u>207,348.767</u>	<u>188,344.017</u>
13.1. Other operating income			
Scrap sales		373.303	324.498
Sales tax Incentive *		172.782	-
Income from distribution services		164.008	-
Miscellaneous		192.378	331.168
		<u>902.471</u>	<u>655.666</u>
* (MVAT Incentive receivable from Government of Maharashtra under industrial promotion subsidy (IPS))			
13.2. Other income			
Interest income		1,864.689	750.989
Less: Provision on account of doubtful advances		1,011.536	-
Interest income *		853.153	750.989
Dividend income:			
From subsidiary company		23.277	25.394
From others		16.611	22.995
Exchange gain (net)		171.635	232.343
Lease rent		1.500	-
Liabilities no longer required written back		131.276	213.690
Bad debts / advances recovered		65.635	1.053
Insurance claims		2.223	1.682
Guarantee commission		223.743	-
		<u>1,489.053</u>	<u>1,248.146</u>
* An amount of Rs.1,011.536 Million (2013: Rs. Nil) has not been recognised based on Management's assessment of recoverability.			
14. Cost of materials consumed			
Raw materials		25,611.569	21,764.338
Packing materials		19,163.453	19,188.021
		<u>44,775.022</u>	<u>40,952.359</u>

		Rs. Million	
		For the year ended 31-March-2014	For the year ended 31-March-2013
15. Changes in inventories of finished goods, work-in-progress and stock-in-trade			
Opening stock:			
Finished goods		3,701.853	2,906.990
Work-in-progress		6,476.423	8,172.494
Stock-in-trade		82.449	86.672
		<u>10,260.725</u>	<u>11,166.156</u>
Closing stock:			
Finished goods		2,962.743	3,701.853
Work-in-progress		9,040.127	6,476.423
Stock-in-trade		83.254	82.449
		<u>12,086.124</u>	<u>10,260.725</u>
Excise duty on opening / closing stock of finished goods (net)		<u>(484.314)</u>	<u>799.333</u>
		<u>(2,309.713)</u>	<u>1,704.764</u>
16. Employee benefits expense			
Salaries, wages and bonus		4,366.530	3,556.851
Contribution to provident and other funds		886.358	461.297
Staff welfare expenses		391.522	328.914
		<u>5,644.410</u>	<u>4,347.062</u>
17. Finance costs			
Interest expense (Refer note below)		5,999.600	6,452.941
Debt issue costs		130.397	108.781
		<u>6,129.997</u>	<u>6,561.722</u>
Note: includes interest on income-tax relating to earlier years Rs. 52.311 Million (2013: Rs. Nil)			
18. Other expenses			
Consumption of stores and spares		135.736	106.253
Contract wages		525.548	465.263
Power and fuel		338.021	348.601
Rent		1,100.126	1,105.706
Repairs and maintenance:			
Buildings		91.858	52.907
Plant and machinery		165.193	153.627
Others		162.970	62.238
Insurance		112.732	107.000
Rates and taxes		973.481	779.908
Travelling and conveyance		919.406	688.934
Legal and professional		1,127.822	937.266

		Rs. Million	
		For the year ended 31-March-2014	For the year ended 31-March-2013
18. Other expenses (continued)			
Freight outwards		2,026.686	2,052.292
Advertisement and sales promotion		8,543.221	7,584.529
Commission on sales		530.499	551.652
Royalty / brand fee / trade mark licence fees		430.866	-
Cash discount		807.882	905.327
Sales tax		265.372	298.779
Fixed assets written off		-	0.992
Directors' remuneration:			
Sitting fee		1.990	1.730
Commission		-	55.986
Bad debts and advances written off		27.444	37.044
Loss on sale of fixed assets (net)		1.633	160.865
Loss on sale of investments		-	4.004
Provision for doubtful debts / advances / deposits (Refer note 26)		10,127.475	14.410
Research and development		90.182	64.042
Others			
Administrative expenses		562.442	430.411
Distribution costs		1,333.466	1,241.967
Miscellaneous		297.274	282.039
		30,699.325	18,493.772
Auditors' remuneration* (included in legal and professional)			
Statutory audit		10.000	10.000
Other services (including limited reviews)		5.224	6.980
Out-of-pocket expenses		1.158	1.344
		16.382	18.324
* Excluding service tax. The fee for the year ended 31 March 2014 includes remuneration paid to the current and erstwhile auditors.			
19. Exceptional items			
a) Provision for advances and diminution in the value of investments in subsidiaries [Refer note 27 (b)]		43,216.262	173.121
b) Provision towards turnover tax relating to earlier years under amnesty scheme		-	43.360
		43,216.262	216.481
20. Earnings per share			
Nominal value of equity shares (Rs.)		10	10
(a) Net (loss) / profit after tax (Rs. Million)		(51,028.219)	3,207.960
(b) Basic number of equity shares of Rs 10 each outstanding at the end the year		145,327,743	130,794,968
(c) Weighted average number of equity shares of Rs. 10 each outstanding during the year		143,098,057	130,794,968
(d) Basic / diluted earnings per share (Rs.) [(a) / (c)]		(356.60)	24.53

21. (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 United Breweries Staff Super Annuation Fund, however, the company is in the process of creating its own Trust. 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 taken group term policy from a insurance company to cover the death benefit of certain category of employees. On the death of employee, a specific amount will be paid by the insurance company to the nominee of the deceased employee as per the grade.

During the year, the Company has recognised the following amounts in the statement of profit and loss, which are included in contribution to provident and other funds

	Rs. Million	
	For the year ended 31-March-2014	For the year ended 31-March-2013
Provident Fund and Employee's Pension Scheme *	68.869	66.689
Superannuation fund	70.338	63.758
Employees' state insurance	10.791	12.522
Death benefit	(15.856)	3.135
National pension fund	34.876	-
	<u>169.018</u>	<u>146.104</u>

* 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.

Rs. Million

21. (b) Defined benefit plans (continued)

Particulars	2014				2013			
	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	1,295.166	1,847.023	22.237	23.466	1,059.468	1,602.320	24.155	20.331
On amalgamation	-	-	-	-	-	-	-	-
Contribution by plan participants	-	225.596	-	-	-	200.197	-	-
Current service cost	78.982	176.702	3.845	(23.466)	62.497	128.332	3.494	-
Interest cost	96.005	142.204	-	-	87.025	118.733	-	1.749
Actuarial (gain) / loss on obligations	423.129	-	-	-	181.277	-	-	1.386
Past service cost - (vested benefits)	-	-	-	-	-	-	-	-
Benefits paid	(190.218)	(304.318)	(4.974)	-	(95.101)	(202.559)	(5.412)	-
Obligation at the end of the year	1,703.064	2,087.207	21.108	(0.000)	1,295.166	1,847.023	22.237	23.466
B. Reconciliation of opening and closing balances of the fair value of plan assets								
Plan assets at the beginning of the year	1,047.475	1,789.385	-	-	815.880	1,494.056	-	-
On amalgamation	-	-	-	-	-	-	-	-
Contribution by plan participants	-	225.596	-	-	-	200.197	-	-
Contribution by the company	249.949	134.583	-	-	246.091	115.623	-	-
Expected return on plan assets	99.654	145.430	-	-	82.452	123.852	-	-
Actuarial gains / (losses)	(17.962)	(27.441)	-	-	(1.847)	58.216	-	-
Reversal of exit load	-	-	-	-	-	-	-	-
Benefits paid	(190.218)	(304.318)	-	-	(95.101)	(202.559)	-	-
Plan assets at the end of the year	1,188.898	1,963.235	-	-	1,047.475	1,789.385	-	-
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	1,703.064	2,087.207	21.108	(0.000)	1,295.166	1,847.023	22.237	23.466
Fair value of plan assets at the end of the year	1,188.898	1,963.235	-	-	1,047.475	1,789.385	-	-
Liability / (Net asset) recognised in balance sheet	514.166	123.972	21.108	(0.000)	247.691	57.638	22.237	23.466
D. Expenses recognized in the statement of profit and loss								
Current service cost	78.982	176.702	3.845	(23.466)	62.497	128.334	3.494	-
Interest cost	96.005	142.204	-	-	87.025	118.733	-	1.749
Expected return on plan assets	(99.654)	(145.430)	-	-	(82.452)	(123.852)	-	-
Actuarial (gains) / losses	441.090	27.441	-	-	183.124	(58.216)	-	1.386
Total expenses recognised in the profit and loss statement	516.423	200.917	3.845	(23.466)	250.194	64.999	3.494	3.135

Particulars	2014				2013			
	Funded		Non funded		Funded		Non funded	
	Gratuity	PF	Pension	Death benefit	Gratuity	PF	Pension	Death benefit
E. Investment details of plan assets								
Government securities	0%	20%			0%	19%		
Securities guaranteed by government	0%	0%			0%	0%		
Private sector bonds	0%	0%			0%	0%		
Public sector / financial institutional bonds	0%	70%			0%	71%		
Special deposit scheme	0%	6%			0%	7%		
Fund balance with insurance companies	91%	0%			84%	0%		
Others (including bank balances)	9%	4%			16%	3%		
	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.

F. Actual return on plan assets	8.00%	7.82%			6.00%	6.00%		
G. Assumptions								
Discount rate (per annum)	9.00%	9.00%	9.00%	NA	8.00%	8.00%	8.00%	8.00%
Expected rate of return on plan assets	9.25%	8.00%	NA	NA	9.25%	8.00%	NA	NA
Rate of increase in compensation levels	12.50%	NA	NA	NA	7.00%	NA	NA	7.00%
Attrition rate	10.20%	NA	NA	NA	8.50%	NA	NA	8.50%
Average past service of employees (years)	13.0	NA	NA	NA	13.3	NA	NA	10.00
Mortality rates	Standard India assured Lives 2006-08 ultimate table	LIC (a) 1996-98 ultimate table, standard India assured lives 2006-08 ultimate table	LIC (a) 1996-98 ultimate table		Standard India assured lives 2006-08 ultimate table	LIC (a) 1996-98 ultimate table, standard India assured lives 2006-08 ultimate table	LIC (a) 1996-98 ultimate table	Standard India assured lives (2006-08) ultimate table

Rs. Million

Particulars	2014		2013		2012		2011		2010	
	Gratuity	PF	Gratuity	PF	Gratuity	PF	Gratuity	PF	Gratuity	PF
Present value of obligation	1,703.064	2,087.207	1,295.166	1,847.025	1,059.468	1,602.320	930.137	1,459.897	726.736	1,296.174
Fair value of plan assets	1,188.898	1,963.235	1,047.475	1,789.385	815.880	1,494.056	718.068	1,357.567	606.398	1,233.898
Amount recognised in balance sheet – liability	514.166	123.972	247.691	57.640	243.588	108.264	212.069	102.330	120.338	62.276
Experience adjustments on Present value of obligation	(99.702)	-	(92.425)	-	(176.898)	-	(80.631)	-	(44.591)	7.506
Experience adjustments on plan asset	(17.961)	(27.441)	(1.847)	58.216	(5.100)	5.485	(18.490)	(25.559)	(9.218)	32.413

Others (non-funded)

Particulars	2014		2013		2012		2011		2010	
	Pension	Death benefit	Pension	Death benefit	Pension	Death benefit	Pension	Death benefit	Pension	Death benefit
Present value of obligation	21.108	(0.000)	22.237	23.466	24.155	20.331	22.801	18.443	24.212	16.673
Present value of plan assets	-	-	-	-	-	-	-	-	-	-
Amount recognised in balance sheet – liability	21.108	(0.000)	22.237	23.466	24.155	20.331	22.801	18.443	24.212	16.673

Notes:

- 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. 523.710 Million is expected to be paid to the plans during the year ending 31 March 2015.

22. Leases
a) Finance lease

The Company has acquired computer equipment and cars on finance leases. The lease agreement is for a primary period of 36 to 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.

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

Particulars	As at 31-March-2014		As at 31-March-2013	
	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments
Not later than one year	3.336	4.166	6.048	7.454
Later than one year and not later than five years	4.215	4.591	7.551	8.757
Later than five years	-	-	-	-
	7.551	8.757	13.599	16.211
Less: Finance charges		1.206		2.612
Present value of net minimum lease payments		7.551		13.599

b) Operating lease

The Company's significant leasing arrangements in respect of operating leases for premises (residential, office, stores, godown, manufacturing facilities etc.) and plant and machineries, which includes both cancellable and non cancellable leases and 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 note 18 to the accounts.

Non cancellable operating lease rental payable (minimum lease payments) under these lease are as follows:

Particulars	Rs. Million	
	As at 31-March-2014	As at 31-March-2013
Not later than one year	-	15.000
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	15.000

23. Segment reporting

The Company is engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines) including through tie-up manufacturing units/ brand franchise, which constitutes a single business segment. The Company is primarily organised into two main geographic segments namely India and outside India. However, the Company's operations outside India did not exceed the quantitative threshold for disclosure envisaged in AS-17 on "Segment Reporting" notified under the Companies (Accounting Standard) Rules 2006. In view of the above, both primary and secondary reporting disclosures for business / geographical segment as envisaged in AS-17 are not applicable to the Company.

24 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 & Investments 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) UB Sports Management Overseas Ltd (Formerly known as "JIHL Nominees Limited")(UBS MOL)^ 8)Shaw Wallace Overseas Limited (SWOL)^, 9) McDowell & Co. (Scotland) Limited (MSL), 10) USL Holdings Limited (USLHL), 11) Royal Challengers Sports Private Limited (RCSPL), 12) USL Holdings (UK) Limited, 13) United Spirits (UK) Limited^, 14) United Spirits (Great Britain) Limited^, 15) SW Finance Co. Limited (SWFCL)^, 16) Four Seasons Wines Limited (FSWL), 17) Liquidity Inc.^, 18) Whyte and Mackay Group Limited^, 19) Whyte and Mackay Holdings Ltd^, 20) Whyte and Mackay Limited (W&M), 21) Whyte and Mackay Warehousing Limited^, 22) Bruce & Company (Leith) Limited^, 23) Charles Mackinlay & Company Limited^, 24) Dalmore Distillers Limited^, 25) Dalmore Whyte & Mackay Limited^, 26) Edinburgh Scotch Whisky Company Limited^, 27) Ewen & Company Limited^, 28) Fettercairn Distillery Limited^, 29) Findlater Scotch Whisky Limited^, 30) Glayva Liqueur Limited^, 31) Glentalla Limited^, 32) GPS Realisations Limited^, 33) Grey Rogers & Company Limited^, 34) Hay & MacLeod Limited^, 35) Invergordon Distillers (Holdings) Limited^, 36) Invergordon Distillers Group Limited^, 37) Invergordon Distillers Limited^, 38) Invergordon Gin Limited^, 39) Isle of Jura Distillery Company Limited^, 40) Jarvis Halliday & Company Limited^, 41) John E McPherson & Sons Limited^, 42) Kensington Distillers Limited^, 43) Kyndal Spirits Limited^, 44) Leith Distillers Limited^, 45) Loch Glass Distilling Company Limited^, 46) Longman Distillers Limited^, 47) Lycidas (437) Limited^, 48) Pentland Bonding Company Limited^, 49) Ronald Morrison & Company Limited^, 50) St The Sheep Dip Whisky Company Limited^, 51) Vincent Street (437) Limited^, 52) Tamnavulin-Glenlivet Distillery Company Limited^, 53) TDL Realisations Limited^, 54) W & S Strong Limited^, 55) Watson & Middleton Limited^, 56) Wauchope Moodie & Company Limited^, 57) Whyte & Mackay Distillers Limited^, 58) William Muir Limited^, 59) WMB Realisations Limited^, 60) Whyte and Mackay Property Limited^, 61) Whyte and Mackay de Venezuela CA^, 62) KI Trustees Limited^, 63) United Spirits (Shanghai) Trading Company Limited^ 64) Tern Distilleries Private Limited (Tern) 65) Sovereign Distilleries Limited 66) Pioneer Distilleries Limited. 67) Whyte and Mackay Americas Limited 68) Whyte and Mackay Singapore Pte Limited

ii) USL Benefit Trust

^ No transactions during the year.

^^ Shaw Wallace Breweries Limited renamed as " SW Finance Co. Limited" W.E.F. 16 January 2013

Associates:

Wine Soc. of India Private Limited^

Entities having significant influence over the Company:

- i) Diageo Plc. (holding company of Relay B.V.) (with effect from 4 July 2013)
- ii) Relav B.V. (with effect from 4 July 2013)
- iii) Diageo Scotland Limited (subsidiary of Diageo plc.) (with effect from 4 July 2013)
- iv) Diageo India Private Limited (subsidiary of Diageo plc.) (with effect from 4 July 2013)
- v) United Breweries (Holdings) Limited (effective upto 3 July 2013)
- vi) Kingfisher Finvest India Limited (effective upto 3 July 2013)

Key Management Personnel:

- i) Mr Ashok Capoor - Managing Director (effective upto 30 April 2014)
- ii) Mr P A Murali - Executive Director and CFO

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 & Associated Companies Provident Fund (SWCPF), Balaji Distilleries Employees Gratuity Trust.

b) Summary of transactions with related parties
Rs. Million

Sl. No.	Nature of transactions **	2014					2013				
		Entities where there is control	Key management personnel	Employees' benefit plans where there is significant influence	Promoter	Total	Entities where there is control	Key management personnel	Employees' benefit plans where there is significant influence	Promoter	Total
a)	Purchase of goods										
	- Whyte & Mackay Limited	2,397.560	-	-	-	2,397.560	699.489	-	-	-	699.489
	- Tern Distilleries Private Limited	121.905	-	-	-	121.905	117.721	-	-	-	117.721
	- Pioneer Distilleries Limited	851.303	-	-	-	851.303	655.873	-	-	-	655.873
	- Sovereign Distilleries Limited	0.033	-	-	-	0.033	32.157	-	-	-	32.157
	- Four Seasons Wines Limited	110.443	-	-	-	110.443	114.885	-	-	-	114.885
	- Bouvet Ladubay S.A.S.	0.738	-	-	-	0.738	2.184	-	-	-	2.184
	- Diageo Scotland Limited	-	-	-	702.849	702.849	-	-	-	-	-
b)	Sale of goods										
	- United Spirits Nepal Private Limited	174.435	-	-	-	174.435	212.909	-	-	-	212.909
	- United Breweries (Holdings) Limited-UB Global Corporation	-	-	-	507.649	507.649	-	-	-	609.000	609.000
	- Whyte and Mackay Singapore Pte Limited	974.228	-	-	-	974.228	471.605	-	-	-	471.605
c)	Income from brand franchise										
	- United Spirits Nepal Private Limited	58.091	-	-	-	58.091	62.106	-	-	-	62.106
	- Royal Challengers Sports Private Limited	5.000	-	-	-	5.000	-	-	-	-	-
d)	Income from agency commission										
	- Diageo India Private Limited	-	-	-	164.008	164.008	-	-	-	-	-
e)	Other operating income										
	- Whyte and Mackay Singapore Pte Limited	142.814	-	-	-	142.814	181.247	-	-	-	181.247
	- United Spirits Nepal Private Limited	23.277	-	-	-	23.277	25.394	-	-	-	25.394
f)	Interest income										
	- SW Finance Co. Limited	70.468	-	-	-	70.468	147.312	-	-	-	147.312
	- Pioneer Distilleries Limited	85.924	-	-	-	85.924	24.897	-	-	-	24.897
	- Four Seasons Wines Limited	29.378	-	-	-	29.378	17.388	-	-	-	17.388
***	- Daffodils Fragrance and Flavours Private Limited	-	-	-	-	-	1.540	-	-	-	1.540
	- United Breweries (Holdings) Limited (net of provision of Rs. 963.069 Million)	-	-	-	107.006	107.006	-	-	-	339.504	339.504
	- Royal Challengers Sports Private Limited	126.697	-	-	-	126.697	-	-	-	-	-
	- Tern Distilleries Private Limited	64.698	-	-	-	64.698	-	-	-	-	-
	- Sovereign Distilleries Limited	244.463	-	-	-	244.463	-	-	-	-	-
g)	Interest expenses										
	- SW Finance Co. Limited	450.155	-	-	-	450.155	-	-	-	-	-
h)	Guarantee commission- received										
	- SW Finance Co. Limited	-	-	-	-	-	5.290	-	-	-	5.290
	- USL Holdings Limited	37.184	-	-	-	37.184	-	-	-	-	-
	- USL Holdings (UK) Limited	186.559	-	-	-	186.559	-	-	-	-	-
i)	Advertisement & sales promotion expenses										
	- Royal Challengers Sports Private Limited	-	-	-	-	-	100.000	-	-	-	100.000

Rs. Million

		2014					2013				
Sl. No.	Nature of transactions **	Entities where there is control	Key management personnel	Employees' benefit plans where there is significant influence	Promoter	Total	Entities where there is control	Key management personnel	Employees' benefit plans where there is significant influence	Promoter	Total
j)	- United Breweries (Holdings) Limited-UB Global Corporation	-		-	63,908	63,908	-		-	18,439	18,439
	- Whyte & Mackay Limited	10,775		-	-	10,775	-		-	-	-
	- Rent	130,767		-	-	130,767	76,169		-	-	76,169
	- Daffodils Fragrance and Flavours Private Limited	-		-	-	-	0,675		-	-	0,675
k)	- Mc Dowell & Co (Scotland) Limited	14,818		-	-	14,818	-		-	-	-
	- Salary recharge	-		-	167,887	167,887	-		-	-	-
	- Diageo India Private Limited	-		-	-	-	-		-	-	-
	- Trade mark license fee	-		-	432,743	432,743	-		-	-	-
l)	- United Breweries (Holdings) Limited	-		-	-	-	-		-	-	-
	- Property maintenance fees	-		-	143,259	143,259	-		-	-	-
	- Kingfisher Finvest India Limited	-		-	-	-	-		-	-	-
	- Guarantee /security commission paid	-		-	5,500	5,500	-		-	6,623	6,623
m)	- United Breweries (Holdings) Limited	-		-	-	-	-		-	-	-
	- Sale/ (purchase) of fixed asset	(290,384)		-	-	(290,384)	(25,596)		-	-	(25,596)
	- Whyte & Mackay Limited	-		-	-	-	(25,996)		-	-	(25,996)
	- Daffodils Fragrance and Flavours Private Limited	-		-	-	-	(1,888)		-	-	(1,888)
n)	- Jasmine Flavours and Fragrances Limited	-		-	-	-	3,884		-	-	3,884
	- Sovereign Distilleries Limited	0,120		-	-	0,120	0,810		-	-	0,810
	- Tern Distilleries Private Limited	4,182		-	-	4,182	-		-	-	-
	- Pioneer Distilleries Limited	-		-	-	-	-		-	-	-
o)	- Finance (including loans and equity contributions in cash or in kind)	-		-	-	-	-		-	-	-
	- USL Holdings Limited	2,111,145		-	-	2,111,145	1,526,363		-	-	1,526,363
	- Royal Challengers Sports Private Limited	766,879		-	-	766,879	1,266,639		-	-	1,266,639
	- Asian Opportunities & Investment Limited	-		-	-	-	39,945		-	-	39,945
p)	- Four Seasons Wines Limited	60,550		-	-	60,550	21,984		-	-	21,984
	- SW Finance Co. Limited	119,796		-	-	119,796	880,751		-	-	880,751
	- Sovereign Distilleries Limited #	1,522,944		-	-	1,522,944	362,216		-	-	362,216
	- Pioneer Distilleries Limited #	249,726		-	-	249,726	498,570		-	-	498,570
q)	- United Breweries (Holdings) Limited	-		-	8,391,816	8,391,816	-		-	4,274,096	4,274,096
	- Tern Distilleries Private Limited	157,777		-	-	157,777	113,744		-	-	113,744
	- Liquidity Inc.	-		-	-	-	3,400		-	-	3,400
	- United Spirits (Shanghai)Trading Company Limited.	-		-	-	-	0,987		-	-	0,987
r)	- McDowell & Co (Scotland) Limited	-		-	-	-	14,607		-	-	14,607
	- Remuneration	-	66,169		-	66,169	-	46,523		-	46,523
	- Managing Director	-	47,792		-	47,792	-	-		-	-
	- Executive Director	-	-		-	-	-	-		-	-

b) Summary of transactions with related parties
Rs. Million

Sl. No.	Nature of transactions **	2014					2013				
		Entities where there is control	Key management personnel	Employees' benefit plans where there is significant influence	Promoter	Total	Entities where there is control	Key management personnel	Employees' benefit plans where there is significant influence	Promoter	Total
r)	Rent										
	- Managing Director	-	8,290	-	-	8,290	-	-	-	-	6,970
	- Executive Director	-	7,938	-	-	7,938	-	-	-	-	-
s)	Contribution to gratuity fund										
	- McDowell & Company Limited Officers' Gratuity Fund	-	-	193,010	-	193,010	-	-	194,110	-	194,110
	- McDowell & Company Limited Staff Gratuity Fund	-	-	54,681	-	54,681	-	-	51,980	-	51,980
t)	Contribution to provident fund										
	- McDowell & Company Limited Provident Fund	-	-	134,583	-	134,583	-	-	115,630	-	115,630
u)	Dividend paid										
	- USL Benefit Trust	8,648	-	-	-	8,648	8,648	-	-	-	8,648
	- UB Sports Management Overseas Limited	-	-	-	-	-	1,371	-	-	-	1,371
	- Palmer Investment Group Limited	-	-	-	-	-	10,942	-	-	-	10,942
	- United Breweries (Holdings) Limited	-	-	-	25,369	25,369	-	-	-	-	58,950
	- Relay BV	-	-	-	90,898	90,898	-	-	-	-	-
v)	Guarantees and collaterals given/(reduced)										
	- USL Holdings Limited	(7,954,350)	-	-	-	(7,954,350)	-	-	-	-	-
	- USL Holdings UK Limited	(40,300,000)	-	-	-	(40,300,000)	-	-	-	-	-
	- Sovereign Distilleries Limited	(1,250,000)	-	-	-	(1,250,000)	-	-	-	-	-
w)	Guarantees (received)/ reduced										
	- Four Seasons Wines Limited	1,500,000	-	-	-	1,500,000	(1,500,000)	-	-	-	(1,500,000)
x)	Provision for doubtful loans and advances										
	- USL Holdings Limited	36,142,314	-	-	3,303,186	36,142,314	-	-	-	-	-
	- United Breweries (Holdings) Limited	-	-	-	-	-	-	-	-	-	-

(c) Summary of closing balances with related parties:

Sl. No.	Nature of transactions **	Entities where there is control	Key management personnel	Employees' benefit plans where there is significant influence	Promoter	Total	Entities where there is control	Key management personnel	Employees' benefit plans where there is significant influence	Promoter	Total
aa)	Lease deposit										
	- Sovereign Distilleries Limited	506,330	-	-	-	506,330	506,330	-	-	-	506,330
ab)	License fee deposit										
	- McDowell & Co.(Scotland) Limited	3,676	-	-	-	3,676	-	-	-	-	-
ac)	Deposits outstanding										
	- United Breweries (Holdings) Limited	-	-	-	-	-	-	-	-	-	-
ad)	Unamortised trademark license fees										
	- United Breweries (Holdings) Limited	-	-	-	2,844,250	2,844,250	-	-	-	1,400,000	1,400,000
ae)	Rental Deposit										
	- United Breweries (Holdings) Limited	-	-	-	-	-	-	-	-	-	-

Notes to the financial statements (continued)

Sl. No.	Nature of transactions **	2014					2013				
		Entities where there is control	Key management personnel	Employees' benefit plans where there is significant influence	Promoter	Total	Entities where there is control	Key management personnel	Employees' benefit plans where there is significant influence	Promoter	Total
af)	- Executive Director	-	6,415	-	-	6,415	-	-	-	-	-
	- Amount due from/ (to)	47,928.849	-	-	-	47,928.849	41,340.968	-	-	-	41,340.968
	- USL Holdings Limited	2,123.690	-	-	-	2,123.690	1,792.446	-	-	-	1,792.446
	- Asian Opportunities & Investment Limited	2,555.853	-	-	-	2,555.853	2,225.564	-	-	-	2,225.564
	- Royal Challengers Sports Private Limited	515.248	-	-	-	515.248	366.771	-	-	-	366.771
	- Four Seasons Wines Limited	(5,029.478)	-	-	-	(5,029.478)	1,992.337	-	-	-	1,992.337
	- SW Finance Co. Limited	2,857.812	-	-	-	2,857.812	1,116.728	-	-	-	1,116.728
	- Sovereign Distilleries Limited	2,530.222	-	-	-	2,530.222	1,734.358	-	-	-	1,734.358
	- Pioneer Distilleries Limited	431.797	-	-	-	431.797	288.664	-	-	-	288.664
	- Whyte and Mackay Singapore Pte Limited	(329.244)	-	-	-	(329.244)	10.428	-	-	-	10.428
	- Whyte & Mackay Limited	-	-	-	-	-	-	-	-	-	-
	- United Breweries (Holdings) Limited	-	-	-	-	-	-	-	-	-	-
	- United Breweries (Holdings) Limited-UB Global Corporation	-	-	-	-	-	-	-	-	-	-
	- United Breweries (Holdings) Limited-Pegasus Fee	-	-	-	-	-	-	-	-	-	-
	- Fern Distilleries Private Limited	807.371	-	-	-	807.371	606.564	-	-	-	606.564
ag)	- Bouvet Ladubay S.A.S.	-	-	-	-	-	(0.785)	-	-	-	(0.785)
	- USL Holdings (UK) Limited	186.559	-	-	-	186.559	-	-	-	-	-
	- Diageo India Private Limited	-	-	-	-	-	-	-	-	-	-
	- Diageo Scotland Limited	-	-	-	-	-	-	-	-	-	-
	- Kingfisher Finvest India Limited	-	-	-	-	-	-	-	-	-	-
	- McDowell & Company Limited Provident Fund	-	-	-	-	-	-	-	-	-	-
	- United Spirits (Shanghai) Trading Company Limited.	-	-	-	-	-	-	-	-	-	-
	- United Spirits Nepal Private Limited	15.741	-	-	-	15.741	15.741	-	-	-	15.741
	- Liquidity Inc.	151.684	-	-	-	151.684	110.066	-	-	-	110.066
	- McDowell & Co Scotland Limited	389.060	-	-	-	389.060	53.808	-	-	-	53.808
	- Provision for doubtful loans and advances	-	-	-	-	-	344.484	-	-	-	344.484
	- USL Holdings Limited	36,142.314	-	-	-	36,142.314	-	-	-	-	-
	- United Breweries (Holdings) Limited (Including provision for interest of Rs. 963.069 Million)	-	-	-	-	-	-	-	-	-	-
	- Interest as sole beneficiary in USL Benefit Trust	1,196.969	-	-	-	1,196.969	-	-	-	-	-
ah)	- Guarantees and collaterals given/ (received) outstanding	-	-	-	-	-	1,196.969	-	-	-	1,196.969
	- USL Holdings Limited	1,244.880	-	-	-	1,244.880	8,139.610	-	-	-	8,139.610
	- USL Holdings Limited (UK) Limited	-	-	-	-	-	32,868.000	-	-	-	32,868.000
	- Sovereign Distilleries Limited	-	-	-	-	-	1,250.000	-	-	-	1,250.000
	- Pioneer Distilleries Limited	934.400	-	-	-	934.400	934.400	-	-	-	934.400
ai)	- Four Seasons Wines Limited	-	-	-	-	-	(1,500.000)	-	-	-	(1,500.000)
	- United Breweries (Holdings) Limited	-	-	-	-	-	-	-	-	(550.000)	(550.000)

** Excludes reimbursement of expenses and cost sharing arrangements.

*** Ceased to be subsidiary during 2012-13

In addition to this, the Company has also given letter of support to Sovereign Distilleries Limited and Pioneer Distilleries Limited to conduct their operations in such a manner as to enable to meet its obligations.

Note: The following agreement was also entered in July 2013, however there was no transaction during the year:

- United Breweries (Holdings) Limited (UBHL) has a drag along right under a property sale agreement between UBHL and the Company which is exercisable at fair value upto July 2015.

- 24 (d) The Company on or prior to 3 July 2013, entered into certain agreements with entities which can be considered as directly or indirectly owned / controlled / significantly influenced by the erstwhile promoter group, for provision of services, use of trademarks / logos and sponsorship rights on normal commercial terms which are at arm's length and in the ordinary course of business. Such agreements are expected to yield benefits to the Company through improved brand visibility and will also continually support the business of the Company. These agreements have been reviewed independently and confirmed to be on arm's length basis and reasonable. As these transactions may not fall under the purview of AS-18 Related Party transactions, all the transactions have been covered in the schedule below:

Summary of the transactions from 3 July 2013 to 31 March 2014 with above mentioned parties:

Sl. No.	Name of party	Nature of transactions	Rs. Million
a	United Racing and Bloodstock Breeders Limited	Advertisement & sales promotion	63.203
b	United Mohun Bagan Football Team Private Limited	Advertisement & sales promotion	67.416
c	Watson Limited	Advertisement & sales promotion	879.226
d	Vittal Mallya scientific research foundation	Contribution for scientific research	18.750
e	UB Air Private Limited	Air craft charges	210.393
f	PE Data Centre Resources Private Limited	Property option agreement	281.394

Summary of balances as at 31 March 2014 with the above mentioned parties:

Sl. No.	Name of party	Nature of transactions	Rs. Million
a	UB Air Private Limited	Deposits outstanding	50.000
b	Watson Limited	Advance for Racing Season14-15	478.824
c	PE Data Centre Resources Private Limited	Property Call Money Received	281.394
d	United Racing and Bloodstock Breeders Limited	Amount due from / (to)	(6.125)
e	United Mohun Bagan Football Team Private Limited	Amount due from / (to)	(6.533)
f	Vittal Mallya Scientific Research Foundation	Amount due from / (to)	(2.083)
g	UB Air Private Limited	Amount due from / (to) - fully provided	144.336

25. (a) Bank facility

The credit facilities sanctioned by one of the Company's bankers include a special covenant that needs to be complied by 30 September 2014. On the due date, if the condition remains unsatisfied, the credit facilities will be withdrawn. The fund-based and non fund-based working capital limits available from this bank are Rs. 3,250 Million and Rs. 500 Million respectively. There are ongoing discussions with the bank to address the issue. In any event, the Management believes that the Company is in a position to meet its funding requirement.

(b) Prepayment of credit facility

During the year ended 31 March 2014, the Company decided to prepay credit facilities availed in the earlier years from a bank amounting to Rs. 6,216.6 Million, secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust. The Company deposited a sum of Rs. 6,280.0 Million including prepayment penalty of Rs. 40 Million with the bank and instructed the bank to debit the amount from the cash credit account towards settlement of the loan and release the assets / shares pledged by the Company. The bank, however, disputed the prepayment and continues to debit the account towards the installments and interest as per the loan agreement. The Company has disputed the same and a petition is pending before the Honourable High Court of Karnataka. Pending resolution of such dispute with the bank, the loan amount and balance available in cash credit account is presented on net basis in the financial statements as at 31 March 2014. The interest amounting to Rs. 276.03 Million debited by the bank has been disclosed as Contingent Liability under the Miscellaneous claims not acknowledged as debts.

- (c) Subsequent to the balance sheet date, a bank has declared one of the directors of the Company as a willful defaulter in respect of another company where he is a promoter director. The Reserve Bank of India's Master Circular on Willful Defaulters along with certain covenants in the loan agreements sanctioned by the Company's bankers raise an uncertainty on the impact of this development on the availability of credit facilities to the Company. The said director has assured the Board that he will take appropriate steps to ensure that the operations of the Company are not impacted. Having received such assurance from the said director and appropriate comfort from the controlling shareholder of the Company, the financial statements have been prepared on a going concern basis.

26 Provision for doubtful receivable, advances and deposits

26(a) Certain parties who had previously given the required undisputed balance confirmations for the year ended 31 March 2013, claimed in their balance confirmations to the Company for the year ended 31 March 2014 that they have advanced certain amounts to certain alleged UB Group entities, and that the dues owed by such parties to the Company will, to the extent of the amounts owing by such alleged UB Group entities to such parties in respect of such advances, be paid / refunded by such parties to the Company only upon receipt of their dues from such alleged UB Group entities. These dues of such parties to the Company are on account of advances by the Company in the earlier years under agreements for enhancing capacity, obtaining exclusivity and lease deposits in relation to Tie-up Manufacturing Units (TMUs); agreements for specific projects; or dues owing to the Company from customers. These dues were duly confirmed by such parties as payable to the Company in such earlier years. However, such parties have now disputed such amounts as mentioned above. Details are as below:

Rs. Million

Nature of parties	Amount claimed as due from alleged UB Group entities	Interest claimed as due from alleged UB Group entities	Total amount owing to the Company which was disputed
(a) Trade receivables	1,950.000	350.180	2,300.180
(b) Tie-up Manufacturing Units	1,880.000	226.800	2,106.800
(c) Project related parties	1,500.000	-	1,500.000
	5,330.000	576.980	5,906.980

In response to these claims, under the instruction of the Board, a preliminary internal inquiry was initiated by the Management. The results of this inquiry were as follows:

- (i) One party (which falls under (a) above), who owes certain amounts to the Company, has disputed an amount of Rs. 2,240.7 Million (including interest claimed by it as due from an alleged UB Group entity), alleging that it had advanced monies to such alleged UB Group entity based on an understanding that, to the extent of the amounts owed to it from such alleged UB Group entity in respect of such advance, it could withhold from the amounts payable by it to the Company, and such party has said that it would not pay its dues to the Company to the extent of the amounts claimed by it from such alleged UB Group entity as mentioned above, unless it received repayment of the amount advanced by it to such alleged UB Group entity along with interest.
- (ii) Certain parties (which fall under [(a) and (b)] above), who owe certain amounts to the Company, have disputed an aggregate amount of Rs. 984.5 Million (including interest claimed by them as due from certain alleged UB Group entities), alleging that they had advanced monies to such alleged UB Group entities and that, to the extent of such dues from such alleged UB Group entities, they would not repay the amounts owed by them to the Company unless they received repayment of the amounts advanced by them to such alleged UB Group entities.
- (iii) Certain other parties (which fall under [(b) and (c)] above) changed their original stand and acknowledged that their dues from the alleged UB Group entities were based on transactions that were independent of their dealings with the Company. These parties have subsequently provided appropriate confirmations of the relevant balances due from them to the Company. The related balances are Rs. 2,681.8 Million.
- (iv) In addition to the above, there is an additional party, being a TMU, whose allegations are on a similar basis to those of the parties mentioned at (iii) above and who has subsequently provided an appropriate confirmation of the balance due from it to the Company. However, this party's undertaking has closed down and the related balance of Rs. 648.5 Million (including interest) has been provided in the current year.
- (v) The claims made in relation to the advances to the parties (including the additional party) mentioned above may indicate that all or some of such amounts may have been improperly advanced from the Company to such parties for, in turn, being advanced to the alleged UB Group entities. The aforesaid, however can only be confirmed by a detailed inquiry which has been authorized by the Board as mentioned below.
- (vi) The Company is proposing to more fully inquire into the allegations or claims by the parties in detail and does not acknowledge the correctness of the same. In any event, the Management does not believe that the parties referred to above are entitled to withhold payment / repayment to the Company as claimed by them. The Management further believes that the Company is entitled to recover all the above amounts, including those disputed by certain parties as mentioned in notes (i) and (ii) above, as and when due from these parties. However, the Management has also examined the financial capability of some of these parties, based on which the Management has concluded that the ability of these parties to pay, and consequently the recoverability of, the relevant amounts is doubtful. After considering the above and other considerations and though the above claims were received only when the Company sought balance confirmations from the relevant parties for the year ended 31 March 2014, as a matter of prudence, a provision has been made in the accounts in respect of the dues from these parties (including interest claimed up to the various dates of the balance confirmations from these parties) as detailed below, and as these transactions relate to the period prior to 1 April 2013 they have been reflected as prior period items in the financial statements:

Nature of Parties	Rs. Million Amount provided
(a) Trade receivables	2,300.180
(b) Tie-up Manufacturing Units	2,695.300
(c) Project related parties	1,500.000
	6,495.480

Based on the current knowledge of the Management, the Management believes that the aforesaid provision is adequate and no additional material adjustments are likely to be required in relation to this matter.

As mentioned in Note 26(c), the Board has: (i) directed a detailed and expeditious inquiry into this matter and (ii) authorized the initiation of suitable action and proceedings as considered appropriate by the Managing Director and Chief Executive Officer (MD) for recovering the Company's dues. Appropriate other action will also be taken commensurate with the outcome of that inquiry.

Pending completion of the inquiry mentioned in note 26(c), the Company is unable to determine whether, on completion of the inquiry, there could be any impact on these financial statements; and these financial statements should be read and construed accordingly.

26(b) Certain pre-existing loans / deposits / advances due to the Company and its wholly-owned subsidiaries from United Breweries (Holdings) Limited (UBHL) which were in existence as on 31 March 2013, had been taken into consideration in the consolidated annual accounts of the Company drawn up as of that date. Pursuant to a previous resolution passed by the board of directors of the Company on 11 October 2012, such dues (together with interest) aggregating to Rs. 13,374 million were consolidated into, and recorded as, an unsecured loan by way of an agreement entered into between the Company and UBHL on 3 July 2013. Further, the amounts owed by UBHL to wholly-owned subsidiaries have been assigned by such subsidiaries to the Company and are recorded as loan from such subsidiaries in the books of the Company. The merger of one of such subsidiaries with the Company is currently under process. The interest rate under the above mentioned loan agreement dated 3 July 2013 is at 9.5% p.a. to be paid at six months intervals starting at the end of 18 months from the effective date of the loan agreement. The loan has been granted for a period of 8 years and is payable in three annual installments commencing from the end of 6th anniversary of the effective date of the loan agreement.

Certain lenders have filed petitions for winding up against UBHL. UBHL has provided guarantees to lenders and other vendors of Kingfisher Airlines Limited (KFA), a UB Group entity. Most of these guarantees have been invoked and are being challenged in Courts. The Company has also filed its affidavit opposing the aforesaid winding up petitions and the matter is sub-judice.

The Management has performed an assessment of the recoverability of the loan and has reviewed valuation reports in relation to UBHL prepared by reputed independent valuers that were commissioned by UBHL, and shared by UBHL with the Company. As a result of the abovementioned assessment and review by the Management, in accordance with the recommendation of the Management, the Company, as a matter of prudence, has not recognized interest income of Rs. 963.069 million and has provided Rs. 3,303.186 million towards the principal outstanding as at 31 March 2014. The Management believes that it should be able to recover, and no further provision is required for the balance amount of Rs. 9,956.806 million, though the Company will attempt to recover the entire amount of Rs. 14,223.061 million. However, the Management will continue to assess the recoverability of the said loan on an ongoing basis.

26(c) The Board has directed a detailed and expeditious inquiry in relation to the matters stated in Notes 26(a), 26(b) and 30(f), the possible existence of any other transaction of a similar nature; the role of individuals involved; and potential non-compliance (if any) with the provisions of the Companies Act, 1956 and other regulations applicable to the Company in relation to such transactions. The Board has directed the Managing Director ("MD") to engage independent advisers and specialists as required for the inquiry. The Board has also authorized the MD to take suitable action and proceedings as considered appropriate by him for recovering the Company's dues. Appropriate other action will also be taken commensurate with the outcome of that inquiry. On the basis of the knowledge and information of the Management, the Management believes that no additional material adjustments to the financial statements are likely to be required in relation to the matters mentioned above in this note. However, pending completion of the detailed inquiry mentioned above, the Company is unable to determine the impact on the financial statements (if any), on completion of such detailed inquiry, and these financial results should be read and construed accordingly.

27(a) During the year, on 8 November 2013, the Board of Directors have approved the scheme of arrangement between United Spirits Limited and Enrica Enterprises Private Limited ('Enrica') and its shareholders and creditors as the case may be ('the Scheme') in respect of transfer of undertaking of the Company in Tamil Nadu by way of slump sale on a going concern basis under Section 391 read with Section 394 of the Companies Act, 1956 with Appointed Date of 1 April 2013. The Scheme has been approved by the Equity Shareholders, Secured Creditors and Unsecured Creditors at their Court convened meeting held on 16 June 2014. The relevant Petition have been filed before the respective jurisdictional High Courts by the Company and Enrica and awaiting for their approval.

The Company has also entered into a Franchise Agreement with Enrica which prescribes a royalty payment to the Company for grant of manufacturing, marketing, distribution and sale rights to Enrica in defined territories. From the Appointed Date up to the Effective Date, the royalty payable shall be a fixed amount per case or the Franchisee's profit (before tax and royalty) in respect of the franchised products, whichever is lower. Subsequent to the Effective Date royalty at net sales realization linked slab rate will accrue to the Company as per the Franchise Agreement.

Pending approval of the scheme, no effect has been given in the financial statements of the current year. Considering the Franchise Agreement with Enrica, the difference between the royalty and the unit's profit in respect of the franchised products will not be significant when the Scheme is effective. In the interim, the Company holds the business and the net assets of the undertaking in trust on behalf of Enrica. A summary of the statement of profit and loss and the statement assets and liabilities of the undertaking in Tamil Nadu for the year ended 31 March 2014 is as below:

Statement of profit and loss for the year ended 31-March-2014

Particulars	Rs. Million
Net sales	4,530.124
Material cost	3,179.072
Gross profit	1,351.052
Other expenses (including Interest and depreciation)	1,268.475
Profit before tax	82.577

Statement of assets and liabilities as at 31-March-2014

Particulars	Rs. Million
Total assets	2,101.707
Total liabilities	864.142
Net assets	1,237.565

27(b) Subsequent to the Balance Sheet date, as per the explanatory statement dated 9 May 2014 sent to the members,

- (i) Further to Diageo plc's undertakings offered to UK's Office of Fair Trade (now called Competition and Markets Authority, UK), in January 2014, the Company's Board of Directors decided to initiate a process based on the outlined time-table provided in connection with the decision of the OFT to explore a potential sale of all or part of Whyte and Mackay. As a culmination of this process, subsequent to the year end, on 9 May 2014 the Company's wholly owned subsidiary, United Spirits (Great Britain) Limited (seller or USGBL) entered into a Share Sale and Purchase agreement (SPA) with Emperador UK Limited and Emperador Inc. in relation to the sale of the entire issued share capital of Whyte and Mackay Group Limited (WMG) for an Enterprise Value of £430 Million (calculated with a normalized level of working capital) from which deduction has been made for the payment of a warranty and indemnity insurance premium of £0.85 Million agreed between the seller and the purchaser. The Company has also obtained an opinion from a leading merchant banker and considers that the Enterprise Value is fair from a financial point of view of the Company.
- (ii) The aggregate consideration for the sale of share capital of WMG payable to USGBL is approximately £429.15 Million ("Aggregate Consideration"), which is subject to adjustments following completion of the sale pursuant to the terms of the SPA ("Completion") reflecting : (a) movements in net working capital (above or below a pre-agreed threshold), net indebtedness and cash of the WMG between signing and Completion; and (b) an agreed sum of £ 19.2 Million in relation to the defined pension scheme deficit, net of pensions contributions for the period commencing 1 April 2014 ("Completion Accounts"). Further, the seller has given warranties and indemnities which are customary for a transaction of this nature and these are not currently expected to have any financial implication and will be reassessed at each reporting date.

- (iii) The financial closure of the proposed transaction as contemplated by the terms of the SPA (as may be amended and modified from time to time), is subject to satisfaction of certain conditions precedent.
- (iv) The equity shareholders of the Company have approved the proposed sale of WMG by USGBL. The Company has filed an application with Reserve Bank of India (through authorized dealer of the Company) for approval. Further to the signing of the SPA, the following provisions have been recorded as an exceptional item.
- (v) the net proceeds of sale will be insufficient to fully repay the intra-USL Group Loan, the balance of which stands at Rs.47,928.849 Million as of 31 March 2014. The Company is required, pursuant to mandatory applicable accounting standards, to impair its investment in USL Holdings Ltd., BVI and provide for the Intra-USL Group Loan as per details below:

Particulars	Rs. Million
Provision for Investment	22.183
Provision for loans given (net of FCTR balance of Rs.9,378.534 Million)	36,142.346
Total	36,164.529

In addition to the above, based on the Management's assessments of the recoverability of the underlying assets, an aggregate provision for diminution in the value of investment of Rs.7,051.733 Million has been made on investments held in Palmer Investment Group Limited Rs.6,917.801 Million and Montrose International S.A Rs.133.932 Million.

28. Scheme of amalgamations

During the current year, the Board of Directors at their meeting held on 8 January 2014, have approved the amalgamation of:

- i) Tern Distilleries Private Limited, a wholly owned subsidiary of the Company (TERN) with the Company pursuant to a Draft Rehabilitation Scheme and applicable provisions of Sick Industrial Companies (Special Provisions) Act, 1985 with the appointed date 1 April 2013 (TERN Scheme). The entire operations of TERN comprise transactions with the Company. The net impact on the financial statements of the Company from such amalgamation is expected to be insignificant when effected. The equity shareholders of the Company have approved the TERN Scheme at their Extraordinary General Meeting held on 18 March 2014 and the approval by the Board For Industrial and Financial Reconstruction (BIFR) is in progress. Pending approval of the TERN Scheme, no effect has been given in the financial statement. A summary of statement of profit and loss and the statement of assets and liabilities of TERN for the year ended 31 March 2014 is as below:

Statement of Profit and loss for the year ending 31-March-2014

Particulars	Rs. Million
Total revenue	118.353
Total expenses	292.711
Extraordinary expenses	1.306
Loss for the year	(175.664)

Statement of assets and liabilities as at 31-March-2014

Particulars	Rs. Million
Total assets	587.060
Total liabilities	72.412
Net assets	514.648

- ii) SW Finance Co. Limited (SWFCL), a wholly owned subsidiary of the Company with the Company with the appointed date 1 January 2014 (SWFCL Scheme) pursuant to the applicable provisions of the Companies Act, 1956, and subject to the sanction of the Hon'ble jurisdictional High Courts/any such competent authority. The accounting for the above amalgamation shall be done upon receiving the necessary sanctions / approval from various regulatory authorities including the Registrar of Companies. Upon the SWFCL Scheme becoming effective, the SWFCL will stand merged with the Company. Pending approval of the SWFCL Scheme, no effect has been given in the financial statement. The operations of SWFCL are predominately with the Company. The net impact on the financial statements of the Company from such operations is expected to be immaterial when effected. A summary of statement of profit and loss and the statement of assets and liabilities of SWFCL for the year ending 31 March 2014 is as below:

Statement of profit and loss for the three months ended 31-March-2014

Particulars	Rs. Million
Total revenue	151.107
Total expenses	0.410
Income tax	43.270
Profit for the period	107.427

Statement of assets and liabilities as at 31-March-2014

Particulars	Rs. Million
Total assets	141.131
Total liabilities	2,889.856
Net assets / (liabilities)	(2,748.725)

29. Capital and other commitments

- (a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 284.990 Million (2013: Rs. 403.793 Million).
- (b) Other commitments relating to advertisement, sales promotion and trade mark fee Rs. 8,393.593 Million (2013: Rs. 1383.516 Million).
- (c) The Company has also given letter of support to Sovereign Distilleries Limited and Pioneer Distilleries Limited to conduct their operations in such a manner as to enable to meet its obligations.

30. Contingent liabilities

	Rs. Million	
	As at 31-March-2014	As at 31-March-2013
(a) (i) Guarantee given on behalf of other bodies corporate	2,179.275	43,192.010
(ii) Guarantees given by the Company's bankers for which counter guarantees have been given by the Company.	259.344	305.063
(b) Disputed claims against the Company not acknowledged as debts, currently under appeal / sub judice:		
(i) State Excise demands for excess wastages and distillation losses	221.536	268.408
(ii) Central Excise demands under appeal	6.534	32.650
(iii) Service tax demands under appeal	233.384	693.725
(iv) Other miscellaneous claims [Refer note 25(b)]	744.376	231.941
(v) Income tax demand (including interest) under appeal	2,361.363	668.546
(vi) Sales tax demands under appeal in various states	547.373	792.075
(c) Bills receivables discounted	426.307	897.126
(d) Co-accepted bills of Tie-up units	349.832	509.757
(e) Claims from suppliers not acknowledged as debts	96.010	83.257

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

- (f) Subsequent to the balance sheet date, the Company received a letter dated 5 May 2014 from the lawyers of an entity (Alleged Claimant) alleging that it had given loans amounting to Rs.2,000 Million to KFA at an interest rate of 15% p.a. purportedly on the basis of agreements executed in December 2011 and January 2012. This matter came to the knowledge of the Board for the first time only after the Management informed the Board of the letter dated 5 May 2014. The letter alleges that amongst several obligations under these purported agreements, certain investments held by the Company were subject to a lien, and requires the Company, pending the repayment of the said loan, to pledge such investments in favour of the Alleged Claimant to secure the aforesaid loans. The Company has responded to this letter received from the lawyers of the Alleged Claimant vide its letter dated 3 June 2014, wherein the Company has disputed the claim and denied having created the alleged security or having executed any document in favour of the Alleged Claimant. The Company has reiterated its stand vide a follow-up letter dated 28 July 2014 and has asked for copies of purported documents referred to in the letter dated 5 May 2014. Subsequent to the above, the Company has received a letter dated 31 July 2014 from the Alleged Claimant stating that in light of certain addendums to the aforesaid purported agreements (which had inadvertently not been informed to their lawyers) the Alleged Claimant has no claim or demand of any nature whatsoever against inter alia the Company, including any claim or demand arising out of or connected with the documents / agreements referred to their lawyer's letter dated 5 May 2014. The Company has replied to the Alleged Claimant vide a letter dated 6 August 2014, noting the above mentioned confirmation of there being no claim or demand against the Company, and asking the Alleged Claimant to immediately provide to the Company all the alleged documents referred to in the letter dated 5 May 2014 and the addendum referred to in the letter dated 31 July 2014, and to also confirm the identity and capacity of the signatory to the letter dated 31 July 2014.

Subsequently, in September 2014, the Company obtained scanned copies of the purported agreements (including the purported power of attorney) and various communications between KFA and the Alleged Claimant. These documents indicate that while the purported agreements may have sought to create a lien on certain investments of the Company, subsequently, the Alleged Claimant and KFA sought to negotiate the release of the purported obligation to create such lien, which was formalised vide a second addendum in September 2012.

The Management has verified from a perusal of the minutes of meetings of the board of directors of the Company that the board of directors of the Company at the relevant time had not approved or ratified any such purported agreement. The Management has represented to the Board that till the receipt of scanned copies of the purported agreements in September 2014, the Company had no knowledge of these purported agreements. The Management, based on legal advice received, does not expect any liability or obligation to arise on the Company out of these purported agreements.

31. Dues to micro and small suppliers

	Rs.Million	
	As at 31-March-2014	As at 31-March-2013
The amounts remaining unpaid to micro and small suppliers as at the end of the year		
(a) (i) Principal	78.364	70.627
(ii) Interest	0.061	1.555
(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	309.867	202.864
(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 in respect of principal amount settled during the year	4.558	6.953
(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.	5.149	11.816

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.

32. Details of consumption and purchases

		Rs. Million	
		For the year ended 31-March-2014	For the year ended 31-March-2013
a.	Purchase of traded goods		
	Beverage alcohol	7,926.464	7,251.090
b.	Raw materials consumed		
	Spirits	19,668.501	16,099.971
	Grain	1,535.313	1,121.130
	Molasses	493.930	839.312
	Grape	171.276	-
	Others	3,742.549	3,703.925
		25,611.569	21,764.338
	Imported	21% 5,373.073	6% 2,906.831
	Indigenous	79% 20,238.496	94% 18,857.507
		25,611.569	21,764.338
c.	Consumption of packing material, stores and spares		
	Imported	1% 248.465	3% 601.012
	Indigenous	99% 19,050.724	97% 18,693.262
		19,299.189	19,294.274
33.	Value of Imports on C.I.F. basis		
	Raw materials and packing materials	3,962.958	1,331.059
	Plant and machinery	57.170	51.741
		4,020.128	1,382.800
34.	Earnings in foreign currency		
	Export of goods and services on FOB basis	1,007.697	600.638
	Income from brand franchise	58.091	62.106
	Dividend income from subsidiary	23.277	25.394
		1,089.065	688.138
35.	Expenditure in foreign currency		
	Advertisement	989.717	86.516
	Rent	153.837	197.075
	Professional Fees	76.361	139.844
	Others (Subscription, foreign travel, bank charges, finance charges etc.)	389.147	163.701
		1,609.062	587.136
36.	Amount remitted during the year in foreign currency on account of dividend to Non-resident shareholders		
	Year to which dividend relates	2013	2012
	Number of non-resident shareholders	4	12
	Number of shares	36,360,869	4,928,835
	Amount remitted (in Rs. Million)	90.902	12.322

37. Research and development expenses comprise the following

	Rs. Million	
	For the year ended 31-March-2014	For the year ended 31-March-2013
Salaries and wages	42.078	31.620
Contribution to provident fund and other funds	4.956	3.081
Staff welfare expenses	1.943	1.475
Rent	5.563	5.358
Contribution	21.750	12.000
Miscellaneous expenses	13.892	10.508
	90.182	64.042

38. Tie-up manufacturing arrangement:

The Company has entered into arrangements with certain distilleries and bottling units (Tie-up units) for manufacture and marketing of its own brands. The Tie-up units have necessary license and regulatory permits to manufacture beverage alcohol. The arrangements stipulates the obligations of each party and the entire manufacturing activity is carried out under the close supervision of the Company executives. It is the responsibility of the Company to Market its products and ensure adequate finance to the tie-up units for its operations. The risk and reward of the activity lies with the Company. In the circumstances, it is considered appropriate to disclose the following information (Unaudited), as applicable to such activities.

- (i) Income from operation through other distilleries / bottling units reflect the net constitution from the sales made by these units and is detailed as under:

	Rs. Million	
	For the year ended 31-March-2014	For the year ended 31-March-2013
Gross sales	18,297.560	18,706.780
Net sales	16,648.540	17,283.293
Cost of sales	11,631.676	12,209.598
Gross profit	5,016.864	5,073.695
Expenses	402.704	426.051
Income	4,614.160	4,647.644

39. Appointment of CEO and Managing Director

Subsequent to the balance sheet date, Board of directors of the Company at its meeting held on 14 August 2014 have appointed Mr. Anand Kripalu as the Managing Director & Chief Executive Officer of the Company, subject to the shareholders' approval with effect from 14 August 2014.

40. Disclosure required by clause 32 of the listing agreement

Amount of Investment, loans and advances in the nature of loans outstanding from subsidiaries as at 31 March 2014

	Rs. Million		
Subsidiary company	Value of Investment	Amount outstanding as at 31 March 2014	Maximum amount outstanding during the year
Asian Opportunities & Investments Limited	301.000	2,123.690	2,245.343
Four Season Wines Limited	692.187	288.147	300.132
SW Finance Co. Limited	3,302.175	-	-
USL Holdings Limited	22.183	47,878.849	49,869.645
Pioneer Distilleries Limited	1,285.814	753.907	753.907

40. Disclosure required by clause 32 of the listing agreement (continued)

Subsidiary company	Value of investment	Amount outstanding as at 31 March 2014	Maximum amount outstanding during the year
United Spirits Nepal Limited	65.626	-	-
Palmer Investment Group Limited	6,917.801	-	-
Montrose International S.A	133.932	-	-
United Spirits (Shanghai)Trading Company Limited	26.635	15.741	15.741
McDowell & Co (Scotland) Limited	125.505	389.060	420.668
Royal Challengers Sports Private Limited	1,699.053	1,219.483	1,464.483
Tern Distilleries Private Limited	139.539	739.389	739.389
Liquidity Inc.	119.313	53.808	53.808
Sovereign Distilleries Limited	315.462	2,637.764	2,668.760

Loans and advances in the nature of loans to firms/companies in which directors are interested

United Breweries (Holdings) Limited	-	13,374.167	13,374.167
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The aforesaid amount are gross of provisions, if any made based on Management assessment of recoverability.

Amount of Investment, loans and advances in the nature of loans outstanding from subsidiaries as at 31 March, 2013

Subsidiary Company	Value of investment	Amount outstanding as at 31 March 2013	Rs. Million
			Maximum amount outstanding during the year
Asian Opportunities & Investments Limited	301.000	1,792.446	1,873.400
Four Season Wines Limited	377.233	184.412	184.412
SW Finance Co. Limited	3,302.175	1,992.337	1,992.337
USL Holdings Limited	22.183	41,340.968	43,949.341
Pioneer Distilleries Limited	1,244.754	504.177	504.177
USL Nepal Limited	65.626	-	-
Palmer Investment Group Ltd	6,917.801	-	-
Montrose International S.A	133.932	-	-
United Spirits (Shanghai)Trading Company Limited	26.635	15.741	16.263
McDowell & Co (Scotland) Limited	125.505	344.484	358.984
Royal Challengers Sports Private Limited	1,699.053	2,225.564	2,225.603
Tern Distilleries Private Limited	139.539	606.564	662.437
Liquidity Inc.	119.313	53.808	55.608
Sovereign Distilleries Limited	315.462	1,116.728	1,122.624

Loans and advances in the nature of loans to firms / companies in which directors are interested

UB Holdings Limited	-	4,382.406	4,385.406
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41. Regroupings

Previous year's figures have been regrouped / reclassified as per the current year's presentation for the purpose of comparability. The following significant regroupings / reclassifications of the previous year figures have been made:

Particulars	Previous year grouping	Current year grouping	Rs. Million
In balance sheet	Long-term borrowings - Inter corporate deposit	Other current liabilities - Interest accrued but not due	34.627
In balance sheet	Trade payables - Trade creditors	Other current liabilities - Other liabilities	2,865.965
In balance sheet	Non-current investments	Current investments	1,196.969
In balance sheet	Long term loans and advances Security deposits	Long-term loans and advances Other advances	1,700.000
In balance sheet	Long term loans and advances to related parties - Considered good	Long term loans and advances to related parties - Considered doubtful	69.549
In balance sheet	Long term Loans and advances Other advances - Considered doubtful	Long term Loans and advances Other advances - Considered good	69.549
In balance sheet	Other non current assets Others- Long term deposit with banks: On deposit account	Cash and bank balances - Other bank balances	378.819
In balance sheet	Cash and bank balances - Balances with banks	Cash and bank balances - Other bank balances	586.459
In balance sheet	Cash and bank balances - Balances with banks	Cash and bank balances - Other bank balances	83.260
In balance sheet	Advance income tax(net)	Short term provision - Provision for income tax (net of advance tax)	981.112
In statement of profit and loss	Other expenses - Advertisement and sales promotion	Revenue from operations - Sales (gross)	(418.254)
In statement of profit and loss	Revenue from operations - Income from brand franchise	Revenue from operations - Income arising from sale by manufacturers under 'Tie-up' agreements (Tie-up units)	235.046
In statement of profit and loss	Other operating income - Miscellaneous	Other expenses- Freight outward	98.568
In statement of profit and loss	Cost of materials consumed - Raw materials	Revenue - Excise duty	1,496.840
In statement of profit and loss	Cost of materials consumed - Raw materials	Other expenses - Distribution costs, Freight outward	129.425
In statement of profit and loss	Employee benefits expense - Salaries, wages and bonus	Other expenses - Contract wages	422.451
In statement of profit and loss	Other expenses - Provision for doubtful debts/ advances/ deposits	Other expenses - Various	520.719

42. The financial statements for the year ended 31 March 2013 were audited by a firm other than B S R & Co. LLP.

As per our report of even date attached.

for B S R & Co. LLP
Chartered Accountants
Firm registration number: 101248W/W-100022

for and on behalf of Board of Directors

Anand Kripalu
Managing Director & CEO

P.A. Murali
Executive Director & CFO

Sunil Gaggar
Partner
Membership number:10431

Ravi Rajagopal
Director

V.S. Venkataraman
Company Secretary

Place: Mumbai
Date: 4 September 2014

Place : Mumbai
Date : 4 September 2014



Statement Pursuant to Section 212(1)(e) of the Companies Act, 1956 as at March 31, 2014

Sl. No	Name of the subsidiary	a) No of shares held at the end of the financial 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			
		United Spirits Ltd.	Other subsidiary companies	United Spirits Ltd.	Other subsidiary companies	a) Not dealt with in the accounts of the company		b) Dealt with in the accounts of the company	
						(i) for the subsidiary's financial year ended 31.03.2014	(ii) for the previous financial years of the subsidiary since it became a subsidiary	(i) for the subsidiary's financial year ended 31.03.2014	(ii) 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%	-	(281.444)	(564.188)	-	-
2	United Spirits Nepal Private Limited	67,716 Shares	-	82.46%	-	24.728	289.305	-	-
3	SW Finance Co Limited (Formerly known as " Shaw Wallace Breweries Limited")	80,198,513 Shares	-	100%	-	(3,270.301)	2,597.235	-	-
4	Palmer Investment Group Ltd	15,000,000 Shares	-	100%	-	(593.867)	(359.792)	-	-
5	Shaw Wallace Overseas Ltd	-	357,745 Shares	-	100%	0.896	2.205	-	-
6	UB Sports Management Overseas Ltd (Formerly known as " JIHL Nominees Limited")	-	10 Shares	-	100%	0.539	10.901	-	-
7	Montrose International S.A	-	500 Shares	-	100%	(2.053)	25.410	-	-
8	Bouvet Ladubay S.A.S	-	540,000 Shares	-	100%	118.565	339.780	-	-
9	Chapin Landais S.A.S	-	5,000 Shares	-	100%	0.099	2.213	-	-
10	McDowell & Co. (ScotLand) Limited	1,575,000 Shares	-	100%	-	22.707	(162.583)	-	-
11	United Spirits (Great Britain) Limited	-	100 Shares	-	100%	(19,592.480)	(4,163.756)	-	-
12	USL Holdings Limited	500,000 Shares	-	100%	-	(48,970.639)	1,224.462	-	-
13	USL Holdings (UK) Limited	-	100,000 Shares	-	100%	(25,122.872)	(18,395.643)	-	-
14	United Spirits (UK) Limited	-	100 Shares	-	100%	(24,716.744)	(12.102)	-	-
15	Four Seasons Wines Limited	14,111,139 Shares	-	100%	-	(108.792)	(390.827)	-	-
16	Royal Challengers Sports Private Limited	14,690 Shares	-	100%	-	(990.452)	(320.601)	-	-
17	Whyte and Mackay Group Limited	-	4,600,349,728 Shares	-	100%	1,876.375	9,205.236	-	-
18	Liquidity Inc.,	4,000,000 Shares	-	51%	-	(19.953)	(258.232)	-	-
19	United Spirits (Shanghai) Trading Company Ltd	500,000	-	100%	-	(0.588)	(36.540)	-	-

Statement Pursuant to Section 212(1)(e) of the Companies Act, 1956
as at March 31, 2014 (Contd.)

Sl. No	Name of the subsidiary	a) No of shares held at the end of the financial 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			
		United Spirits Ltd.	Other subsidiary companies	United Spirits Ltd.	Other subsidiary companies	a) Not dealt with in the accounts of the company		b) Dealt with in the accounts of the company	
						(i) for the subsidiary's financial year ended 31.03.2014	(ii) for the previous financial years of the subsidiary since it became a subsidiary	(i) for the subsidiary's financial year ended 31.03.2014	(ii) for the previous financial years of the subsidiary since it became a subsidiary
									Rs. Million
1	2	3	4	5	6	7	8	9	
20	Tern Distilleries Private Limited	Shares 4,000,000	-	100%	-	(175.665)	(51.765)	-	-
21	Pioneer Distilleries Limited	Shares 11,561,217	-	86.35%	-	(212.953)	(823.632)		
22	Sovereign Distilleries Limited	Shares 58,442,746	-	100.00%	-	(583.755)	(2,106.030)		
		Shares							

Anand Kripalu
Managing Director & CEO

P.A. Murali
Executive Director & CFO

Ravi Rajagopal
Director

V.S. Venkataraman
Company Secretary

Place: Mumbai

Date: 4 September 2014

UNITED SPIRITS

Details of Subsidiaries as per the Exemption for 31.03.2014 Companies

Rs. Million

Name of the Subsidiary	Palmer Investment Group Limited		Montrose International S.A.		UB Sports Management Overseas Limited		USL Holdings (UK) Limited		Asian Opportunities and Investments Limited		Shaw Wallace Overseas Limited		SW Finance Co Limited (Formerly known as Shaw Wallace Breweries Ltd)	
	USD	INR	USD	INR	USD	INR	GBP	INR	USD	INR	GBP	INR	GBP	INR
1. Capital	15.000	898.800	0.500	29.960	0.000	0.001	0.001	0.100	4.999	299.522	0.358	35.628	1,526.150	
2. Reserves	(15.205)	(911.084)	0.065	3.903	0.248	14.860	(482.078)	(48,010.148)	(15.417)	(923.787)	(0.157)	(15.636)	769.163	
3. Total Assets	0.234	14.021	0.568	34.035	0.251	15.040	411.809	41,012.058	29.916	1,792.567	0.213	21.213	5,185.169	
4. Total Liabilities	0.234	14.021	0.568	34.035	0.251	15.040	411.809	41,012.058	29.916	1,792.567	0.213	21.213	5,185.169	
5. Investments	-	-	-	-	-	-	-	-	27.189	1,629.160	-	-	41.140	
6. Turnover	-	-	0.600	35.938	-	-	2.017	200.873	-	-	-	-	654.004	
7. Profit before Taxation	12.635	757.089	(0.034)	(2.053)	2.834	169.813	(252.263)	(25,122.872)	(4.697)	(281.444)	0.009	0.896	(1,216.216)	
8. Provision for Taxation	22.546	1,350.956	-	-	2.825	169.274	-	-	-	-	-	-	2,054.085	
9. Profit after Taxation	(9.911)	(593.867)	(0.034)	(2.053)	0.009	0.539	(252.263)	(25,122.872)	(4.697)	(281.444)	0.009	0.896	(3,270.301)	
10. Proposed Dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	

Name of the Subsidiary	Four Seasons Wines Limited		McDowell (Scotland) Limited		Royal Challengers Sports Private Limited		United Spirits Shanghai (Trading) Co. P Ltd		Tern Distilleries Private Limited		USL Holdings Limited		United Spirits (Great Britain) Limited	
	INR	GBP	INR	INR	INR	RMB	INR	INR	INR	INR	USD	INR	GBP	INR
1. Capital	662.811	1.575	156.854	0.147	387.853	5.000	43.250	40.000	40.000	29.960	0.500	0.000	0.000	0.000
2. Reserves	(499.650)	(2.032)	(202.367)	387.853	4,650.371	(5.893)	(50.974)	(274.494)	(274.494)	(49,160.765)	(820.440)	(253.284)	(253.284)	(25,224.554)
3. Total Assets	842.209	9.725	968.513	4,650.371	4,650.371	0.890	7.699	587.060	587.060	4,296.084	71.697	397.664	397.664	39,603.358
4. Total Liabilities	842.209	9.725	968.513	4,650.371	4,650.371	0.890	7.699	587.060	587.060	4,296.084	71.697	397.664	397.664	39,603.358
5. Investments	31.818	9.609	956.960	-	914.635	-	-	117.337	117.337	0.118	0.002	311.823	311.823	31,054.453
6. Turnover	187.463	-	22.707	(1,054.235)	(1,054.235)	(0.068)	(0.588)	(175.665)	(175.665)	(48,970.639)	(817.267)	(196.754)	(196.754)	(19,594.731)
7. Profit before Taxation	(108.792)	0.228	22.707	(63.783)	(63.783)	-	-	-	-	-	-	(0.023)	(0.023)	(2,251)
8. Provision for Taxation	-	-	-	(990.452)	(990.452)	(0.068)	(0.588)	(175.665)	(175.665)	(48,970.639)	(817.267)	(196.731)	(196.731)	(19,592.480)
9. Profit after Taxation	(108.792)	0.228	22.707	-	-	-	-	-	-	-	-	-	-	-
10. Proposed Dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Statement Pursuant to Section 212(1)(e) of the Companies Act, 1956
as at March 31, 2014 (Contd.)

Details of Subsidiary Companies (Contd.)

Rs. Million

Name of the Subsidiary	United Spirits (UK) Limited		United Spirits Nepal Private Limited		Bouvet Ladubay S.A.S		Chapin Landias S.A.S		Whyte and Mackay Group Limited		Liquidity Inc		Pioneer Distilleries Limited	Sovereign Distilleries Limited
	GBP	INR	NRS	INR	EURO	INR	EURO	INR	GBP	INR	USD	INR	INR	INR
1. Capital	0.000	0.000	8.212	5.132	10.800	888.624	0.100	8.228	62.315	6,205.951	0.001	0.047	134.194	584.427
2. Reserves	(248.414)	(24,739.550)	40.698	25.436	7.077	582.296	0.046	3.785	132.052	13,151.059	(4.522)	(270.958)	(715.183)	(2,535.731)
3. Total Assets	401.846	40,019.843	120.065	75.041	32.959	2,711.867	0.323	26.576	286.213	28,503.953	0.398	23.848	3,285.859	1,515.678
4. Total Liabilities	401.846	40,019.843	120.065	75.041	32.959	2,711.867	0.323	26.576	286.213	28,503.953	0.398	23.848	3,285.859	1,515.678
5. Investments	0.000	0.000	-	-	0.039	3.178	-	-	0.118	11.752	-	-	-	0.380
6. Turnover	-	-	1,219.498	762.186	20.158	1,658.600	3.035	249.720	213.946	21,306.882	-	-	1,289.039	259.044
7. Profit before Taxation	(248.185)	(24,716.744)	56.551	35.344	2.136	175.750	0.001	0.099	19.022	1,894.401	(0.333)	(19.953)	(212.953)	(583.755)
8. Provision for Taxation	-	-	16.986	10.616	0.695	57.185	-	-	0.181	18.026	-	-	-	-
9. Profit after Taxation	(248.185)	(24,716.744)	39.565	24.728	1.441	118.565	0.001	0.099	18.841	1,876.375	(0.333)	(19.953)	(212.953)	(583.755)
10. Proposed Dividend	-	-	86.862	54.289	-	-	-	-	-	-	-	-	-	-

To the Board of Directors of United Spirits Limited

We have audited the accompanying consolidated financial statements ("financial statements") of United Spirits Limited ("the Company"), its subsidiaries and associates, which comprise the consolidated balance sheet as at 31 March 2014, and the consolidated statement of profit and loss and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

1 As stated in Note 35(a) to the financial statements, certain parties who had previously given the required undisputed balance confirmations for the year ended 31 March 2013, alleged during the current year, that they have advanced certain amounts to certain alleged UB Group entities and linked the confirmation of amounts due to the Company to repayment of such amounts to such parties by the alleged UB Group entities. Also, some of these parties stated that the dues to the Company will be paid / refunded only upon receipt of their dues from such alleged UB Group entities. These dues of such parties are on account of advances by the Company in the earlier years under agreements for enhancing capacity, obtaining exclusivity and lease deposits in relation to Tie-up Manufacturing Units; agreements for specific projects; or dues owing to the Company from customers. These claims received in the current year may indicate that all or some of such amounts may have been improperly advanced from the Company to such parties for, in turn, being advanced to the UB Group entities. However, this can only be confirmed after a detailed inquiry. Based on the findings of the preliminary internal inquiry by the Management, under the instructions of the Board of Directors; and Management's assessment of recoverability, an aggregate amount of Rs. 6,495.4 million has been provided in the financial statements and has been disclosed as prior period items. Based on its current knowledge, the Management believes that the aforesaid provision is adequate and no additional material adjustments to the financial statements are likely to be required in relation to this matter. As stated in paragraph 4 below, the Board of Directors have instructed the Management to undertake a detailed inquiry into this matter. Pending such inquiry, we are unable to comment on the nature of these transactions; the provision established; or any further impact on the financial statements;

2 As stated in Note 29(f) to the financial statements, subsequent to the balance sheet date, the Company received a letter dated 5 May 2014 from the lawyers of an entity (Alleged Claimant) alleging that the Alleged Claimant had advanced loans amounting to Rs. 2,000 million to Kingfisher Airlines Limited (hereinafter referred to as "KFA"), a UB Group entity, in an earlier year on the basis of agreements, executed in December 2011 and January 2012, through which the Company was alleged to have created a lien on certain investments in favour of the Alleged Claimant as security for the aforesaid loans. The letter alleged that KFA had defaulted in repayment of the aforesaid loans as well as interest of Rs. 790 million due thereon and demanded that the Company should pay the aforesaid amounts and pending such repayments, create a valid pledge on the specified investments. The Company responded to the aforesaid letter vide its letters dated 3 June 2014 and 28 July 2014, wherein the Company denied knowledge of the purported loan transactions and the purported agreements for the creation of security on such investments held by the Company. A letter dated 31 July 2014 was received from the Alleged Claimant wherein they have stated that the notice sent earlier did not take into account an addendum to the loan agreement; and after examining the aforesaid addendum, they have no claim or demand of any nature against the Company. In September 2014, scanned copies of the purported agreements and certain related documents were obtained by the Company. These documents indicate that while the agreements may have sought to create a lien on certain investments of the Company; subsequently, the Alleged Claimant and KFA sought to negotiate the release of the lien, which was formalised vide a second addendum in September 2012.

The Management has represented to us that the Company had no knowledge of these purported agreements; that the Board of Directors of the Company have not approved any such purported agreements; and it is not liable under any such purported agreements. We are unable to conclude on the validity of these agreements; any required compliance with the provisions of the Companies Act, 1956; and any consequential impact of the same;

3 As stated in Note 35(b) to the financial statements, the Company and its subsidiaries had various pre-existing loans / advances / deposits due from United Breweries

(Holdings) Limited (hereinafter referred to as "UBHL"). During the current year, pursuant to a previous resolution passed by the Board of Directors on 11 October 2012, these dues (together with interest) were consolidated into an unsecured loan aggregating Rs. 13,374 million vide an agreement dated 3 July 2013. The loan has been granted for a period of 8 years with a moratorium period of 6 years. Certain lenders have filed petitions for winding-up against UBHL. UBHL has provided guarantees to lenders and other vendors of Kingfisher Airlines Limited, which have been invoked and are currently being challenged in courts. The Company has also filed its affidavit opposing the aforesaid winding-up petition and the matter is sub-judice. Based on its assessment of the recoverability of the loan, the Company has made a provision of Rs 3,303 million against the loan outstanding and has not recognised the interest income of Rs 963 million on the loan. Given the various uncertainties involved with respect to the litigations involving UBHL as aforesaid and the extended period for repayment of the loan, we are unable to comment on the level of provision established;

4 As stated in Note 35(c) to the financial statements, the Board of Directors have instructed the Management to undertake a detailed inquiry in relation to the matters stated in the paragraphs above; the possible existence of any other transaction of a similar nature; the role of individuals involved; and potential non-compliance (if any) with the provisions of the Companies Act, 1956 and other regulations applicable to the Company. The Board has also instructed the Management to engage independent advisers and specialists, as required, for the inquiry. As the inquiry is yet to be carried out, we are unable to comment on any further adjustment that could be identified as a result of the inquiry; its resultant impact on the financial statements; and any potential non-compliances with the provisions of the Companies Act, 1956 and other regulations; and

5 Though the observations in paragraph 1 above relate to claims received in the current year, the underlying transactions were entered into in earlier years. Accordingly, the financial statements of those earlier years and consequently the opening balances may be incorrectly stated to that extent. Further, the detailed inquiry as referred to in paragraph 4 above may result in further adjustments that may have an impact on the opening balances.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the 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 balance sheet, of the state of affairs of the Company as at 31 March 2014;
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date; and
- (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to:

1. Note 34(c) to the financial statements, which states that subsequent to the balance sheet date, a bank has declared one of the directors of the Company as a willful defaulter in respect of another company where he is a promoter director. The Reserve Bank of India's Master Circular on Willful Defaulters along with certain covenants in the loan agreements sanctioned by the Company's bankers raise an uncertainty on the impact of this development on the availability of credit facilities to the Company. The said director has assured the Board that he will take appropriate steps to ensure that the operations of the Company are not impacted. Having received such assurance from the said director and appropriate comfort from the controlling shareholder of the Company, the financial statements have been prepared on a going concern basis;
2. Note 33 to the financial statements, wherein it is stated that during the year, on 8 November 2013, the Board of Directors approved the scheme of arrangement between United Spirits Limited and Enrica Enterprises Private Limited ('Enrica') and its shareholders and creditors as the case may be ('the Scheme') in respect of transfer of undertaking of the Company in Tamil Nadu by way of slump sale on a going concern basis under Section 391 read with Section 394 of the Companies Act, 1956, with appointed date 1 April 2013. The Scheme has been approved by the equity shareholders, secured creditors and unsecured creditors at the court convened meeting

held on 16 June 2014. The relevant petitions have been filed before the respective jurisdictional High Courts by the Company and Enrica and awaiting for their approval. The Company has also entered into a franchise agreement with Enrica which prescribes a royalty payment to the Company for grant of manufacturing, marketing, distribution and sale rights to Enrica in defined territories. From the appointed date upto the effective date, the royalty payable shall be a fixed amount per case or the Franchisee's Profit (before tax and royalty) in respect of the franchised products, whichever is lower. Subsequent to the effective date, royalty at net sales realization linked slab rate will accrue to the Company as per the franchise agreement. Pending approval of the scheme, no effect has been given in the financial statements;

3. Note 27 to the financial statements, wherein it is stated that the Board of Directors decided to initiate a process based on the outline time-table provided in connection with the decision of the Office of Fair Trade to explore a potential sale of all or part of Whyte and Mackay Group (WMG). As a culmination of this process, on 9 May 2014 for an Enterprise Value of GBP 430 million, the Company's wholly owned subsidiary, United Spirits (Great Britain) Limited (USGBL or the Seller) entered into a Share Sale and Purchase agreement (SPA) with Emperador UK Limited and Emperador Inc. in relation to the sale of the entire issued share capital of Whyte and Mackay Group Limited. USGBL appointed third party financial advisers in respect of the sale process. The financial closure of the proposed transaction as contemplated by the terms of the SPA (as may be amended and modified from time to time), is subject to satisfaction of certain conditions precedent. The equity shareholders of the Company have approved the proposed sale of WMG by the Seller. The Company has filed an application with Reserve Bank of India (through authorized dealer of the Company) for its approval. WMG represented significant geographical area of operation accounting for nearly 16% of the group income and qualifies as discontinuing operations under AS-24 Discontinuing Operations. An impairment of goodwill amounting to Rs. 32,357 million has been recognised in the books based on Management's best estimate; and
4. Note 34(b) to the financial statements, wherein it is stated that during the year ended 31 March 2014, the Company decided to prepay credit

facilities availed from a bank amounting to Rs. 6,216.6 million secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust. The Company deposited a sum of Rs. 6,280 million including prepayment penalty of Rs. 40 million with the bank and instructed the bank to debit the amount from the cash credit account towards settlement of the loan and release the assets / shares pledged by the Company. The bank, however, disputed the prepayment and continues to debit the account towards the instalments and interest as per the loan agreement. The Company has disputed the same and a case is pending before the Honourable High Court of Karnataka. Pending settlement with the bank, the loan amount and balance available in cash credit account is presented on net basis in the financial statements as at 31 March 2014.

Our opinion is not qualified in respect of these matters.

Other matter

1. We did not audit the financial statements and other financial information of certain subsidiaries. These subsidiaries account for 30.17% of total assets, 25.16% of total revenues and other income and 25.44% of cash flows, as shown in these consolidated financial statements. Of the above:
 - a. The financial statements and other financial information of some of the subsidiaries incorporated outside India as drawn up in accordance with the generally accepted accounting principles of the respective countries ('the local GAAP') have been audited by other auditor duly qualified to act as auditor in that country. These subsidiaries account for 18.58% of total assets, 16.33% of total revenue and other income and 23.50% of cash flows as shown in these consolidated financial statements. For the purpose of preparation of consolidated financial statements, the aforesaid local GAAP financial statements have been restated by the management of the said entities so that they conform to the generally accepted accounting principles in India. This has been done on the basis of a reporting package prepared by the Company which covers accounting and disclosure requirements applicable to consolidated financial statements under the generally accepted accounting principles in India. The reporting packages made for this purpose have been audited by the other auditor and the audit report of the other auditor has been furnished to us. Our opinion on the consolidated financial statements, in so far as it relates to these entities, is based on the aforesaid audit report of the other auditor.
 - b. The financial statements and other financial information of the remaining subsidiaries account for 11.59% of total assets, 8.83% of total revenue and other income and (0.06%) of cash flows as shown in these consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the other auditors.
2. We also did not audit the financial statements of an associate, whose share of loss for the Company is Nil for the year ended 31 March 2014.
3. The consolidated financial statements of the Company for the year ended 31 March 2013, were audited by another auditor whose report dated 15 May 2013 expressed an unmodified opinion on those statements.

for B S R & Co. LLP

Chartered Accountants

Firm registration number: 101248W/W-100022

Sunil Gaggar

Partner

Membership number: 104315

Place: Mumbai

Date: 4 September 2014

Consolidated Financial Statements

Consolidated balance sheet

		Rs. Million	
	Note	As at 31 March 2014	As at 31 March 2013
Equity and liabilities			
Shareholders' funds			
Share capital	2	1,453.277	1,258.698
Reserves and surplus	3	28,869.376	46,614.264
		<u>30,322.653</u>	<u>47,872.962</u>
Minority interest		7.493	110.593
Non-current liabilities			
Long term borrowings	4.1	9,966.749	46,755.258
Other long-term liabilities	4.2	1,868.220	2,286.825
Long-term provisions	4.3	2,151.788	2,035.135
		<u>13,986.757</u>	<u>51,077.218</u>
Current liabilities			
Short-term borrowings	5.1	70,391.280	24,109.755
Trade payables	5.2	18,446.140	18,886.220
Other current liabilities	5.3	11,432.527	20,995.928
Short-term provisions	5.4	3,989.238	1,777.255
		<u>104,259.185</u>	<u>65,769.158</u>
		<u>148,576.088</u>	<u>164,829.931</u>
Assets			
Non-current assets			
Fixed assets			
Tangible assets	6.1	21,904.842	20,304.715
Intangible assets	6.2	6,079.707	6,340.390
Capital work-in-progress		1,096.618	1,312.311
		<u>29,081.167</u>	<u>27,957.416</u>
Goodwill on consolidation (Refer note 27)		29,019.254	52,045.471
Non-current investments	7	1,132.043	923.592
Deferred tax assets (net)	8	966.881	589.318
Long-term loans and advances	9	18,509.501	20,300.733
Other non-current assets	10	1.300	1,773.671
		<u>20,609.725</u>	<u>23,587.314</u>
Current assets			
Current investments	11.1	1,248.098	1,255.460
Inventories	11.2	29,351.192	25,112.021
Trade receivables	11.3	22,652.487	24,170.461
Cash and bank balance	11.4	7,047.293	2,816.238
Short-term loans and advances	11.5	9,426.704	7,444.738
Other current assets	11.6	140.168	440.812
		<u>69,865.942</u>	<u>61,239.730</u>
		<u>148,576.088</u>	<u>164,829.931</u>

Significant accounting policies

See accompanying notes to the consolidated financial statements.

As per our report of even date attached.

for B S R & Co. LLP
Chartered Accountants
Firm registration number: 101248W/W-100022

Sunil Gaggar
Partner
Membership number:104315

Place: Mumbai
Date: 4 September 2014

for and on behalf of Board of Directors

Anand Kripalu
Managing Director & CEO

Ravi Rajagopal
Director

Place: Mumbai
Date: 4 September 2014

P.A.Murali
Executive Director & CFO

V.S.Venkataraman
Company Secretary

Consolidated Financial Statements

Consolidated profit and loss



		Rs. Million	
	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Revenue			
Revenue from operations	12	236,098.590	215,800.205
Less: Excise duty		131,089.376	111,685.444
		105,009.214	104,114.761
Other operating income	13.1	1,144.942	871.432
Other income	13.2	6,859.138	1,562.987
		113,013.294	106,549.180
Expenses			
Cost of materials consumed	14	54,448.924	47,714.995
Purchase of traded goods		7,853.189	7,252.808
Change in inventories of finished goods, work-in-progress and stock-in-trade	15	(4,408.645)	2,927.994
Employee benefits expense	16	8,602.319	7,528.574
Finance costs	17	13,225.732	9,849.099
Depreciation and amortisation expense		2,026.125	1,784.024
Other expenses	18	41,033.834	28,653.268
[Includes prior period expenditure of Rs.6,495.480 Million) (2013: Nil), refer note 35(a)]		122,781.478	105,710.762
Profit/ (loss) before exceptional items, tax and minority interest		(9,768.184)	838.418
Exceptional items	19	(32,357.347)	(108.297)
Profit/ (loss) before tax and minority interest		(42,125.531)	730.121
Loss from continuing operations before tax and minority interest		(11,663.512)	(1,573.739)
Tax expense of continuing operation			
Current tax		1,580.690	1,771.330
Tax relating to earlier years		1,505.699	-
Deferred tax credit		(339.929)	(5.465)
Total tax expenses of continuing operations		2,746.460	1,765.865
Loss from continuing operations after tax		(14,409.972)	(3,339.604)
Minority interest		3.072	(38.315)
Net loss from continuing operations		(14,413.044)	(3,301.289)
Profit/(loss) from discontinuing operations before tax	27	(30,462.019)	2,303.860
Tax expense of discontinuing operation			
Current tax		0.424	0.209
Deferred tax charge		15.430	14.480
Total tax expenses of discontinuing operations		15.854	14.689
Net profit/(loss) from discontinuing operations		(30,477.873)	2,289.171
Net loss for the year		(44,890.917)	(1,012.118)
Earnings per equity share	20		
(Equity shares of par value of Rs.10 each)			
Basic and diluted			
Computed on net loss from continuing operations		(101.73)	(26.23)
Computed on net (loss)/profit from discontinuing operations		(215.13)	18.19
Computed on total loss		(316.86)	(8.04)
Significant accounting policies	1		
See accompanying notes to the consolidated financial statements.			

As per our report of even date attached.

for B S R & Co. LLP
Chartered Accountants
Firm registration number: 101248W/W-100022

Sunil Gaggar
Partner
Membership number:104315

Place: Mumbai
Date: 4 September 2014

for and on behalf of Board of Directors

Anand Kripalu
Managing Director & CEO

Ravi Rajagopal
Director

Place: Mumbai
Date: 4 September 2014

P.A.Murali
Executive Director & CFO

V.S.Venkataraman
Company Secretary

Rs. Million

A. CASH FLOW FROM OPERATING ACTIVITIES

	For the year ended 31 March 2014	For the year ended 31 March 2013
Profit/ (loss) before tax and minority interest	(42,125.531)	730.121
Adjustments for :		
Depreciation and amortisation expense	2,026.125	1,784.024
Unrealised foreign exchange loss / (gain)	(5,870.748)	2,596.615
Bad debts and advances written off	34.551	52.434
Loss on fixed assets sold/written off, net	49.531	90.673
Liabilities no longer required written back	(133.280)	(146.532)
Provision for doubtful debts/ advances/ deposits, net	11,231.568	14.494
Provision for diminution in value of investments	1.435	13.838
Impairment of goodwill	32,357.347	108.296
Interest and debt issue expenses	13,225.732	9,849.099
Income from investments	(18.639)	(37.788)
Interest income	(454.380)	(988.072)
	<u>52,449.242</u>	<u>13,337.081</u>
Operating profit before working capital changes	10,323.711	14,067.202
Increase in trade receivables	(1,894.902)	(6,389.399)
(Increase)/ decrease in other receivables	(7,941.269)	7,200.104
(Increase)/ decrease in inventories	(4,239.171)	2,435.581
Increase/ (decrease) in trade and other payables	(70.244)	4,276.736
	<u>(14,145.586)</u>	<u>7,523.022</u>
Cash generated from/ (used in) operations	(3,821.875)	21,590.224
Income taxes paid, net	(1,697.467)	(1,901.820)
Net cash generated from/ (used in) operations	<u>(5,519.342)</u>	<u>19,688.404</u>

B. CASH FLOW FROM INVESTING ACTIVITIES

Purchase of fixed assets	(2,324.893)	(2,242.545)
Proceeds from sale of fixed assets	37.387	736.538
Finance lease repayments	(6.049)	(11.609)
Loans given to related party (net)	-	(9,218.646)
Payment towards franchise rights	(446.400)	(659.744)
Consideration paid for acquisition of shares in subsidiaries	(355.988)	-
Proceeds from sale of shares in subsidiaries	-	657.702
Purchase of current investments	-	(1,042.413)
Proceeds from sale of current investments	7.362	572.689
Movement in other bank balances	79.224	(949.478)
Proceeds from sale of non-current investments	-	0.265
Government grants received	-	45.593
Interest received	464.651	880.767
Dividend received	18.639	20.995
Net cash used in investing activities	<u>(2,526.067)</u>	<u>(11,209.886)</u>

Consolidated Financial Statements

Consolidated cash flow statement (continued)



Rs. Million

C. CASH FLOW FROM FINANCING ACTIVITIES

	For the year ended 31 March 2014	For the year ended 31 March 2013
Proceeds from preferential allotment	20,927.195	-
Proceeds from sale of treasury shares, net of tax	4,834.312	-
Inter corporate deposits	(465.660)	437.174
Expenses incurred on issue of shares	(276.680)	-
Proceeds from long term borrowings	6,216.649	6,159.945
Repayment of long term borrowings	(54,810.203)	(7,128.469)
Repayment of fixed deposits	(476.331)	(1,966.876)
Proceeds from short term borrowings	50,855.129	(1,850.000)
Repayment of short term borrowings	(2,500.000)	1,000.000
Repayment of deferred sales tax liability	(11.494)	(9.730)
Working capital loan / cash credit from banks (net)	(1,969.065)	3,682.783
Interest and finance charges paid	(9,547.396)	(9,863.985)
[including on finance lease Rs. 1.406 Million (2013: Rs. 2.307 Million)]		
Dividends paid	(363.337)	(331.701)
Corporate tax on distributed profit	(57.431)	(53.046)
Net cash generated from / (used in) financing activities	12,355.688	(9,923.905)
Net (decrease)/ increase in cash and cash equivalents	4,310.279	(1,445.387)
Cash and cash equivalents as at the beginning of the year*	1,746.813	3,192.200
Cash and cash equivalents as at the end of the year*	6,057.092	1,746.813
	4,310.279	(1,445.387)

* Refer Note 11.4

Notes:

- The above consolidated cash flow statement has been compiled from and is based on the consolidated balance sheet as at 31 March 2014 and the related consolidated statement of profit and loss for the year ended on that date.
- 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.
- Cash flows in relation to discontinuing operations have been disclosed in Note 27.

As per our report of even date attached.

for B S R & Co. LLP
Chartered Accountants
Firm registration number: 101248W/W-100022

Sunil Gaggar
Partner
Membership number: 104315

Place: Mumbai
Date: 4 September 2014

for and on behalf of Board of Directors

Anand Kripalu
Managing Director & CEO

Ravi Rajagopal
Director

Place: Mumbai
Date: 4 September 2014

P.A.Murali
Executive Director & CFO

V.S.Venkataraman
Company Secretary

1. Significant accounting policies

1.1 Company overview

United Spirits Limited ("USL" or "the Company"), together with its subsidiaries and associate companies (collectively "the Group") is engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines). In addition, the Group holds the perpetual right to the Bangalore Franchise of BCCI-IPL. USL is headquartered in Bangalore, India.

1.2 Basic of preparation of consolidated financial statement

The consolidated financial statements of the Group have been prepared under historical cost convention and are 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, the relevant provisions of the Companies Act, 1956, the relevant provisions of the Companies Act, 2013 (to the extent applicable) and the guidelines issued by the Securities and Exchange Board of India ('SEBI'). 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 statement. Accounting policies have been consistently applied, to the extent possible, 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 investment in subsidiaries or associated companies to third parties are transferred to consolidated statement of profit and loss. Such gains or losses are the difference between the sale proceeds and the net carrying value of the investments.

Surplus or deficit arising on sale of Company's own shares held by its subsidiaries along with the tax thereon is taken to capital reserve.

1.3 Subsidiary and associate companies considered in the consolidated financial statements:

(A) Subsidiary companies:

Sl. No.	Name of the company	Country of incorporation	Proportion of ownership interest (%)		Proportion of voting power held directly or indirectly, if different from proportion of ownership interest (%)	
			2014	2013	2014	2013
1	Asian Opportunities & Investments Limited (AOIL)	Mauritius	100	100	-	-
2	United Spirits Nepal Private Limited	Nepal	82.47	82.47	-	-
3	SW Finance Co. Ltd (Formerly known as "Shaw Wallace Breweries Limited") (SWFCL)	India	100	100	-	-
4	Palmer Investment Group Limited (PIG)	British Virgin Islands	100	100	-	-
5	Tern Distilleries Private Limited (Tern)	India	100	100	-	-
6	Shaw Wallace Overseas Limited (SWOL)	U.K.	100	100	-	-
7	UB Sports Management Overseas Limited [Formerly known as JIHL Nominees Limited (JIHL)]	Jersey Islands	100	100	-	-
8	Montrose International S.A (MI)	Panama	100	100	-	-
9	USL Holdings Limited (UHL)	British Virgin Islands	100	100	-	-
10	USL Holdings (UK) Limited (UHUUKL)	U.K.	100	100	-	-
11	United Spirits (UK) Limited (USUKL)	U.K.	100	100	-	-

Consolidated Financial Statements

Notes to the consolidated financial statements (continued)

1. Significant accounting policies (continued)

1.3 Subsidiary and associate companies considered in the consolidated financial statements (continued:)

Sl. No.	Name of the company	Country of incorporation	Proportion of ownership interest (%)		Proportion of voting power held directly or indirectly, if different from proportion of ownership interest (%)	
			2014	2013	2014	2013
12	United Spirits (Great Britain) Limited (USGBL)	U.K.	100	100	-	-
13	Four Seasons Wines Limited (FSWL)	India	100	51	-	-
14	McDowell & Co. (Scotland) Limited (MSL)	Scotland	100	100	-	-
15	Bouvet Ladubay S.A.S (BL)	France	100	100	-	-
16	Chapin Landias S.A.S (CL)	France	100	100	-	-
17	Royal Challengers Sports Private Limited	India	100	100	-	-
18	Liquidity Inc.	USA	51	51	-	-
19	United Spirits (Shanghai) Trading Company Limited (USLS)	China	100	100	-	-
20	Sovereign Distilleries Limited	India	100	100	-	-
21	Pioneer Distilleries Limited	India	85.95	81.58	-	-
Whyte and Mackay Group						
22	Whyte and Mackay Group Limited	U.K.	100	100	-	-
23	Bruce & Company (Leith) Limited	U.K.	100	100	-	-
24	Charles Mackinlay & Company Limited	U.K.	100	100	-	-
25	Dalmore Distillers Limited	U.K.	100	100	-	-
26	Dalmore Whyte & Mackay Limited	U.K.	100	100	-	-
27	Edinburgh Scotch Whisky Company Limited	U.K.	100	100	-	-
28	Ewen & Company Limited	U.K.	100	100	-	-
29	Fettercairn Distillery Limited	U.K.	100	100	-	-
30	Findlater Scotch Whisky Limited	U.K.	100	100	-	-
31	Glavya Liqueur Limited	U.K.	100	100	-	-
32	Glentalla Limited	U.K.	100	100	-	-
33	GPS Realisations Limited	U.K.	100	100	-	-
34	Grey Rogers & Company Limited	U.K.	100	100	-	-
35	Hay & MacLeod Limited	U.K.	100	100	-	-
36	Invergordon Distillers (Holdings) Limited	U.K.	100	100	-	-
37	Invergordon Distillers Group Limited	U.K.	100	100	-	-
38	Invergordon Distillers Limited	U.K.	100	100	-	-
39	Invergordon Gin Limited	U.K.	100	100	-	-
40	Isle of Jura Distillery Company Limited	U.K.	100	100	-	-
41	Jarvis Halliday & Company Limited	U.K.	100	100	-	-
42	John E McPherson & Sons Limited	U.K.	100	100	-	-
43	Kensington Distillers Limited	U.K.	100	100	-	-
44	Kyndal Spirits Limited	U.K.	100	100	-	-
45	Leith Distillers Limited	U.K.	100	100	-	-
46	Loch Glass Distilling Company Limited	U.K.	100	100	-	-
47	Longman Distillers Limited	U.K.	100	100	-	-
48	Lycidas (437) Limited	U.K.	100	100	-	-

1. Significant accounting policies (continued)

1.3 Subsidiary and associate companies considered in the consolidated financial statements (continued:)

Sl. No.	Name of the company	Country of incorporation	Proportion of ownership interest (%)		Proportion of voting power held directly or indirectly, if different from proportion of ownership interest (%)	
			2014	2013	2014	2013
49	Pentland Bonding Company Limited	U.K.	100	100	-	-
50	Ronald Morrison & Company Limited	U.K.	100	100	-	-
51	St Vincent Street (437) Limited	U.K.	100	100	-	-
52	Tamnavulin-Glenlivet Distillery Company Limited	U.K.	100	100	-	-
53	TDL Realisations Limited	U.K.	100	100	-	-
54	The Sheep Dip Whisky Company Limited	U.K.	100	100	-	-
55	W & S Strong Limited	U.K.	100	100	-	-
56	Watson & Middleton Limited	U.K.	100	100	-	-
57	Whyte & Mackay Distillers Limited	U.K.	100	100	-	-
58	William Muir Limited	U.K.	100	100	-	-
59	WMB Realisations Limited	U.K.	100	100	-	-
60	Whyte and Mackay Property Limited	U.K.	100	100	-	-
61	Whyte and Mackay de Venezuela CA	Venezuela	100	100	-	-
62	KI Trustees Limited	U.K.	100	100	-	-
63	Wauchope Moodle & Company Limited	U.K.	100	100	-	-
64	Whyte and Mackay Limited	U.K.	100	100	-	-
65	Whyte and Mackay Warehousing Limited	U.K.	100	100	-	-
66	Whyte and Mackay Holdings Limited	U.K.	100	100	-	-
67	Whyte and Mackay Americas Limited	U.K.	100	100	-	-
68	Whyte and Mackay Singapore Pte Limited	Singapore	100	100	-	-
(B) Associate Companies:						
1	Wine Soc of India Private Limited	India	16.99	16.99	-	-

1.4 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. Investment in USL Benefit Trust has not been consolidated as the investment is considered to be temporary.

1.5 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 Herbertson Limited in view of significant influence, ceased its operations in FY 2003-04, consequent to the order of the Honourable 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.

1.6 Use of estimates

The preparation of the financial statements, in conformity with GAAP, requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

1. Significant accounting policies (continued)

1.7 Fixed Assets (Tangible and Intangible)

- a) Tangible fixed assets are stated at their original cost of acquisition/construction and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation of the assets concerned less accumulated depreciation, 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 (and accounted under purchase method) are determined at their fair values, on the date of acquisition, or as approved under the schemes of amalgamation.
- c) Fixed assets held for disposal are stated at their net book value or estimated net realisable value, 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.
- e) Intangible fixed assets are stated at the consideration paid for acquisition less accumulated amortisation, if any.
- f) The cost of the fixed assets not ready for their intended use before such date, are disclosed as capital work-in-progress.

1.8 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 consolidated statement of profit and loss on accrual basis.

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

1.9 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 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 United Spirits (Great Britain) Limited and its subsidiaries, 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 30

1. Significant accounting policies (continued)

1.9 Depreciation and amortisation (continued)

- b) Fixed assets acquired on amalgamation, are depreciated over the remaining useful life at the date of acquisition and computed based on rates prescribed in Schedule XIV, as below:

Buildings - Factory	1 to 30 years
- Non factory	1 to 54 years
Plant and 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 is not amortised.
- e) Goodwill arising on amalgamation is charged to the statement of profit and loss in the year of amalgamation.
- f) Goodwill arising on consolidation is not amortised and is tested for impairment on an annual basis.
- g) Leasehold improvements are amortised over the period of lease or the estimated useful life whichever is shorter.
- 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 Note 21)
- i) Depreciation on additions and disposals during the year is provided on proportionate basis.

1.10 Impairment

The Company assesses at each balance sheet date whether there is any indication that an asset, including intangible, may be impaired. Goodwill on consolidation is tested for impairment on an annual basis. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the consolidated statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined, if no impairment loss had been recognised.

1.11 Investments

Long-term investments (including investment property) are stated at cost to the Group. 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 lower of cost or fair value, for each investment individually.

1.12 Inventories

Inventories which comprise raw materials, work-in-progress, finished goods, stock-in-trade, packing materials, stores and spares and loose tools are carried at the lower of cost or net realizable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

In determining the cost, weighted average cost method is used. In the case of manufactured inventories and work-in-progress, fixed production overheads are allocated on the basis of normal capacity of production facilities.

Work-in-progress is valued at input material cost plus conversion cost as applicable.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The comparison of cost and net realizable value is made on an item-by-item basis.

Due allowance is made for obsolete and slow moving items.

1. Significant accounting policies (continued)

1.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

1.14 Revenue recognition

Revenue from sale of goods is recognised on transfer of property in the goods for a price or all significant risks and rewards of ownership to the buyer which is generally on dispatch of goods 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) comprises surplus income from Tie-up units (net share of the Company) and is recognised on the basis of the information provided to the Company by the Tie-up units (Also refer note 32). Income arising 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.

Income from distribution service is accounted based on the terms of the agreements for the service.

Interest income is accounted on a time-proportion basis taking into account the amounts invested and the rate of interest.

1.15 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 reflected 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 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 statement of profit and loss, 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 statement of profit and loss 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.

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 foreign operation is translated at closing rate.

1. Significant accounting policies (continued)

1.16 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 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.

Death benefit:

During the financial year the Company has taken Group term policy with an Insurance company with lump sum coverage for a specific category of executives. Premium paid to Insurance company are recognised as expense. The Company will not have any further liability. On death of an employee specific amount will be paid by Insurance company to the nominee of the deceased. In the earlier years, the Company had an insurance policy where the liability was not fully covered and the death benefit payable at the time of death was based on 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.

(b) **Defined-benefit plans**

Gratuity:

The Company provides for gratuity, a defined benefit plan (the Gratuity Plan), to 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 consolidated statement of profit and loss as income or expense. Gratuity fund benefits are administered by a Trust formed for this purpose.

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 consolidated statement of profit and loss as income or expense.

Provident fund:

The 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 if any, 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 consolidated statement of profit and loss as income or expense.

(c) **Other employee benefits**

- i) 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 obligation at the balance sheet date based on an actuarial valuation.
- ii) 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.

1. Significant accounting policies (continued)

1.17 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.

1.18 Research and development

Research costs are expensed as incurred. Product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, further economic benefit are probable, the Company has an intention and ability to complete and use or sell the product and the costs can be measured reliably.

1.19 Taxes on income

Tax expense comprises current 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 (as the case may be) that sufficient future taxable income will be available against which such deferred tax asset can be realised.

The Company offsets, the current tax assets and liabilities (on a year on year basis) and deferred tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

1.20 Earnings per share (EPS)

Basic EPS is arrived at based on net profit or loss after tax 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.

1.21 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 contracts:

Provision for onerous contracts, i.e. contracts where the expected unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event based on a reliable estimate of such obligation. 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.

1.22 Contingencies

A disclosure for contingent liabilities is made where there is a possible obligation or a present obligation that may probably not require an outflow of resources or an obligation for which the future outcome cannot be ascertained with reasonable certainty. When there is a possible or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.

1.23 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.

1.24 Borrowing costs

Borrowing costs incurred for the acquisition or construction 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.

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 debt issue costs is included under finance cost.

1.25 Government grants related to revenue

Government grants related to revenue are recognised in the consolidated statement of profit and loss on a systematic basis over the periods to which they relate when there is a reasonable assurance that the Company will comply with the conditions attaching to them and the reasonable certainty exists of the collection.

1.26 Exceptional items

When an item of income or expense within profit or loss from ordinary activity is of such size, nature or incidence that their disclosure is relevant to explain the performance of the Company for the year, the nature and amount of such items is disclosed as exceptional items.

1.27 IPL franchisee

The Group, through one of its wholly owned subsidiary, owns the franchisee right of the Bangalore team at Indian Premier League (IPL) - Royal Challengers Bangalore (RCB).

As per the agreement, BCCI-IPL shares its income from the sale of media rights (Central Media rights) and sponsorship income (Central Sponsorship rights) with all the franchisees. In addition to this common income, further income of Central Media and Sponsorship rights is earned based on the final standing of the team at each IPL. The franchisee also has other local revenue like gate collections, team sponsorships, uniform sponsors, licensing and other merchandising. The income from operating the franchisee is grouped as "income from IPL franchise" under "revenue from operations".

The costs involved in operating the franchise like remuneration to the players, travelling and accommodation expenses, advertisements, promotions etc., are accounted on accrual basis. The expenses are grouped as "direct expenses on IPL franchise" under "other expenses". Also refer note 21.

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Notes to the consolidated financial statements (continued)

		Rs. Million	
		As at 31 March 2014	As at 31 March 2013
2. Share capital			
Authorised			
395,000,000 (2013: 395,000,000) equity shares of Rs.10/- each		3,950.000	3,950.000
159,200,000 (2013: 159,200,000) preference shares of Rs.10/- each		1,592.000	1,592.000
		5,542.000	5,542.000
Issued, subscribed and paid-up			
145,327,743 (2013:130,794,968) equity shares of Rs.10/- each fully paid up		1,453.277	1,307.950
Less: Nil (2013: 4,925,231) equity shares held by subsidiaries		-	49.252
		1,453.277	1,258.698

a. Reconciliation of the number of shares outstanding

	No. of Shares	As at 31 March 2014	No. of Shares	As at 31 March 2013
Balance at the beginning of the year	130,794,968	1,307.950	130,794,968	1,307.950
Add: Equity shares issued on preferential allotment made during the year [Refer Note b(i)]	14,532,775	145.327	-	-
Balance at the end of the year	145,327,743	1,453.277	130,794,968	1,307.950

b. Preferential allotment of equity shares

i) On 27 May 2013, the Company allotted 14,532,775 equity shares of face value of Rs. 10/- each at a price of Rs. 1,440/- per share (including a premium of Rs. 1,430/- per equity share) to Relay B.V. an indirect wholly owned subsidiary of Diageo plc., on a preferential allotment basis in terms of the preferential allotment agreement entered between Relay B.V., the Company and Diageo plc. on 9 November 2012 and pursuant to the approval of the shareholders through postal ballot on 14 December 2012 by a way of a special resolution, for an aggregate amount of Rs. 20,927.195 Million.

ii) On 4 July 2013 in terms of the share purchase agreement dated 9 November 2012 between Palmer Investment Group Limited (Palmer) and UB Sports Management Overseas Limited (UB Sports) (both wholly owned subsidiaries of the Company), USL Benefit Trust (USLBT) (of which the Company is a beneficiary), SWEW Benefit Company (SWEW), United Breweries (Holdings) Limited (UBHL) and Kingfisher Finvest India Limited (KFIL) with Relay B.V. and Diageo plc., the sale of 21,767,749 equity shares ("Sale Shares") of the Company in aggregate by UBHL, KFIL, SWEW, Palmer and UB Sports to Relay B.V. at a price of Rs. 1,440/- per sale share were completed.

iii) During the year, Relay B.V. (wholly owned subsidiary of Diageo plc.), has further acquired through the open offer and from the open market 5,526,608 equity shares representing 3.80% of the equity share capital of the Company.

iv) Subsequent to the balance sheet date, Relay B.V. further acquired 37,785,214 equity shares representing 26 % equity share capital of the Company through an open offer. As a result of the acquisition of these shares, Relay B.V. holds 79,612,346 equity shares, representing 54.78 % equity share capital of the Company as on date and has become the holding company of the Company.

c. Rights, preferences and restrictions attached to shares

The Company has one class of equity shares having a face value of Rs. 10 per share. Each holder of the equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their holdings.

d. Shares held by holding/ ultimate holding company and/or their subsidiaries/ associates

Out of the equity shares issued by the Company, shares held by its promoters, ultimate holding company and their subsidiaries/associates are as below:

	No. of Shares	As at 31 March 2014	No. of Shares	As at 31 March 2013
Relay B.V. (wholly owned subsidiary of Diageo plc.)*	41,827,132	418.271	-	-
United Breweries (Holdings) Limited*	8,617,699	86.177	20,573,968	205.740
Kingfisher Finvest India Limited (formerly "Kingfisher Radio Limited ")	5,595,590	55.956	12,676,342	126.763
Mallya Private Limited	1,005	0.010	1,005	0.010
Dr. Vijay Mallya	12,510	0.125	12,510	0.125
Devi Investments Private Limited	2,700	0.027	2,700	0.027
Vittal Investments Private Limited	31,270	0.313	31,270	0.313
Rossi & Associates Private Limited	35,112	0.351	35,112	0.351
	56,123,018	561.230	33,332,907	333.329

* On 20 December 2013, the Honourable Karnataka High Court passed an order in the matter involving United Breweries (Holdings) Limited (UBHL) and its creditors and the Diageo group setting aside an earlier leave order which permitted UBHL to sell 10,141,437 equity shares in the Company, pending disposal of the winding up petitions against UBHL. On the above matter, UBHL and Diageo plc. has approached the Honourable Supreme Court by way of SLPs challenging the order of the division bench. Pending, disposal of the above SLPs the Honourable Supreme Court has directed that status quo be maintained in respect of the transaction of sale of shares to Relay B.V.

e. Aggregate number of shares issued for consideration other than cash during the period of five years immediately preceding the reporting date

	As at 31 March 2014	As at 31 March 2013
Equity shares allotted as fully paid up pursuant to amalgamations for consideration other than cash not earlier than five years	12,949,760	12,949,760

f. Details of shareholders holding more than 5% shares in the Company

	As at 31 March 2014		As at 31 March 2013	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Relay B. V.	41,827,132	28.78%	-	-
United Breweries (Holdings) Limited	8,617,699	5.93%	20,573,968	15.73%
Kingfisher Finvest India Limited (formerly "Kingfisher Radio Limited ")	-	-	12,676,342	9.69%

g. The 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 Million. These GDSs are listed on the Luxembourg Stock Exchange. Out of the above, 1,538,638 GDS outstanding (representing 769,319 equity shares) as of 31 March 2014, have no voting rights.

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Notes to the consolidated financial statements (continued)

3. Reserves and surplus

	Rs. Million	
	As at 31 March 2014	As at 31 March 2013
Capital redemption reserve	578.946	578.946
Securities premium account		
At the beginning of the year	25,176.823	25,176.823
Add: Addition during the year [Refer note 2(b)(i)]	20,781.867	-
	45,958.690	25,176.823
Less: Share issue expenses	276.680	-
Capital reserve	45,682.010	25,176.823
At the beginning of the year	76.791	76.791
Add: Surplus arising on sale of Company's shares by subsidiaries (net of taxes)	4,785.060	-
	4,861.851	76.791
Other reserves:		
Central subsidy		
At the beginning of the year	97.028	59.646
Add: Additions during the year	-	37.382
Less: Transferred to surplus/(deficit) as per consolidated statement of profit and loss *	48.917	-
	48.111	97.028
Contingency reserve**	110.000	110.000
Employee housing fund	0.625	0.625
Foreign currency translation reserve		
At the beginning of the year	4,135.741	1,564.436
Add: Changes during the year	1,896.500	2,571.305
	6,032.241	4,135.741
General reserve		
At the beginning of the year	10,407.997	9,910.308
Add: Addition during the year		
(a) Subsidiary reserve adjustment	-	(2.311)
(b) Transferred from consolidated statement of profit and loss	-	500.000
	10,407.997	10,407.997
Surplus/ (deficit) as per consolidated statement of profit and loss		
At the beginning of the year	6,030.313	7,881.405
Add: Transfer from central subsidy*	48.917	-
Add: Subsidiary reserve adjustment	-	41.058
Less: Loss for the year	(44,890.917)	(1,012.118)
	(38,811.687)	6,910.345
Less: Appropriations:		
Dividend paid on equity shares	36.332	-
(Dividend Rs. 2.50 per share)		
Corporate tax on dividend paid	4.386	-
Proposed dividend on equity shares	-	326.987
[Dividend Rs. Nil per share (2013: Rs. 2.50 per share)]		
Corporate tax on dividend	-	53.045
Transfer to general reserve	-	500.000
	(38,852.405)	6,030.313
	28,869.376	46,614.264

* Government grant receivable under Package Scheme of Incentives (PSI) 2007 from Maharashtra Government amounting to Rs. 48.917 Million for the earlier years has been reclassified to surplus/ (deficit) as per consolidated statement of profit and loss as the same has been identified to be of a revenue nature by the Management.

** Taken over on amalgamation of McDowell & Co. Limited with the Company during the year ended 31 March 2001 as per the terms of the arrangement approved by the Honourable High Court of Karnataka.

	Rs. Million	
	As at 31 March 2014	As at 31 March 2013
4.1. Long-term borrowings		
Secured		
Term loans		
From banks	8,108.419	51,989.401
From others	-	500.528
Finance lease [refer note 23(a)]	7.551	13.599
Unsecured		
Fixed deposits	3,856.867	4,273.626
Term loans		
From banks	105.071	717.223
From others	335.453	76.752
Deferred sales tax liability	259.852	271.346
Inter corporate deposit	6.522	472.182
	12,679.735	58,314.657
 Less: Current maturities		
Secured		
Term loans		
From banks	682.650	7,528.056
From others	-	140.000
Finance lease [refer note 23(a)]	3.336	6.048
Unsecured		
Fixed deposits	1,655.225	2,775.452
Term loans	91.114	631.671
From banks		
From others	256.718	-
Deferred sales tax liability	17.421	12.520
Inter corporate deposit	6.522	465.652
	9,966.749	46,755.258
Also refer note 34(c).		



a. Nature of security and terms of repayment for secured borrowings:

Nature of security	Terms of repayment
(i) Term loans from banks amounting to Nil (2013: Rs 3,954.000 Million) are 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.	The loan has been repaid fully during the year.
(ii) Term loans from banks amounting to Nil (2013: Rs. 4,065.656 Million) are 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.	The loan has been repaid fully during the year. [Refer Note 34(b)]
(iii) Term loans from banks amounting to Rs.631.275 Million (2013: Rs.664.500 Million) are secured by a charge on certain fixed assets of the Company.	Repayable in 5 annual installments after three years from the date of loan (25 October 2010) along with interest of base rate plus 3% (current effective rate is 12.50%)
(iv) Term loans from banks amounting to Nil (2013: Rs. 1,500.000 Million) are secured by a charge on certain fixed assets of the Company and fixed asset of a subsidiary company.	The loan has been repaid fully during the year.
(v) Term loans from banks amounting to Nil (2013: 2,000.000 Million) are secured by a charge on certain fixed assets of the Company and pledge of certain shares held by the Company.	The loan has been repaid fully during the year.
(vi) Term loan from banks amounting to Nil (2013: Rs.937.500 Million) are secured by a charge on certain fixed assets of the Company.	The loan has been repaid fully during the year.
(vii) Term loan from banks amounting to Rs.412.500 Million (2013: Nil) are secured by a charge on certain fixed assets of the Company and pledge of shares held by UB Group Entities.	Repayable in 16 equal quarterly installments, starting 15 months from the date of first disbursement (3 May 2013) along with interest base rate plus 2.5% (current effective rate is 13.25 %).
(viii) Term loan from banks amounting to Rs.5,000.000 Million (2013: Nil) are secured by a charge on certain fixed assets of the Company.	Repayable end of 3rd year from the date of first disbursement (3 March 2014) along with interest of 10.85 %.
(ix) Term loan from banks amounting to Rs.1,145.631 Million (2013: Rs.1,145.631 Million) are secured by a charge on certain fixed assets of the Company and pledge of shares held by UB Group entities.	Repayable in 16 equal quarterly installments, starting 15 months from the date of first disbursement (22 March 2013) along with interest base rate plus 3.85% (current effective rate of 14.1%).
(x) Term loans from others (financial institution) amounting to Nil (2013: Rs.500.000 Million) are secured by a charge on certain fixed assets of the Company.	The loan has been repaid fully during the year.
(xi) Term loans from banks amounting to Rs. 375.196 Million (2013: Rs. 320.380 Million) taken by one of the subsidiaries are secured by a charge on property of that subsidiary.	Repayable in 15 years with a moratorium of 5 years from the date of loan i.e. 10 October 2007 along with a minimum interest of 5%.
(xii) Term loans from banks amounting to Rs.18.168 Million (2013: Rs.27.190 Million) taken by one of the subsidiaries are secured by a charge on the plant and machinery of that subsidiary.	Repayable in 28 quarterly installments from the date of loan (15 April 2008) along with a interest of 5.5%.

a. Nature of security and terms of repayment for secured borrowings: (continued)

Nature of security	Terms of repayment
(xiii) Term loans from banks amounting to Rs. 17.077 Million (2013: Rs. 27.560 Million) taken by one of the subsidiaries are secured by a charge on the plant and machinery of that subsidiary.	Repayable in 84 monthly installments from the date of loan (1 June 2008) along with interest of 5.50%.
(xiv) Term loans from banks amounting to Rs. 3.805 Million (2013: Rs. 4.250 Million) taken by one of the subsidiaries is secured by a charge on the plant and machinery of that subsidiary.	Repayable in 60 monthly installments from the date of loan (1 February 2012) along with a interest of 4.46%.
(xv) Term loan from a bank amounting to Rs. 25.507 Million (2013: Rs. 102.312 Million) taken by one of the subsidiaries are secured by a charge on fixed assets including plant and equipment and building of Bio Gas Electricity Plant of that subsidiary. This loan is further secured by second charge on current assets and corporate guarantee given by the Company.	Repayable in 5 equal quarterly installments commencing from March 2013 along with interest of 14.35%
(xvi) Term loan from a bank amounting to Rs. 154.853 Million (2013: Rs 206.618 Million) taken by one of the subsidiaries is secured by a charge on fixed assets including land and building of that subsidiary. This loan is further secured by second charge on current assets and corporate guarantee given by the Company.	Repayable in 13 equal quarterly installments commencing from March 2013 along with interest of 14.35%
(xvii) Term loan from a bank amounting to Rs. 30.973 Million (2013 : Rs 49.693 Million) taken by one of the subsidiaries is secured by a charge on fixed assets including land and building of that subsidiary. This loan is further secured by second charge on current assets and corporate guarantee given by the Company.	Repayable in 9 equal quarterly installments commencing from March 2013 along with interest of 14.35%
(xviii) Term loan from a bank amounting to Rs. 293.434 Million (2013: Rs. 296.434 Million) taken by one of the subsidiaries is secured by a charge on entire fixed assets including hypothecation charge over entire plant and equipment ,building of the proposed expansion project of that subsidiary. This loan is further secured by second charge on current assets and corporate guarantee given by the Company.	Repayable in 21 equal quarterly installments commencing from March 2013 along with interest of 14.35%.
(xix) Term loans from banks amounting to Nil (2013: Rs 288.951 Million) taken by one of the subsidiaries are secured by a charge on property of that subsidiary.	The loan has been repaid fully during the year
(xx) Term loans from banks amounting to Nil (2013: Rs 300.000 Million) taken by one of the subsidiaries are secured by a guarantee of the Company and by way of a charge over the land and buildings of that subsidiary.	The loan has been repaid fully during the year.

Consolidated Financial Statements

Notes to the consolidated financial statements (continued)

a. Nature of security and terms of repayment for secured borrowings: (continued)

Nature of security	Terms of repayment
(xxi) Term loans from others amounting to Nil (2013: Rs.0.528 Million) taken by one of the subsidiaries are secured by charge on certain vehicles of that subsidiary.	The loan has been repaid fully during the year.
(xxii) Term loans from others amounting to Nil (2013: Rs.950 Million) taken by one of the subsidiaries are secured by a guarantee of the Company and by way of a charge over the land & buildings and current assets of that subsidiary.	The loan has been repaid fully during the year.
(xxiii) Term loans from banks amounting to Nil (2013: Rs.30,402.900 Million) taken by one of the subsidiaries are secured by a charge on the immovable properties, current assets including inventories held by the step down subsidiary companies in United Kingdom, charge on trademarks and second charge by hypothecation of certain trademarks held by the Company.	The loan is re-financed with short term loan which is repayable in full by 19 March 2015. Refer Note 5.1(iv).
(xxiv) Term loans from banks amounting to Nil (2013: Rs.133.115 Million) taken by one of the subsidiaries are secured by a charge on a specific fixed asset of that subsidiary.	The loan has been repaid fully during the year.
(xxv) Term loans from banks amounting to Nil (2013: Rs.4,613.800 Million) taken by one of the subsidiaries are secured by guarantee and fixed assets of the Company.	The loan has been repaid fully during the year.

b. Terms of repayment for unsecured borrowings

Borrowings	Terms of repayment
i. Long term loan from banks:	
(a) amounting to Nil (2013: Rs.375.000 Million) are guaranteed by a director of the Company.	The loan has been repaid fully during the year.
(b) amounting to Rs.85.555 Million (2013: Rs.342.223 Million).	Repayable in 36 equal monthly installments with a moratorium of 1 year from the date of loan (27 August 2010) along with interest base plus 4.75% (current effective rate is 16%).
(c) Term loans from banks amounting to Rs. 4.906 Million (2013: Rs. 5.270 Million)	Repayable in 60 monthly installments from the date of loan (1 February 2012) alongwith interest of 2.47%.
(d) Term loans from banks amounting to Rs. 5.103 Million (2013: Nil)	Repayable in 41 monthly installments from 25 June 2013, alongwith interest of 1.55%.
(e) Term loans from banks amounting to Rs. 6.051 Million (2013: Nil)	Repayable in 53 monthly installments from 25 June 2013, alongwith interest of 1.75%.
(f) Term loans from banks amounting to Rs. 3.456 Million (2013: Nil)	Repayable in 20 quarterly installments from 17 February 2014, alongwith interest of 2.00%.

b. Terms of repayment for unsecured borrowings (continued)

Borrowings	Terms of repayment
ii. from others	
(a) amounting to Rs.256.718 Million (2013 Nil)	Repayable fully on 25 October 2014 along with interest of 12.40%.
(b) amounting to Rs.78.734 Million (2013: 76.752 Million)	Terms of repayment are not stipulated. The loan is interest free.
iii. Fixed Deposits	Repayable within 1- 3 years from the date of issue and not on demand or notice except at the discretion of the Company. Rate of interest is 11-11.5%.
iv. Inter-corporate deposits	
(a) amounting to Rs 6.522 Million (2013: Rs. 22.174 Million)	These represent an obligation acquired on amalgamation of erstwhile Shaw Wallace & Company Limited(SWCL) with the Company in an earlier year. Pursuant to the Order of Honourable High court of Calcutta on 5 June 2012, has been directed the Company to pay in monthly installments over the period of two years.
(b) amounting to Nil (2013: Rs.200.000 Million)	The loan has been repaid fully during the year.
(c) amounting to Nil (2013: 250.000 Million)	The loan has been repaid fully during the year.
c. The liability on sales tax deferment for Pioneer Distilleries Limited made up to 2009-10 is Rs. 287.806 Million which has been collected under deferral scheme of Maharashtra State Government and is repayable in 14 years starting from the end of the 10th year i.e. 2010-11.	

4.2. Other long-term liabilities

	Rs. Million
As at 31 March 2014	As at 31 March 2013
Security deposits	314.053
Due to asset vendors	348.887
Term liability towards franchisee rights (Refer note 21)	1,205.280
	<u>1,868.220</u>

4.3. Long-term provisions

Onerous lease provision (Refer note 24)	782.708	596.040
Employee Benefits:		
Provision for death relief scheme	-	20.000
Provision for shortfall in provident fund trust [Refer note 22(b)]	123.972	79.833
Provision for compensated absences	425.439	276.308
Provision for pension liability [Refer note 22(b)]	819.669	1,062.954
	<u>2,151.788</u>	<u>2,035.135</u>

Consolidated Financial Statements

Notes to the consolidated financial statements (continued)

		Rs. Million	
		As at 31 March 2014	As at 31 March 2013
5.1. Short term borrowings			
Secured			
Working capital loans from banks [Refer note 34(b)]		17,276.468	19,209.755
Short term loan from banks		39,248.308	3,900.000
Unsecured			
Short term loan from banks		13,866.504	1,000.000
		70,391.280	24,109.755

Also refer note 34(c).

Nature of security	Terms of repayment
(i) Working capital loans are secured by hypothecation of inventories, book debts and other current assets.	The average rate of interest is 12.40%.
(ii) Short term loan from bank amounting to Rs. Nil (2013: Rs. 1,500.000 Million) are secured by a charge on certain fixed assets of the Company and pledge of shares held by the UB Group Entities.	The loan has been repaid fully during the year.
(iii) Short term loan from bank amounting to Rs. 2,400.000 Million (2013: Rs. 2,400.000 Million) are secured by a pledge of certain shares held by the Company and UB Group entities.	Repayable in 6 months from the date of rollover (21 November 2013) along with interest of 11.75%.
(iv) Short-term loans from banks amounting to Rs. 36,848.308 Million (2013: Nil) are secured by a fixed and floating charge over the assets of one of the subsidiaries including a pledge on its maturing stock and over the share capital of subsidiary companies in United Kingdom.	The loan is repayable in full by 19 March 2015.

5.2. Trade payables

Acceptances*	3,285.023	3,232.826
Trade creditors	14,266.834	15,653.394
Dues to related parties (Refer note 26)	894.283	-
	18,446.140	18,886.220

* Includes bills drawn against inland letters of credit of Rs.2,301.990 Million (2013: Rs.2,686.569 Million) and secured by a charge on debtors, inventories and other current assets.

	Rs. Million	
	As at 31 March 2014	As at 31 March 2013
5.3. Other current liabilities		
Current maturities of :		
Long-term borrowings (refer note 4.1)	2,692.229	11,540.831
Finance lease obligations (refer note 4.1)	3.336	6.048
Deferred sales tax liability (refer note 4.1)	17.421	12.520
Interest accrued but not due	639.694	1,036.267
Liability towards franchisee rights (refer note 21)	446.400	446.400
Advance from customers and others	404.193	665.402
Unpaid /unclaimed dividends/ debentures*	20.869	20.887
Unpaid /unclaimed matured fixed deposits*	96.341	155.913
Due to directors	-	56.428
Due to asset vendors	377.898	458.001
Employee payables	685.716	740.613
Statutory dues	1,926.975	2,380.594
Other liabilities	4,121.455	3,476.024
	11,432.527	20,995.928

* As required under Section 205C of the Companies Act, 1956, the Company has transferred Rs.4.067 Million (2013: Rs. 3.414 Million) to the Investor education and protection fund (IEPF) during the year.

5.4. Short-term provisions

Proposed dividend	-	326.987
Corporate tax on proposed dividend	-	53.045
Provision for income tax (net of advance tax)	3,268.135	981.112
Fringe benefit tax (net of payments)	1.389	1.389
Employee benefits:		
Provision for gratuity* [Refer note 22(b)]	569.222	307.914
Provision for death relief scheme	-	1.734
Provision for pension liability [Refer note 22(b)]	2.304	-
Provision for compensated absences	148.188	105.074
	3,989.238	1,777.255

* Includes Rs. 7.240 Million (2013: Nil) received from other funds on account of transfer of few executives and is payable to Company's trust.

Consolidated Financial Statements

Notes to the consolidated financial statements (continued)

Description:	Gross block				Accumulated depreciation				Net block	
	As at 1 April 2013	Translation adjustments	Additions during the year	Deletion/ adjustments during the year	As at 31 March 2014	Translation adjustments	Charge for the year	Deletion/ adjustments during the year	As at 31 March 2014	As at 31 March 2013
6. Fixed assets										
6.1 Tangible assets										
Land:										
Freehold	3,421,915	41,123	-	-	3,463,038	-	-	-	3,463,038	3,421,915
Leasehold	112,263	-	-	-	112,263	-	-	-	112,263	112,263
Buildings										
(Notes 1 to 3 below)	7,839,602	778,223	416,027	6,751	9,027,101	1,751,706	215,204	226,586	6,835,421	6,087,896
Plant and equipment										
	17,600,563	1,339,220	1,701,104	162,101	20,478,786	7,679,651	875,869	1,155,805	10,851,775	9,920,912
Furniture and fixtures										
	1,136,378	81,304	12,656	3,644	1,226,694	601,155	72,875	42,557	511,667	535,223
Office equipment:										
Finance lease	21,174	-	-	16,698	4,476	19,394	-	1,780	4,476	1,780
Others	409,628	51,573	65,216	4,175	522,242	361,210	43,976	59,694	60,286	48,418
Vehicles:										
Finance lease	15,155	-	-	1,863	13,292	6,434	-	3,016	7,587	8,721
Others	282,982	5,019	1,825	6,659	283,167	202,480	5,106	17,554	64,687	80,502
Aircraft										
	186,290	-	-	-	186,290	99,205	-	87,085	-	87,085
Previous year	31,025,950	2,296,462	2,196,828	201,891	35,317,349	10,721,235	1,213,030	1,594,077	21,904,842	20,304,715
	29,620,328	103,257	2,010,518	708,153	31,025,950	9,432,259	31,594	1,400,405	20,304,715	

Notes:

- Buildings include an amount of Rs. 357,014 Million (2013: Rs. 357,014 Million) which is yet to be registered in the name of the Company.
- Cost of buildings includes the following payments made for the purpose of acquiring the right of occupation of Mumbai godown space:
 - 660 equity shares (unquoted) of Rs. 100 each fully paid in Shree Madhu Industrial Estate Limited Rs. 0.066 Million (2013: Rs. 0.066 Million). Application has been made for duplicate share certificates and the same is in the process.
 - 199, 6 % Debentures (unquoted) of Rs. 1,000 each fully paid in Shree Madhu Industrial Estate Limited Rs. 0.199 Million (2013: Rs. 0.199 Million). Application has been made for duplicate debentures certificates and the same is in the process.
 - Deposit with Shree Madhu Industrial Estate Limited Rs. 0.132 Million (2013: Rs. 0.132 Million)
- Cost of buildings include value of fully paid shares Rs. 0.006 Million (2013: Rs. 0.006 Million) held in Co-operative Housing Societies.

6.2 Intangible assets

Description:	Gross block			Accumulated amortisation			Net block		Rs. Million			
	As at 1 April 2013	Translation adjustments	Additions during the year	Deletion/ adjustments during the year	As at 31 March 2014	As at 1 April 2013	Translation adjustments	Charge for the year		Deletion/ adjustments during the year	As at 31 March 2014	As at 31 March 2013
Trademark, formulae and licenses	385,154	42,860	17,245	-	445,259	195,906	22,645	44,157	-	262,708	182,551	189,248
Franchisee rights (Refer note 21)	7,082,258	511,190	-	-	7,593,448	931,116	377,285	387,891	-	1,696,292	5,897,156	6,151,142
	7,467,412	554,050	17,245	-	8,038,707	1,127,022	399,930	432,048	-	1,959,000	6,079,707	6,340,390
Previous year	7,689,613	39,880	-	262,081	7,467,412	745,795	(2,391)	383,618	-	1,127,022	6,340,390	

Rs. Million

Depreciation and amortisation for the year ended :

Depreciation charge	31 March 2014	31 March 2013
Amortisation	1,594,077	1,400,405
	432,048	383,619
	2,026,125	1,784,024

Consolidated Financial Statements

Notes to the consolidated financial statements (continued)

	Rs. Million	
	As at 31 March 2014	As at 31 March 2013
7. Non-current investments		
Investment property (Valued at cost) [Refer note 3 below]	956.954	789.576
	<u>956.954</u>	<u>789.576</u>
Trade investments (Valued at cost)		
Quoted		
In fully paid equity shares (Refer note 2 below)	150.532	150.532
Unquoted		
In fully paid equity shares	12.236	11.636
Associates**	31.821	31.821
Add: Accumulated losses of associates (net of dividend received)	<u>(31.821)</u>	<u>(31.821)</u>
	-	-
** including Goodwill on acquisition of Associates Rs.3.518 Million (2013: Rs.3.518 Million)		
	<u>162.768</u>	<u>162.168</u>
Other investments		
Quoted		
In fully paid equity shares	4.147	4.147
Unquoted		
In fully paid units (Refer note 1 below)	9.005	9.005
In fully paid equity shares	0.130	0.130
In fully paid debentures (Non-redeemable)	0.048	0.048
In Government securities	0.196	0.196
	<u>13.526</u>	<u>13.526</u>
Total investments	<u>1,133.248</u>	<u>965.270</u>
Less: Provision for diminution in the value of investments	<u>1.205</u>	<u>41.678</u>
	<u>1,132.043</u>	<u>923.592</u>
Aggregate value of quoted investments:		
Book value	154.679	154.679
Market value	7,075.636	6,015.661
Aggregate book value of unquoted investments	978.569	810.591

Notes:

- Investments in units of Unit Trust of India represent those made under Rule 3A of the Companies (Acceptance of Deposit) Rules, 1975.
- The Company has pledged the shares held in United Breweries Limited amounting to Rs. 150.000 Million (2013: Rs. 150.000 Million) with a bank for the term loan availed.
- Investment property represents the castle and residential premises owned by the Group in Scotland and Hongkong respectively.

Consolidated Financial Statements

Notes to the consolidated financial statements (continued)

	Rs. Million	
	As at 31 March 2014	As at 31 March 2013
8. Deferred tax assets (net)		
Deferred tax assets		
Provision for doubtful debts/advances/deposits	980.112	707.893
Employee benefits	404.064	471.856
Others	652.245	586.636
	<u>2,036.421</u>	<u>1,766.385</u>
Deferred tax liabilities		
Depreciation	1,069.540	1,177.067
	<u>966.881</u>	<u>589.318</u>
9. Long-term loans and advances (Unsecured, considered good unless stated otherwise)		
Capital advances	340.905	62.334
Loans and advances to tie-up units	271.362	373.602
Loans and advances to related parties		
Considered good	10,136.256	11,123.130
Considered doubtful	3,303.186	-
	<u>13,439.442</u>	<u>11,123.130</u>
Less : Provision for doubtful advances [Refer note 35(b)]	3,303.186	-
	<u>10,136.256</u>	<u>11,123.130</u>
Advance income tax (net of provisions)	1,799.550	2,439.026
Security deposits [Refer note (i) and (ii) below]		
Considered good	567.629	3,371.364
Considered doubtful	1,416.809	6.809
	<u>1,984.438</u>	<u>3,378.173</u>
Less: Provision for doubtful deposits [Refer note 35(a)]	1,416.809	6.809
	<u>567.629</u>	<u>3,371.364</u>
Pre-paid expenses [Refer note (iii) below]	2,617.713	-
Other advances:		
Considered good [Refer note (iv) below]	2,776.086	2,931.277
Considered doubtful	3,525.892	1,942.915
	<u>6,301.978</u>	<u>4,874.192</u>
Less: Provision for doubtful advances	3,525.892	1,942.915
	<u>2,776.086</u>	<u>2,931.277</u>
	<u>18,509.501</u>	<u>20,300.733</u>

The above amounts include:

- (i) due from Company Secretary Rs.3.041 Million (2013: Rs. 2.579 Million). Maximum amount outstanding at any time during the year Rs.3.041 Million (2013: Rs. 2.579 Million).
- (ii) due from the directors of the Company Rs. 15.055 Million (2013: Rs. 7.250 Million). Maximum amount outstanding at any time during the year Rs.15.055 Million (2013: Rs. 7.250 Million).
- (iii) Rs. 2,581.250 Million (2013:NIL) paid under trade mark license agreement.
- (iv) amount deposited Rs.350.000 Million (2013: Nil) in Civil Court, Panjim to establish the proprietary interest it has on the property.

Consolidated Financial Statements

Notes to the consolidated financial statements (continued)

		Rs. Million	
		As at 31 March 2014	As at 31 March 2013
10. Other non-current assets			
Unsecured			
(i) Long-term trade receivables - considered good	-	-	-
- considered doubtful	5.000	61.935	
	5.000	61.935	
Less: Provision for doubtful debts	5.000	61.935	
		-	-
(ii) Others			
Long term deposits with banks: (Refer Note 11.4)			
On Margin money deposits	1.300	1.300	1.300
	1.300		1.300
Unamortised debt issue expenses	-		1,772.371
	1.300		1,773.671
11.1. Current investments			
(Valued at cost or fair value, whichever is lower)			
Unquoted			
Investments in mutual funds		9.995	17.357
Sole beneficial interest in trusts*		1,238.103	1,238.103
		1,248.098	1,255.460
* Includes			
a) sole beneficial interest in USL Benefit Trust (UBT) of Rs. 1196.963 Million (2013: 1196.963 Million). UBT holds shares of the Company which were pledged in favour of Unit Trust of India Investment Advisory Services Limited, a Security Trustee of Punjab National Bank (PNB) and IDBI Bank Limited (IDBI) for the term loan availed by USL from PNB and IDBI. The loan has been repaid and PNB has issued "No Objection Letter", however IDBI is yet to release the Company shares. Writ Petition has been filed by the Company and the same is pending before Honourable High Court of Karnataka. [Refer note 34(b)]			
b) sole beneficial interest in SWFSL Benefit Trust (SBT) of Rs. 41.140 Million (2013: Rs 41.140 Million). SBT holds 72,416,505 equity shares of SWFCL. These shares 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 SBT for the benefit of SWFCL.			
11.2. Inventories			
(Valued at lower of cost and net realisable value)			
Raw materials		2,396.704	2,107.302
[(including materials in transit Rs.331.359 Million (2013: Rs.137.195 Million)]			
Work-in-progress *		20,473.136	16,417.945
Finished goods		4,460.954	4,592.618
Stock-in-trade		83.254	82.449
[including goods in transit Rs.5.243 Million (2013: Rs. 3.308 Million)]			
Packing materials, stores and spares		1,937.144	1,911.707
		29,351.192	25,112.021
* Interest included in the stock of work in progress		457.660	570.302

Consolidated Financial Statements

Notes to the consolidated financial statements (continued)

	Rs. Million	Rs. Million
	As at 31 March 2014	As at 31 March 2013
11.3. Trade receivables		
(Unsecured, considered good unless stated otherwise)		
Outstanding for a period of more than six months:		
considered good	284.389	1,037.498
considered doubtful	1,053.364	82.768
	1,337.753	1,120.266
Others: considered good*	22,368.098	23,132.963
considered doubtful	2,464.665	-
	26,170.516	24,253.229
Less: provision for doubtful debts [Refer note 35(a)]	3,518.029	82.768
	22,652.487	24,170.461
* includes due from related parties - Rs. 155.690 Million (2013: Rs. 100.383 Million) [Refer note 26(b)] .		
11.4. Cash and bank balance		
(a) <u>Cash and cash equivalents:</u>		
Cash on hand	6.484	6.022
Cheques on hand	65.109	38.327
Balances with banks:		
On current accounts (Refer note (i) below)	5,887.742	1,604.690
On deposit account with original maturity of less than three months (Refer note (ii),(iii),(iv) below)	97.757	97.774
	6,057.092	1,746.813
(b) <u>Other bank balances:</u>		
On unpaid dividend	20.869	20.887
On unpaid deposit accounts	76.308	83.260
Margin money deposits	1.300	1.300
Deposits due to mature within 12 months from the reporting date (Refer note (ii),(iii),(iv) below)	893.024	965.278
	991.501	1,070.725
(c) <u>Amounts disclosed under non-current assets</u> (Refer note 10)		
On margin money deposits	(1.300)	(1.300)
	(1.300)	(1.300)
	7,047.293	2,816.238

The above balances:

- (i) includes Rs.3.469 Million (2013: Nil) in Exchange Earners Foreign Currency (EEFC) Account and Rs. 9.713 Million (2013: Rs. 7.181 Million) in foreign currency which is unhedged.
- (ii) includes Rs.449.154 Million (2013: Rs. 583.528 Million) deposited in accordance with Companies (Acceptance of Deposit) Rules,1975.
- (iii) includes Rs.179.250 Million (2013: Rs.138.000 Million) pledged as security against loan from a bank.
- (iv) includes Rs.225.388 Million (2013: Rs. 207.634 Million) has been kept under escrow pending resolution of various taxation matters.

Consolidated Financial Statements

Notes to the consolidated financial statements (continued)

11.5. Short-term loans and advances

(Unsecured, considered good unless stated otherwise)

Income accrued on investments and deposits/advances

Considered good

Considered doubtful

Income accrued on advances - related parties [Refer note 35(b)]

Considered good

Considered doubtful

Advances to related parties [Refer note 26]

Advances to Tie-up units

Considered good

Considered doubtful

Taxes and duties paid in advance

Loans and advances to employees

Advances to suppliers

Considered good

Considered doubtful

Other receivables

Prepaid expenses *

Less: Provision for doubtful advances [Refer note 35(a)]

*includes Rs. 263.000 Million (2013: Nil) paid under trade mark license agreement.

11.6. Other current assets

Unamortised debt issue expenses

Assets held for sale (net of provisions)

	Rs. Million	
	As at 31 March 2014	As at 31 March 2013
Considered good	58.562	68.833
Considered doubtful	48.467	-
Income accrued on advances - related parties [Refer note 35(b)]		
Considered good	-	750.676
Considered doubtful	963.069	-
Advances to related parties [Refer note 26]	2.210	-
Advances to Tie-up units		
Considered good	1,594.595	1,916.349
Considered doubtful	670.880	-
Taxes and duties paid in advance	3,849.016	1,469.090
Loans and advances to employees	32.034	29.729
Advances to suppliers		
Considered good	1,370.263	1,820.400
Considered doubtful	412.316	-
Other receivables	108.003	-
Prepaid expenses *	2,412.021	1,389.661
	11,521.436	7,444.738
Less: Provision for doubtful advances [Refer note 35(a)]	2,094.732	-
	9,426.704	7,444.738
Unamortised debt issue expenses	139.421	439.465
Assets held for sale (net of provisions)	0.747	1.347
	140.168	440.812

Consolidated Financial Statements

Notes to the consolidated financial statements (continued)

		Rs. Million	
		For the year ended 31 March 2014	For the year ended 31 March 2013
12. Revenue from operations			
Sales (gross)		230,205.048	210,209.633
Income arising from sale by manufacturers under 'Tie-up' agreements (Tie-up units) - (Refer note 32)		4,614.160	4,647.644
Income from brand franchise		364.746	229.074
Income from IPL franchise		914.636	713.854
		<u>236,098.590</u>	<u>215,800.205</u>
13.1 Other operating income			
Scrap sales		404.542	346.762
Sales tax incentive		285.161	-
Income from distribution services		164.008	-
Miscellaneous		291.231	524.670
		<u>1,144.942</u>	<u>871.432</u>
13.2 Other income			
Interest income*		1,465.916	988.072
Less: Provision		<u>1,011.536</u>	<u>-</u>
		454.380	988.072
Exchange gain, net		5,637.815	-
Dividend income		18.639	37.788
Profit on sale of investments, net		-	30.780
Lease rent		546.747	356.629
Liabilities no longer required written back		133.280	146.532
Bad debts/ advances recovered		66.054	1.283
Insurance claims		<u>2.223</u>	<u>1.903</u>
		<u>6,859.138</u>	<u>1,562.987</u>
* An amount of Rs.1,011.536 Million (2013: Nil) has not been recognised based on Management's assessment of recoverability.			
14. Cost of materials consumed			
Raw materials		33,433.930	26,914.542
Packing materials		<u>21,014.994</u>	<u>20,800.453</u>
		<u>54,448.924</u>	<u>47,714.995</u>
15. Changes in inventories of finished goods, work-in-progress and stock-in-trade			
Opening stock:			
Work-in-progress		16,417.945	18,116.667
Finished goods		4,592.618	5,018.335
Stock-in-trade		<u>82.449</u>	<u>86.672</u>
		<u>21,093.012</u>	<u>23,221.674</u>
Closing stock:			
Work-in-progress		20,473.135	16,417.945
Finished goods		4,460.954	4,592.619
Stock-in-trade		<u>83.254</u>	<u>82.449</u>
		<u>25,017.343</u>	<u>21,093.013</u>
Excise duty on opening/closing stock of finished goods (net)		<u>(484.314)</u>	<u>799.333</u>
		<u>(4,408.645)</u>	<u>2,927.994</u>

Consolidated Financial Statements

Notes to the consolidated financial statements (continued)

		Rs. Million	
		For the year ended 31 March 2014	For the year ended 31 March 2013
16. Employee benefits expense			
Salaries, wages and bonus		7,271.053	5,920.173
Contribution to provident and other funds		910.351	1,252.857
Staff welfare expenses		420.915	355.544
		8,602.319	7,528.574
17. Finance costs			
Interest expense		10,548.556	9,409.634
Debt issue costs		2,677.176	439.465
		13,225.732	9,849.099
Note: Includes interest on income-tax relating to earlier years Rs.1,589.465 Million (2013: Nil).			
18. Other expenses			
Exchange loss, net		-	2,260.132
Direct expenses on IPL franchise		835.678	814.888
Consumption of stores and spares		254.585	229.857
Contract wages		525.548	465.263
Power and fuel		1,023.534	934.642
Rent		1,261.089	1,688.807
Repairs and maintenance:			
Buildings		224.242	223.135
Plant and machinery		439.397	363.160
Others		302.425	171.823
Insurance		209.803	186.621
Rates and taxes		1,477.338	989.105
Travelling and conveyance		1,117.039	921.922
Legal and professional		1,546.070	1,367.754
Freight outward		2,492.968	2,446.677
Advertisement and sales promotion		13,003.535	10,610.848
Commission on sales		650.640	677.712
Royalty/ brand fee/ trademark/ licence fees		430.866	-
Cash discount		809.236	906.798
Sales tax		267.446	298.779
Fixed assets written off		0.262	0.992
Directors' remuneration:			
Sitting fee		2.480	2.290
Commission		-	55.986
Bad debts and advances written off		34.551	52.434
Loss on sale of fixed assets, net		49.269	89.681
Loss on sale of investments, net		-	5.664
Provision for doubtful debts/advances/deposits (Refer note 35)		11,231.568	14.494
Provision for diminution in value of investments		1.435	13.838
Research and development		90.258	64.592
Others			
Administrative expenses		804.599	650.337
Distribution costs		1,508.294	1,350.947
Miscellaneous		439.679	794.090
		41,033.834	28,653.268

Consolidated Financial Statements

Notes to the consolidated financial statements (continued)

	Rs. Million	
	For the year ended 31 March 2014	For the year ended 31 March 2013
19. Exceptional items		
(a) Provision towards turn over tax relating to earlier years under Amnesty Scheme	-	(43.361)
(b) Impairment of Goodwill [Refer note 27]	<u>(32,357.347)</u>	<u>(64.936)</u>
	<u>(32,357.347)</u>	<u>(108.297)</u>
20. Earnings per share		
Nominal value of equity shares (Rs.)	10.00	10.00
(a) Net profit/(loss) after tax (Rs. Million)		
- Continuing	(14,413.044)	(3,301.289)
- Discontinuing	(30,477.873)	2,289.171
- Total	(44,890.917)	(1,012.118)
(b) Basic number of equity shares of Rs. 10 each outstanding during the year	145,327,743	125,869,737
(c) Weighted average number of equity shares of Rs. 10 each outstanding during the year	141,674,303	125,869,737
(d) Basic and diluted earnings per share (Rs.)		
- Continuing	(101.73)	(26.23)
- Discontinuing	(215.13)	18.19
- Total	(316.86)	(8.04)

21. Term liability towards franchisee rights:

The Group holds the perpetual right of the Bangalore Franchise of BCCI-IPL. Although this right is perpetual, it would be prudent to consider this having a 'finite' rather than an 'infinite' life. The limited over version of the game which was first introduced in 1970s is continuing even now after 44 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.
- 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 at least 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 31 March 2014 is Rs. 4,090.342 Million (2013: Rs. 4,183.305 Million) to be amortised over the remaining period of 44 years (2013: 45 years).

Term liability towards franchisee rights at the year end aggregating to Rs. 1,651.680 Million (2013: Rs.2,098.080 Million) is payable over a period of 4 years (2013: 5 years), of which Rs.446.400 Million (2013: Rs..446.400 Million) is payable within one year.

The governing bodies of this sport in India and globally, over a period of last 7 to 15 years have experienced annualized 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 rate of approximately 11% is projected. Based on the facts above, the Management believes that there is no impairment on the franchise rights.

22. Employee benefits

(a) Defined contribution plans

The Group 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 United Breweries Staff Super Annuation Fund. However, the Group is in the process of creating its own Trust. 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 taken group term policy from a Insurance company to cover the death benefit of certain category of employees. On the death of employee, a specific amount will be paid by the insurance company to the nominee of the deceased employee as per the grade.

During the year, the Group has recognised the following amounts in the consolidated statement of profit and loss, which are included in contribution to provident and other funds in note 16:

	Rs. Million	
	For the year ended 31 March 2014	For the year ended 31 March 2013
Provident Fund and Employees Pension Scheme*	296.338	230.836
Superannuation Fund	156.442	123.371
Employees State Insurance	10.791	12.522
Death benefit	(15.856)	3.135
National pension fund	34.876	-
	482.591	369.864

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

(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 Company. The Company has employees' gratuity funds managed by the Company as well as by Insurance Companies.

Pension:

Whyte and Mackay Group Limited 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 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.

22 (b) Defined benefit plans

	As at 31 March 2014						As at 31 March 2013						Rs. Million
	Funded			Non funded			Funded			Non funded			
	Gratuity	Pension fund	Provident fund	Gratuity	Pension fund	Death Benefit	Gratuity	Pension fund	Provident fund	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	1,331.939	11,922.784	1,847.025	1.645	22.237	23.466	1,090.818	10,196.114	1,602.320	1.356	24.155	20.331	
Contribution by plan participants	-	-	225.594	-	-	-	-	-	200.197	-	-	-	
Current service cost	81.887	-	149.577	0.391	3.616	(23.466)	65.106	-	128.334	0.314	3.494	-	
Interest cost	98.105	618.553	142.204	0.102	-	-	88.851	528.559	118.733	0.097	-	1.749	
Actuarial (gain)/loss on obligations	432.102	(342.988)	-	0.768	-	-	184.095	1,623.444	-	(0.106)	-	1.386	
Benefits paid	(193.660)	(460.305)	(276.898)	(0.236)	(4.974)	-	(97.310)	(425.434)	(202.559)	(0.023)	(5.412)	-	
Exchange fluctuation	4.815	2,530.365	-	0.086	-	-	0.379	0.101	-	0.007	-	-	
Obligation at the end of the year	1,755.188	14,268.409	2,087.502	2.756	20.879	-	1,331.939	11,922.784	1,847.025	1.645	22.237	23.466	
B. Reconciliation of opening and closing balances of the fair value of plan assets													
Plan assets at the beginning of the year	1,052.724	10,879.803	1,789.385	-	-	-	817.888	9,520.150	1,494.056	-	-	-	
Contribution by plan participants	1.190	-	225.596	0.023	-	-	0.977	1.121	200.197	0.023	-	-	
Contribution by the Company	253.604	199.180	134.583	-	-	-	250.421	179.779	115.623	-	-	-	
Expected return on plan assets	99.875	693.246	146.527	-	-	-	82.640	544.425	123.852	-	-	-	
Actuarial gains / (losses)	(18.080)	(132.585)	(55.663)	-	-	-	(1.900)	1,047.203	58.216	-	-	-	
Benefits paid	(193.660)	(460.305)	(276.898)	(0.023)	-	-	(97.310)	(425.434)	(202.559)	(0.023)	-	-	
Exchange fluctuation	0.309	2,287.976	-	-	-	-	0.008	12.558	-	-	-	-	
Plan assets at the end of the year	1,195.962	13,467.315	1,963.530	-	-	-	1,052.724	10,879.802	1,789.385	-	-	-	
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	1,755.188	14,268.409	2,087.502	2.756	20.879	-	1,331.939	11,922.784	1,847.025	1.645	22.237	23.466	
Fair value of plan assets at the end of the year	1,195.962	13,467.315	1,963.530	-	-	-	1,052.724	10,879.802	1,789.385	-	-	-	
Liability/ (net asset) recognised in Consolidated Balance Sheet	559.226	801.094	123.972	2.756	20.879	-	279.215	1,042.982	57.640	1.645	22.237	23.466	
Current portion of liability/ (net asset) recognised in Consolidated Balance Sheet*	559.226	-	-	2.756	2.304	-	279.215	-	-	1.645	-	-	
Non- current portion of liability/ (net asset) recognised in Consolidated Balance Sheet	-	801.094	123.972	-	18.575	-	-	1,042.982	57.640	-	22.237	23.466	

D. Expenses recognised in the Consolidated Statement of Profit and Loss

Included in:
Contribution
funds in Note

- Investment details of plan assets
- Government securities
- Securities guaranteed by Government
- Private Sector Bonds
- Public Sector / Financial Institutional Bonds
- Special Deposit Scheme
- Fund based with Insurance Companies
- Others (including bank balances)

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

F. Actual return on plan assets

G. Assumptions

H.	Others (funded)		2014			2013			2012			Rs. Million
			Gratuity	Pension	PF	Gratuity	Pension	PF	Gratuity	Pension	PF	
	Present value of obligation		1,755.188	14,268.409	2,087.502	1,331.939	11,922.784	1,847.025	1,090.818	10,196.114	1,602.320	
	Present value of plan assets		1,195.962	13,467.315	1,963.530	1,052.724	10,879.802	1,789.385	817.888	9,520.150	1,494.056	
	Amount recognised in balance sheet		559.227	801.094	123.972	279.215	1,042.982	57.640	272.930	675.964	108.264	
	- liability											
	Experience adjustments on present value of obligation		(98.240)	-	-	(94.788)	-	-	(80.822)	-	-	
	Experience adjustments on plan assets		(18.003)	-	58.216	(1.900)	-	58.216	(18.421)	-	(25.559)	
	Present value of obligation		955.322	8,197.412	1,459.897	747.653	8,210.490	1,296.174				
	Present value of plan assets		726.664	8,125.433	1,357.567	613.984	7,306.164	1,233.898				
	Amount recognised in balance sheet		228.658	71.979	102.330	133.669	904.326	62.276				
	- liability											
	Experience adjustments on present value of obligation		(80.729)	-	-	(44.591)	-	7.506				
	Experience adjustments on plan assets		(18.607)	-	(25.559)	(9.218)	-	32.413				
	Others (Non-funded)											
	Present value of obligation		2,756	20,879	-	1,645	22,237	23,466	1,356	24,155	20,331	
	Present value of plan assets		-	-	-	-	-	-	-	-	-	
	Amount recognised in Balance sheet		2,756	20,879	-	1,645	22,237	23,466	1,356	24,155	20,331	
	- Liability											
	Experience adjustments on Present value of obligation		0.35	51.588	-	-	-	-	-	-	-	
	Experience adjustments on Plan assets		-	132.355	-	-	-	-	-	-	-	
	Present value of obligation		6.322	22.801	18.442	5.571	24.212	16.613				
	Present value of plan assets		-	-	-	-	-	-				
	Amount recognised in Balance sheet		6.322	22.801	18.442	5.571	24.212	16.613				
	- Liability											
	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 564.286 Million is expected to be paid to the plans during the year ending 31 March 2015.

Consolidated Financial Statements

Notes to the consolidated financial statements (continued)

23. Leases

a) Finance leases

The Group has acquired computer equipment and cars on finance leases. The lease agreement is for a primary period of 36 to 48 months for computer equipments and 36 to 60 months for cars. The Company has an option to renew these leases for a secondary period.

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

Particulars	31 March 2014		31 March 2013	
	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments
Not later than one year	3.336	4.166	6.048	7.454
Later than one year and not later than five years	4.215	4.591	7.551	8.757
Later than five years	-	-	-	-
	7.551	8.757	13.599	16.211
Present value of net minimum lease payments		7.551		13.599

b) Operating leases

The Company's significant leasing arrangements in respect of operating leases for premises (residential, office, stores, godown, manufacturing facilities etc.) and plant and machineries, which includes both cancellable and non cancellable leases, and 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 "Other expense" in consolidated statement of profit and loss.

The Whyte and Mackay Group has entered into an operating lease agreement in September 2006 to rent a property over a 30 year period. The annual rent payable is subject to review every 5 years. There are no contingent rent payments. During the year, the Group has incurred a cost of Rs. 37.735 Million (2013: Rs. 32.525 Million). The aggregate lease rentals payable are charged as rent under note 18.

Non cancellable operating lease rental payable (minimum lease payments) under these lease are as follows:

	Rs. Million	
	31 March 2014	31 March 2013
(i) not later than one year;	114.622	135.860
(ii) later than one year and not later than five years;	260.009	376.630
(iii) later than five years;	350.477	364.010
The total of future minimum sublease payments expected to be received under non-cancellable subleases at the consolidated balance sheet date;	725.108	876.500

24. Onerous lease provision

At the beginning of the year

Translation adjustment

Payments during the year

Charged to the consolidated statement of profit and loss

At the end of the year

Rs. Million	
31 March 2014	31 March 2013
596.040	591.424
126.363	4.616
722.403	596.040
(109.161)	(86.114)
169.466	86.114
782.708	596.040

Note:

These provisions were set up in relation to certain leasehold properties of Whyte and Mackay Group Limited, 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 31 March 2014 is between 2 and 15 years.

25. 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	2014				2013			
	India	Outside India [Refer note (f)]	Unallocated / eliminations	Total	India	Outside India [Refer Note (f)]	Unallocated / eliminations	Total
(i) Revenue								
External	209,730.542	34,372.128	-	244,102.670	191,002.584	27,232.040	-	218,234.624
Less: Excise duty	123,099.073	7,990.303	-	131,089.376	105,175.214	6,510.230	-	111,685.444
Inter-segment	2,870.212	1,650.017	(4,520.229)	-	953.261	954.826	(1,908.087)	-
Total revenue	89,501.681	28,031.842	(4,520.229)	113,013.294	86,780.631	21,676.636	(1,908.087)	106,549.180
(ii) Result								
Segment result – profit/(loss)	(3,503.739)	6,942.648	-	3,438.909	11,459.277	(840.328)	-	10,618.949
Unallocated corporate expenses/ (income):								
Income from investments	-	-	18.639	18.639	-	-	68.568	68.568
Finance cost	-	-	13,225.732	13,225.732	-	-	9,849.099	9,849.099
Profit/(loss) before taxation	(3,503.739)	6,942.648	(13,207.093)	(9,768.184)	11,459.277	(840.328)	(9,780.531)	838.418
Exceptional items	-	-	32,357.347	32,357.347	108.297	-	-	108.297
Profit before taxation	(3,503.739)	6,942.648	(45,564.440)	(42,125.531)	11,350.980	(840.328)	(9,780.531)	730.121
Provision for taxation	-	-	2,762.314	2,762.314	-	-	1,780.554	1,780.554
Profit/(Loss) after taxation	(3,503.739)	6,942.648	(48,326.754)	(44,887.845)	11,350.980	(840.328)	(11,561.085)	(1,050.433)
Share of minority interest				3.072				(38.315)
Net profit/(loss) for the year				(44,890.917)				(1,012.118)
(iii) Other information								
Segment assets	84,910.811	33,679.141	29,986.136	148,576.088	82,450.703	29,744.439	52,634.789	164,829.931
Segment liabilities	25,451.230	9,742.520	83,052.192	118,245.942	25,770.237	6,671.577	84,404.562	116,846.376
Capital expenditure (per cash flow)	1,654.133	670.760	-	2,324.893	1,796.638	445.907	-	2,242.545
Depreciation	1,183.758	842.367	-	2,026.125	1,026.612	757.412	-	1,784.024
Other non cash expenses	11,233.003	2,677.176	32,357.347	46,267.526	385.812	434.409	-	820.221

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.

Consolidated Financial Statements

Notes to the consolidated financial statements (continued)

25. Segment reporting (continued)

Notes:

- Segment accounting policies are in line with the accounting policy of the Group.
- Segment revenue includes sales and other income directly identifiable with/allocable to the segment including inter-segment revenues.
- 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".
- 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.
- 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 Group as a whole and not allocable to any segments. Unallocable assets mainly comprise of investments in subsidiary companies (Goodwill on consolidation). Unallocable liabilities include mainly loan funds and proposed dividend.
- Pursuant to the SPA with respect to sale of Whyte and Mackay Group Limited, a significant portion of Outside India segment has been considered as discontinuing operations (refer note 27).

26. Related party disclosures

a) Names of related parties and description of relationship

Associates	Enterprise where there is control	Key Management Personnel (KPMs)	Employees' Benefit Plans where there is significant influence	Entities having significant influence over the Group
UB Distilleries Limited	USL Benefit Trust	Mr. Ashok Capoor ^^	McDowell & Company Limited Staff Gratuity Fund (McD SGF)	i) Diageo plc. (holding company of Relay B.V.) (with effect from 4 July 2013)
Wine Soc of India Private Limited (Wine Soc of India)	SWFSL Benefit Trust	Mr. P.A. Murali ^^	McDowell & Company Limited Officers' Gratuity Fund (McD OGF)	ii) Relav BV. (with effect from 4 July 2013)
			Shaw Wallace & Co Ltd Executive Staff Gratuity Fund (SWCESGF)	iii) Diageo Scotland Limited (subsidiary of Diageo plc.) (with effect from 4 July 2013)
			Shaw Wallace & Co Ltd Employees Gratuity Fund (SWC EGF)	iv) Diageo India Private Limited (subsidiary of Diageo plc) (with effect from 4 July 2013)
			Phipson & Company Limited Management Staff Gratuity Fund. (PCL SGF)	v) United Breweries (Holdings) Limited [UBHL] (effective upto 3 July 2013)
			Phipson & Company Limited Gratuity Fund. (PCL GF)	vi) Kingfisher Finvest India Limited (effective upto 3 July 2013)
			Carew & Company Ltd. Gratuity Fund (CCL GF)	
			McDowell & Company Limited Provident Fund (McD PF)	
			Shaw Wallace & Co Associated Companies Provident Fund (SWCPF)	
			Balaji Distilleries Employees Gratuity Trust	
			Shaw Wallace & Associated Companies Executive Staff Fund (SWCSGF)	
			Whyte and Mackay Pension Scheme (WMPS)	

Notes:

^^ Key Management Person

(i) Mr. Ashok Capoor, Managing Director (effective upto 30 April 2014)

(ii) Mr. P.A. Murali, Executive Director and CFO

26 (b) Summary of transactions with related parties

2014												2013		Rs. Million
Sl. No.	Nature of transactions*	Associates	Enterprise where there is control	Key Management Personnel	Employees Benefit Plans where there is significant influence	Entities having significant influence over the Group	Total	Associates	Enterprise where there is control	Key Management Personnel	Employees Benefit Plans where there is significant influence	Entities having significant influence over the Group	Total	
a)	Purchase of goods		-	-	-	-	702.849	-	-	-	-	-	-	
	- Diageo Scotland Limited		-	-	-	-	702.849	-	-	-	-	-	-	
b)	Interest received from associates	19.330	-	-	-	-	19.330	12.165	-	-	-	-	12.165	
	- Wine Soc. of India		-	-	-	-	19.330	12.165	-	-	-	-	12.165	
c)	Sale of goods		-	-	-	-	507.649	-	-	-	-	-	609.000	
	- UBHL - UB Global Corporation		-	-	-	-	507.649	-	-	-	-	-	609.000	
	- Diageo plc.		-	-	-	-	1,183.273	-	-	-	-	-	-	
d)	Advertisement and sales promotion		-	-	-	-	63.908	-	-	-	-	-	18.439	
	- UBHL - UB Global Corporation		-	-	-	-	63.908	-	-	-	-	-	18.439	
e)	Interest Income		-	-	-	-	308.431	-	-	-	-	-	647.664	
	- UBHL (net of provision of Rs 963.069 Million)		-	-	-	-	308.431	-	-	-	-	-	647.664	
f)	Guaranteed security commission paid		-	-	-	-	5.500	-	-	-	-	-	6.623	
	-UBHL		-	-	-	-	5.500	-	-	-	-	-	6.623	
g)	Trademark License fee		-	-	-	-	432.743	-	-	-	-	-	-	
	- UBHL - UB Global Corporation		-	-	-	-	432.743	-	-	-	-	-	-	
h)	Finance (including loans and equity contributions in cash or in kind)		-	-	-	-	1,284.500	-	-	-	-	-	8,539.411	
	- UBHL [Refer note 35(b)]	58.497	-	-	-	-	1,284.500	-	-	-	-	-	8,539.411	
	- Wine Soc of India		-	-	-	-	58.497	27.900	-	-	-	-	27.900	
i)	Salary recharge		-	-	-	-	167.887	-	-	-	-	-	-	
	-Diageo India Private Limited		-	-	-	-	167.887	-	-	-	-	-	-	
j)	Remuneration		-	-	-	-	66.170	-	-	46.523	-	-	46.523	
	- Managing Director		-	-	-	-	66.170	-	-	46.523	-	-	46.523	
	- Executive Director		-	-	-	-	47.792	-	-	-	-	-	-	
k)	Rent		-	-	-	-	8.290	-	-	6.970	-	-	6.970	
	- Managing Director		-	-	-	-	8.290	-	-	6.970	-	-	6.970	
	- Executive Director		-	-	-	-	7.938	-	-	-	-	-	-	
	- Diageo plc.		-	-	-	-	376.546	-	-	-	-	-	-	
l)	Contribution to gratuity fund		-	-	-	-	193.010	-	-	-	194.110	-	194.110	
	- McD OGF		-	-	-	-	193.010	-	-	-	194.110	-	194.110	
	- McD SGF		-	-	-	-	54.681	-	-	-	51.980	-	51.980	
m)	Contribution to provident fund		-	-	-	-	134.583	-	-	-	115.630	-	115.630	
	- McD PF		-	-	-	-	134.583	-	-	-	115.630	-	115.630	
n)	Dividend paid		-	-	-	-	25.369	-	-	-	-	-	58.950	
	- UBHL		-	-	-	-	25.369	-	-	-	-	-	58.950	
	- USL Benefit Trust		8.648	-	-	-	8.648	8.648	-	-	-	-	8.648	
	- Relay B.V.		-	-	-	-	90.898	-	-	-	-	-	-	
o)	Contribution to pension fund scheme		-	-	-	-	199.020	-	-	-	179.779	-	179.779	
	- WMPS		-	-	-	-	199.020	-	-	-	179.779	-	179.779	
p)	Income from agency commission		-	-	-	-	164.008	-	-	-	-	-	-	
	- Diageo India Private Limited		-	-	-	-	164.008	-	-	-	-	-	-	
q)	Property maintenance fees		-	-	-	-	143.259	-	-	-	-	-	-	
	- Kingfisher Finvest India Limited		-	-	-	-	143.259	-	-	-	-	-	-	
r)	Provision for doubtful loans and advances		-	-	-	-	3,303.186	-	-	-	-	-	-	
	- UBHL		-	-	-	-	3,303.186	-	-	-	-	-	-	

Consolidated Financial Statements

Notes to the consolidated financial statements (continued)

26 (c) Summary of closing balances with related parties

Sl. No.	Nature of transactions	2014					2013					Rs. Million
		Associates	Enterprise where there is control	Key Management Personnel	Employees where there is significant influence	Entities having significant influence over the Group	Associates	Enterprise where there is control	Key Management Personnel	Employees where there is significant influence	Entities having significant influence over the Group	
a)	Amount due to											
	- Diageo Scotland Limited	-	-	-	-	(812.932)	-	-	-	-	-	-
	- Diageo India Private Limited	-	-	-	-	(81.351)	-	-	-	-	-	-
b)	Amount due from/ (due to)											
	- UBHL	-	-	-	-	14,223.061	-	-	-	-	11,767.788	11,767.788
	- UBHL - UB Global Corporation	-	-	-	-	155.692	-	-	-	-	118.822	118.822
	- Wine Soc of India	181.661	-	-	-	181.661	122.777	-	-	-	-	122.777
	- UBHL - Pegasus Fee	-	-	-	-	(27.189)	-	-	-	-	-	-
	- Kingfisher Finvest India Limited	-	-	-	-	(27.870)	-	-	-	-	0.810	0.810
	- McD PF	-	-	-	25.253	25.253	-	-	-	-	-	-
c)	Deposits outstanding											
	- UBHL	-	-	-	-	-	-	-	-	-	1,400.000	1,400.000
d)	Rental deposits on behalf of KMPs											
	- Managing Director	-	-	8.640	-	8.640	-	-	7.250	-	-	7.250
	- Executive Director	-	-	6.415	-	6.415	-	-	-	-	-	-
e)	Guarantees and collaterals given (received)											
	- UBHL	-	-	-	-	(550.000)	-	-	-	-	(550.000)	(550.000)
f)	Interest as sole beneficiary in											
	- USL Benefit Trust	-	1,196.969	-	-	1,196.969	-	1,196.969	-	-	-	1,196.969
	- SWFSL Benefit Trust	-	41.140	-	-	41.140	-	41.140	-	-	-	41.140
g)	Provision for doubtful loans and advances											
	- UBHL (Including provision for interest of Rs. 963.069 Million)	-	-	-	-	4,266.255	-	-	-	-	-	-
h)	Unamortised trademark license fees											
	- UBHL	-	-	-	-	2,844.250	-	-	-	-	-	-

* Excludes reimbursement of expenses and cost sharing arrangements.

Note: The following agreement was also entered in July 2013, however there was no transaction during the year:

- UBHL has the drag along right under a property sale agreement between UBHL and the Company which is exercisable at fair value upto July 2015.

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.

26. d) The Group on or prior to 3 July 2013, entered into certain agreements with entities which can be considered as directly or indirectly owned/ controlled/ significantly influenced by the erstwhile promoter group, for provision of services, use of trademarks/ logos and sponsorship rights on normal commercial terms which were at arms length and in the ordinary course of business. Such agreements are expected to yield benefits to the Company through improved brand visibility and also will continually support the business of the Company. These agreements have been reviewed independently and are confirmed to be on arm's length basis and reasonable. As these transactions may not fall under the purview of AS-18 Related Party transactions, all the transactions have been covered in the schedule below.

Summary of the transactions from effective 3 July 2013 to 31 March 2014 with the above mentioned parties:

Sl. No.	Name of party	Nature of transactions	Rs. Million
a	United Racing and Bloodstock Breeders Limited	Advertisement and sales promotion	63.203
b	United Mohun Bagan Football Team Private Limited	Advertisement and sales promotion	67.416
c	Watson Limited	Advertisement and sales promotion	879.226
d	Vittal Mallya scientific research foundation	Contribution for scientific research	18.750
e	UB Air Private Limited	Aircraft charges	210.393
f	PE Data Centre Resources Private Limited	Property call money received	281.394

Summary of balances as at 31 March 2014 with the above mentioned parties:

Sl. No.	Name of party	Nature of transactions	Rs. Million
a	UB Air Private Limited	Deposits outstanding	50.000
b	Watson Limited	Advance for racing season14-15	478.824
c	PE Data Centre Resources Private Limited	Property call money received	281.394
d	United Racing and Bloodstock Breeders Limited	Amount due from/(to)	(6.125)
e	United Mohun Bagan Football Team Private Limited	Amount due from/(to)	(6.533)
f	Vittal Mallya Scientific Research Foundation	Amount due from/(to)	(2.083)
g	UB Air Private Limited	Amount due from/(to)-fully provided	144.336

27. Discontinuing operations

Further to Diageo plc's undertakings offered to UK's Office of Fair Trade (now called Competition and Markets Authority, UK), in January 2014, the Company's Board of Directors decided to initiate a process based on the outlined time-table provided in connection with the decision of the OFT to explore a potential sale of all or part of Whyte and Mackay. As a culmination of this process, subsequent to the year end, on 9 May 2014 the Company's wholly owned subsidiary, United Spirits (Great Britain) Limited (seller or USGBL) entered into a Share Sale and Purchase agreement (SPA) with Emperor UK Limited and Emperor Inc. in relation to the sale of the entire issued share capital of Whyte and Mackay Group Limited (WMG) for an Enterprise Value of £430 Million (calculated with a normalized level of working capital) from which deduction has been made for the payment of a warranty and indemnity insurance premium of £0.85 Million agreed between the seller and the purchaser. The Company has also obtained an opinion from a leading merchant banker and considers that the Enterprise Value is fair from a financial point of view of the Company.

The aggregate consideration for the sale of share capital of WMG payable to USGBL is approximately £429.15 Million ("Aggregate Consideration"), which is subject to adjustments following completion of the sale pursuant to the terms of the SPA ("Completion") reflecting : (a) movements in net working capital (above or below a pre-agreed threshold), net indebtedness and cash of the WMG between signing and completion; and (b) an agreed sum of £ 19.2 Million in relation to the defined pension scheme deficit, net of pensions contributions for the period commencing 1 April 2014 ("Completion Accounts"). Further, the seller has given warranties and indemnities which are customary for a transaction of this nature and these are not currently expected to have any financial implication and will be reassessed at each reporting date.

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Notes to the consolidated financial statements (continued)

27. Discontinuing operations (continued)

The financial closure of the proposed transaction as contemplated by the terms of the SPA (as may be amended and modified from time to time), is subject to satisfaction of certain conditions precedent. The equity shareholders of the Company have approved the proposed sale of WMG by USGBL. The Company has filed an application with Reserve Bank of India (through authorized dealer of the Company) for approval. Further to the signing of the SPA, the Company has impaired the goodwill amounting to Rs. 32,357.347 Million.

WMG represented significant geographical area of operation accounting for nearly 16% of the group income and qualifies as discontinuing operations under AS 24 Discontinuing Operations. The following statement shows the revenue, expenses and profits of the discontinuing operation for the year ended 31 March 2014.

	Rs. Million	
	For the year ended 31 March 2014	For the year ended 31 March 2013
Income		
Revenue from operations	17,969.038	18,107.763
Other income	485.356	392.505
	18,454.394	18,500.268
Expenditure		
Cost of materials consumed	6,638.509	7,323.264
Employee benefits expenses	2,387.531	2,761.158
Finance cost	(201.559)	25.670
Depreciation and amortisation	684.407	622.733
Other expenses	7,050.178	5,463.583
	16,559.066	16,196.408
Profit before exceptional items and tax	1,895.328	2,303.860
Exceptional items (refer note 19)	(32,357.347)	-
Profit/(loss) before tax	(30,462.019)	2,303.860
Income tax expense	15.854	14.689
Profit/(loss) after tax	(30,477.873)	2,289.171

The carrying value of the assets and liabilities of the discontinuing operations is as follows:

	As at 31 March 2014		As at 31 March 2013	
	Continuing operations	Discontinuing operations	Continuing operations	Discontinuing operations
Total assets (excluding goodwill)	91,951.372	27,605.462	91,461.460	21,323.000
Total liabilities	110,325.689	7,920.252	111,540.376	5,306.000

The net cash flows attributable to the discontinuing operations are as follows:

	Rs. Million	
	31 March 2014	31 March 2013
Net cash generated from operating activities	1,173.462	648.569
Net cash generated from/(used in) investing activities	161.435	(188.662)
Net cash used in financing activities	(235.630)	(301.728)
Net cash generated from discontinuing operations	1,099.267	158.179

28. Capital and other commitments

- (a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 724.360 Million (2013: Rs. 568.673 Million).
- (b) Other commitment as on 31 March 2014
 - (i) Advertising contracts, sales promotion and Trade Mark fee - Rs. 8,393.593 Million (2013: Rs.1,383.516 Million)
 - (ii) Players and support staff - Rs. 681.176 (2013: Rs 579.375 Million)

29. Contingent liabilities

	Rs.Million	
	As at 31 March 2014	As at 31 March 2013
(a) Guarantees given by the Company's bankers for which counter guarantees have been given by the Company	259.344	315.063
(b) Disputed claims against the Group not acknowledged as debts, currently under appeal / sub judice:		
(i) State Excise demands for excess wastages and distillation losses	222.417	313.766
(ii) Central Excise demands under appeal	6.534	32.650
(iii) Service tax demands under appeal	474.777	831.159
(iv) Other miscellaneous claims (Refer note 34(b))	744.376	231.941
(v) Income tax demand (including interest) under appeal	2,400.377	2,588.020
(vi) Sales tax demands under appeal in various states	549.198	792.451
(c) Bills receivables discounted	426.307	897.126
(d) Claims from suppliers not acknowledged as debts	110.889	98.137
(e) Co-accepted bills of Tie-up units	349.832	509.757

- (f) Subsequent to the balance sheet date, the Company received a letter dated 5 May 2014 from the lawyers of an entity (Alleged Claimant) alleging that it had given loans amounting to Rs. 2,000.000 Million to Kingfisher Airline Limited (KFA) at an interest rate of 15% p.a. purportedly on the basis of agreements executed in December 2011 and January 2012. This matter came to the knowledge of the Board for the first time only after the Management informed the Board of the letter dated 5 May 2014. The letter alleges that amongst several obligations under these purported agreements, certain investments held by the Company were subject to a lien, and requires the Company, pending the repayment of the said loan, to pledge such investments in favour of the Alleged Claimant to secure the aforesaid loans. The Company has responded to this letter received from the lawyers of the Alleged Claimant vide its letter dated 3 June 2014, wherein the Company has disputed the claim and denied having created the alleged security or having executed any document in favour of the Alleged Claimant. The Company has reiterated its stand vide a follow-up letter dated 28 July 2014 and has asked for copies of purported documents referred to in the letter dated 5 May 2014. Subsequent to the above, the Company has received a letter dated 31 July 2014 from the Alleged Claimant stating that in light of certain addendums to the aforesaid purported agreements (which had inadvertently not been informed to their lawyers) the Alleged Claimant has no claim or demand of any nature whatsoever against inter alia the Company, including any claim or demand arising out of or connected with the documents / agreements referred to their lawyer's letter dated 5 May 2014. The Company has replied to the Alleged Claimant vide a letter dated 6 August 2014, noting the above mentioned confirmation of there being no claim or demand against the Company, and asking the Alleged Claimant to immediately provide to the Company all the alleged documents referred to in the letter dated 5 May 2014 and the addendum referred to in the letter dated 31 July 2014, and to also confirm the identity and capacity of the signatory to the letter dated 31 July 2014.

Subsequently, in September 2014, the Company obtained scanned copies of the purported agreements (including the purported power of attorney) and various communications between KFA and the Alleged Claimant. These documents indicate that while the purported agreements may have sought to create a lien on certain investments of the Company, subsequently, the Alleged Claimant and KFA sought to negotiate the release of the purported obligation to create such lien, which was formalised vide a second addendum in September 2012.

The Management has verified from a perusal of the minutes of meetings of the board of directors of the Company that the board of directors of the Company at the relevant time had not approved or ratified any such purported agreement. The Management has represented to the Board that till the receipt of scanned copies of the purported agreements in September 2014, the Company had no knowledge of these purported agreements. The Management, based on legal advice received, does not expect any liability or obligation to arise on the Company out of these purported agreements.

Consolidated Financial Statements

Notes to the consolidated financial statements (continued)

30. Fixed assets

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 United Spirits (Great Britain) Limited and its subsidiaries in respect of depreciation on fixed assets are different from accounting policies of the Company as mentioned in Note 1.7. The proportion of the fixed assets in the consolidated financial statement to which different accounting policies have been applied are as below:

	Rs. Million			
	2014		2013	
	Gross block	Proportion (%)	Gross block	Proportion (%)
Building	3,738.630	41%	3,071.943	39%
Plant and equipments	7,337.034	36%	6,025.364	35%
Vehicles	31.048	11%	26.387	8%

31. Foreign currency transactions

- The Group has marked to market all the outstanding derivative contracts on the consolidated balance sheet date and has recognised the resultant loss amounting to Rs. 573.441 Million (2013: Rs. 152.015 Million) in the consolidated statement of profit and Loss.
- As at 31 March 2014, the Group has the following derivative instruments outstanding:
 - Interest and currency swap arrangement (USD) in connection with borrowings amounting to USD Nil (2013: USD 85.000 Million).
 - Interest rate swap arrangements in connection with borrowings amounting to GBP 370.000 Million (2013: GBP 90.000 Million).
- The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under:

Currency	Amount in Rs.	Amount in foreign currency	In Million	
			Amount in Rs.	Amount in foreign currency
Receivables				
US Dollars	948.474	15.829	627.205	11.555
Singapore Dollars	-	-	46.660	1.065
Euros	166.370	2.022	0.695	0.010
United Arab Emirates Dirhams	0.358	0.022	0.828	0.056
Payables				
Canadian Dollars	22.146	0.410	20.397	0.382
US Dollars	65.552	1.094	23.720	0.437
Great Britain Pounds	49.297	0.495	3.040	0.037
Singapore Dollars	2.467	0.052	6.922	0.158
Euros	25.425	0.309	26.669	0.384

32. TMU operation details:

The Company has entered into arrangements with certain distilleries and bottling units (Tie-up units) for manufacture and marketing of its own brands. The Tie-up units have necessary license and regulatory permits to manufacture beverage alcohol. The arrangements stipulates the obligations of each party and the entire manufacturing activity is carried out under the close supervision of the Company executives. It is the responsibility of the Company to Market its products and ensure adequate finance to the tie-up units for its operations. The risk and reward of the activity lies with the Company. In the circumstances, it is considered appropriate to disclose the following information (Unaudited), as applicable to such activities.

- (i) Income from operation through other distilleries/Bottling units reflect the net constitution from the sales made by these Units and is detailed as under:

	Rs. Million	
	For the year ended 31 March 2014	For the year ended 31 March 2013
Gross sales	18,297.560	18,706.780
Net sales	16,648.540	17,283.293
Cost of sales	11,631.676	12,209.598
Gross profit	5,016.864	5,073.695
Expenses	402.704	426.051
Income	4,614.160	4,647.644

33. On 8 November 2013, the Board of Directors have approved the scheme of arrangement between United Spirits Limited and Enrica Enterprises Private Limited ('Enrica') and its shareholders and creditors as the case may be ('the Scheme') in respect of transfer of undertaking of the Company in Tamil Nadu by way of slump sale on a going concern basis under Section 391 read with Section 394 of the Companies Act, 1956 with appointed date of 1 April 2013. The Scheme has been approved by the Equity Shareholders, Secured Creditors and Unsecured Creditors at their Court convened meeting held on 16 June 2014. The relevant petition has been filed before the respective Jurisdictional High Courts by the Company and Enrica and awaiting for their approval.

The Company has also entered into a Franchise Agreement with Enrica which prescribes a royalty payment to the Company for grant of manufacturing, marketing, distribution and sale rights to Enrica in defined territories. From the Appointed Date up to the Effective Date, the royalty payable shall be a fixed amount per case or the Franchisee's profit (before tax and royalty) in respect of the franchised products, whichever is lower. Subsequent to the Effective Date royalty at net sales realisation linked slab rate will accrue to the Company as per the Franchise Agreement.

Pending approval of the scheme, no effect has been given in the consolidated financial statements of the current year. Considering the Franchise Agreement with Enrica, the difference between the royalty and the unit's profit in respect of the franchised products will not be significant when the Scheme is effective. In the interim, the Company holds the business and the net assets of the undertaking in trust on behalf of Enrica. A summary of the statement of profit and loss and the statement of assets and liabilities of the undertaking in Tamil Nadu for the year ended 31 March 2014 is as below:

Statement of profit and loss for the year ended 31 March 2014

Particulars	Rs. Million
Net sales	4,530.124
Material cost	3,179.072
Gross profit	1,351.052
Other expenses	1,268.475
Profit before tax	82.577

Consolidated Financial Statements

Notes to the consolidated financial statements (continued)

Statement of assets and liabilities as at 31 March 2014

Particulars	Rs. Million
Total assets	2,101.707
Total liabilities	864.142
Net assets	1,237.565

34 (a) Bank facility

The credit facilities sanctioned by one of the Company's bankers include a special covenant that needs to be complied by 30 September 2014. On the due date, if the condition remains unsatisfied, the credit facilities will be withdrawn. The fund-based and non fund-based working capital limits available from this bank are Rs. 3,250.000 Million and Rs. 500.000 Million respectively. There are ongoing discussions with the bank to address the issue. In any event, the Management believes that the Company is in a position to meet its funding requirement.

(b) Prepayment of credit facility

During the year ended 31 March 2014, the Company decided to prepay credit facilities availed in the earlier years from a bank amounting to Rs. 6,216.600 Million secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust. The Company deposited a sum of Rs. 6,280.000 Million including prepayment penalty of Rs. 40.000 Million with the bank and instructed the bank to debit the amount from the cash credit account towards settlement of the loan and release the assets / shares pledged by the Company. The bank, however, disputed the prepayment and continues to debit the account towards the installments and interest as per the loan agreement. The Company has disputed the same and a petition is pending before the Honourable High Court of Karnataka. Pending resolution of such dispute with the bank, the loan amount and balance available in cash credit account is presented on net basis in the consolidated financial statements as at 31 March 2014. The interest amounting to Rs. 276.000 Million debited by the bank has been disclosed as Contingent Liability under the Miscellaneous claims not acknowledged as debts.

(c) Subsequent to the balance sheet date, a bank has declared one of the directors of the Company as a willful defaulter in respect of another company where he is a promoter director. The Reserve Bank of India's Master Circular on Willful Defaulters along with certain covenants in the loan agreements sanctioned by the Company's bankers raise an uncertainty on the impact of this development on the availability of credit facilities to the Company. The said director has assured the Board that he will take appropriate steps to ensure that the operations of the Company are not impacted. Having received such assurance from the said director and appropriate comfort from the controlling shareholder of the Company, the consolidated financial statements have been prepared on a going concern basis.

35 Provision for doubtful receivable, advances and deposits

- (a) Certain parties who had previously given the required undisputed balance confirmations for the year ended 31 March 2013, claimed in their balance confirmations to the Company for the year ended 31 March 2014 that they have advanced certain amounts to certain alleged UB Group entities, and that the dues owed by such parties to the Company will, to the extent of the amounts owing by such alleged UB Group entities to such parties in respect of such advances, be paid / refunded by such parties to the Company only upon receipt of their dues from such alleged UB Group entities. These dues of such parties to the Company are on account of advances by the Company in the earlier years under agreements for enhancing capacity, obtaining exclusivity and lease deposits in relation to Tie-up Manufacturing Units (TMUs); agreements for specific projects; or dues owing to the Company from customers. These dues were duly confirmed by such parties as payable to the Company in such earlier years. However, such parties have now disputed such amounts as mentioned above. Details are as below:

Nature of parties	Rs. Million		
	Amount claimed as due from alleged UB Group entities	Interest claimed as due from alleged UB Group entities	Total Amount owing to the Company which was disputed
(a) Trade receivables	1,950.000	350.180	2,300.180
(b) Tie-up Manufacturing Units	1,880.000	226.800	2,106.800
(c) Project related parties	1,500.000	-	1,500.000
	5,330.000	576.980	5,906.980

In response to these claims, under the instruction of the Board, a preliminary internal inquiry was initiated by the Management. The results of this inquiry were as follows:

- (i) One party (which falls under (a) above), who owes certain amounts to the Company, has disputed an amount of Rs. 2,240.700 Million (including interest claimed by it as due from an alleged UB Group entity), alleging that it had advanced monies to such alleged UB Group entity based on an understanding that, to the extent of the amounts owed to it from such alleged UB Group entity in respect of such advance, it could withhold from the amounts payable by it to the Company, and such party has said that it would not pay its dues to the Company to the extent of the amounts claimed by it from such alleged UB Group entity as mentioned above, unless it received repayment of the amount advanced by it to such alleged UB Group entity along with interest.
- (ii) Certain parties (which fall under [(a) and (b)] above), who owe certain amounts to the Company, have disputed an aggregate amount of Rs. 984.500 Million (including interest claimed by them as due from certain alleged UB Group entities), alleging that they had advanced monies to such alleged UB Group entities and that, to the extent of such dues from such alleged UB Group entities, they would not repay the amounts owed by them to the Company unless they received repayment of the amounts advanced by them to such alleged UB Group entities.
- (iii) Certain other parties (which fall under [(b) and (c)] above) changed their original stand and acknowledged that their dues from the alleged UB Group entities were based on transactions that were independent of their dealings with the Company. These parties have subsequently provided appropriate confirmations of the relevant balances due from them to the Company. The related balances are Rs. 2,681.800 Million.
- (iv) In addition to the above, there is an additional party, being a TMU, whose allegations are on a similar basis to those of the parties mentioned at (iii) above and who has subsequently provided an appropriate confirmation of the balance due from it to the Company. However, this party's undertaking has closed down and the related balance of Rs. 648.500 Million (including interest) has been provided in the current year.
- (v) The claims made in relation to the advances to the parties (including the additional party) mentioned above may indicate that all or some of such amounts may have been improperly advanced from the Company to such parties for, in turn, being advanced to the alleged UB Group entities. The aforesaid, however can only be confirmed by a detailed inquiry which has been authorized by the Board as mentioned below.

The Company is proposing to more fully inquire into the allegations or claims by the parties in detail and does not acknowledge the correctness of the same. In any event, the Management does not believe that the parties referred to above are entitled to withhold payment / repayment to the Company as claimed by them. The Management further believes that the Company is entitled to recover all the above amounts, including those disputed by certain parties as mentioned in notes (i) and (ii) above, as and when due from these parties. However, the Management has also examined the financial capability of some of these parties, based on which the Management has concluded that the ability of these parties to pay, and consequently the recoverability of, the relevant amounts is doubtful. After considering the above and other considerations and though the above claims were received only when the Company sought balance confirmations from the relevant parties for the year ended 31 March 2014, as a matter of prudence, a provision has been made in the accounts in respect of the dues from these parties (including interest claimed up to the various dates of the balance confirmations from these parties) as detailed below, and as these transactions relate to the period prior to 1 April 2013 they have been reflected as prior period items in the consolidated financial statements:

	Rs. Million
Nature of parties	Amount provided
(a) Trade receivables	2,300.180
(b) Tie-up Manufacturing Units	2,695.300
(c) Project related parties	1,500.000
	6,495.480

Based on the current knowledge of the Management, the Management believes that the aforesaid provision is adequate and no additional material adjustments are likely to be required in relation to this matter.

As mentioned in Note 35(c), the Board has: (i) directed a detailed and expeditious inquiry into this matter and (ii) authorized the initiation of suitable action and proceedings as considered appropriate by the Managing Director and Chief Executive Officer (MD) for recovering the Company's dues. Appropriate other action will also be taken commensurate with the outcome of that inquiry.

Pending completion of the inquiry mentioned in note 35(c), the Company is unable to determine whether, on completion of the inquiry, there could be any impact on these consolidated financial statements; and these consolidated financial statements should be read and construed accordingly.

- (b) Certain pre-existing loans / deposits / advances due to the Company and its wholly-owned subsidiaries from United Breweries (Holdings) Limited (UBHL) which were in existence as on 31 March 2013, had been taken into consideration in the consolidated annual accounts of the Company drawn up as of that date. Pursuant to a previous resolution passed by the Board of Directors of the Company on 11 October 2012, such dues (together with interest) aggregating to Rs. 13,374.000 Million were consolidated into, and recorded as, an unsecured loan by way of an agreement entered into between the Company and UBHL on 3 July 2013. The interest rate under the above mentioned loan agreement dated 3 July 2013 is at 9.5% p.a. to be paid at six months intervals starting at the end of 18 months from the effective date of the loan agreement. The loan has been granted for a period of 8 years and is payable in three annual installments commencing from the end of 6th anniversary of the effective date of the loan agreement.

Certain lenders have filed petitions for winding up against UBHL. UBHL has provided guarantees to lenders and other vendors of Kingfisher Airlines Limited (KFA), a UB Group entity. Most of these guarantees have been invoked and are being challenged in Courts. The Company has also filed its affidavit opposing the aforesaid winding up petitions and the matter is sub-judice.

The Management has performed an assessment of the recoverability of the loan and has reviewed valuation reports in relation to UBHL prepared by reputed independent valuers that were commissioned by UBHL, and shared by UBHL with the Company. As a result of the abovementioned assessment and review by the Management, in accordance with the recommendation of the Management, the Company, as a matter of prudence, has not recognized interest income of Rs. 963.069 Million and has provided Rs. 3,303.186 Million towards the principal outstanding as at 31 March 2014. The Management believes that it should be able to recover, and no further provision is required for the balance amount of Rs. 9,956.806 Million, though the Company will attempt to recover the entire amount of Rs. 14,223.061 Million. However, the Management will continue to assess the recoverability of the said loan on an ongoing basis.

- (c) The Board has directed a detailed and expeditious inquiry in relation to the matters stated in Notes 35(a), 35(b) and 29(f) above, the possible existence of any other transaction of a similar nature; the role of individuals involved; and potential non-compliance (if any) with the provisions of the Companies Act, 1956 and other regulations applicable to the Company in relation to such transactions. The Board has directed the Managing Director ("MD") to engage independent advisers and specialists as required for the inquiry. The Board has also authorized the MD to take suitable action and proceedings as considered appropriate by him for recovering the Company's dues. Appropriate other action will also be taken commensurate with the outcome of that inquiry. On the basis of the knowledge and information of the Management, the Management believes that no additional material adjustments to the consolidated financial statements are likely to be required in relation to the matters mentioned above in this note. However, pending completion of the detailed inquiry mentioned above, the Company is unable to determine the impact on the consolidated financial statements (if any), on completion of such detailed inquiry, and these consolidated financial statements should be read and construed accordingly.

36. The accounts of certain banks, secured loans, trade receivables, trade payables, other current liabilities and loans and advances pertaining to Pioneer Distilleries Limited, Sovereign Distilleries Limited and Tern Distilleries Private Limited are subject to formal confirmations/reconciliation and consequent adjustments if any. The Management does not expect any material difference affecting the current period's consolidated financial statements on such reconciliations/adjustments.

37. Appointment of CEO and Managing Director

Subsequent to the balance sheet date, Board of Directors of the Company at its meeting held on 14 August 2014, have appointed Mr. Anand Kripalu as the Managing Director & Chief Executive Officer of the Company, subject to the shareholders' approval.

Consolidated Financial Statements

Notes to the consolidated financial statements (continued)

38. Regroupings

Previous year's figures have been regrouped / reclassified as per the current year's presentation for the purpose of comparability. The following significant regroupings/reclassifications of the previous year figures have been made

Particulars	Previous year grouping	Current year grouping	Rs in Million
In consolidated balance sheet	Long-term borrowings - Inter corporate deposit	Other current liabilities - Interest accrued but not due	34.627
In consolidated balance sheet	Trade payables - Trade creditors	Other current liabilities - Other liabilities	2,865.965
In consolidated balance sheet	Non-current investments	Current investments	1,196.969
In consolidated balance sheet	Advance income tax(net)	Short term provision - Provi- sion for income tax(net of advance tax)	981.112
In consolidated balance sheet	Long term loans and advances - Security deposits	Long-term loans and advances - Other recoverables	1,700.000
In consolidated balance sheet	Other non-current assets - Others - Long term deposit with banks: On deposit account	Cash and bank balances - Other bank balances	378.819
In consolidated balance sheet	Cash and bank balances - Balances with banks	Cash and bank balances - Other bank balances	586.459
In consolidated balance sheet	Cash and bank balances - Balances with banks	Cash and bank balances - Other bank balances	83.260
In consolidated balance sheet	Trade receivables - Others (Considered good)	Trade receivables - Exceeding six months (Considered good)	848.000
In consolidated balance sheet	Other non-current assets - Un- amortised debt issue expenses	Current assets - Unamortised debt issue expenses	439.465
In consolidated balance sheet	Short-term loans and ad- vances - Tax and duties paid in advance	Long-term loans and advances - Advance income tax	150.583
In consolidated statement of profit and loss	Other expenses - Advertisement and sales pro- motion	Revenue from operations - Sales (gross)	(418.254)
In consolidated statement of profit and loss	Revenue from operations - Income from brand franchise	Revenue from operations - Income arising from sale by manufacturers under 'Tie-up' agreements (Tie-up units)	235.046
In consolidated statement of profit and loss	Other operating income - Miscellaneous	Other expenses- Freight outward	98.568
In consolidated statement of profit and loss	Cost of materials consumed - Raw materials	Revenue - Excise duty	1,496.840
In consolidated statement of profit and loss	Cost of materials consumed - Raw materials	Other expenses - Distribution costs, Freight outward	129.425
In consolidated statement of profit and loss	Employee benefits expense - Salaries, wages and bonus	Other expenses - Contract wages	422.451
In consolidated statement of profit and loss	Other expenses - Rent	Revenue from operations - Income from brand franchise	50.000
In consolidated statement of profit and loss	Other expenses - Provision for doubtful debts/ advances/ deposits	Other expenses - Various	520.719

Consolidated Financial Statements

Notes to the consolidated financial statements (continued)

39. The consolidated financial statements for the year ended 31 March 2013 were audited by a firm other than B S R & Co. LLP.

As per our report of even date attached.

for B S R & Co. LLP
Chartered Accountants
Firm registration number: 101248W/W-100022

Sunil Gaggar
Partner
Membership number:104315

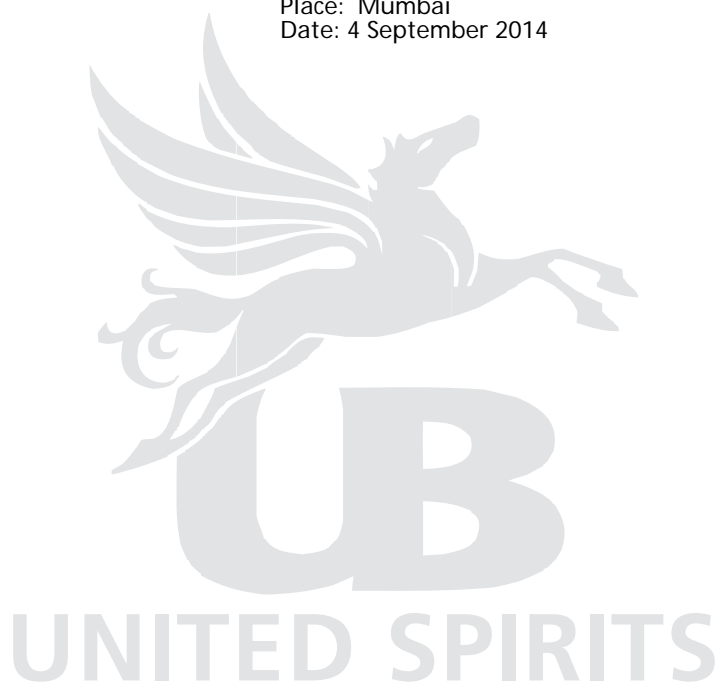
Place: Mumbai
Date: 4 September 2014

for and on behalf of Board of Directors

Anand Kripalu
Managing Director & CEO
Ravi Rajagopal
Director

Place: Mumbai
Date: 4 September 2014

P.A.Murali
Executive Director & CFO
V.S.Venkataraman
Company Secretary



NOTES





UNITED SPIRITS LIMITED

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

Tel: +91 80 3985 6500, Fax: +91 80 3985 6862

Corporate Identity Number: L01551KA1999PLC024991; Email: uslinvestor@unitedspirits.in

Website: www.unitedspirits.in



United Spirits Limited

Corporate Identity Number: L01551KA1999PLC024991

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

Tel: +91 80 3985 6500; Fax: +91 80 3985 6862; www.unitedspirits.in, Email: uslinverstor@unitedspirits.in

ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall.

I / we hereby record my / our presence at the 15th Annual General Meeting held on Tuesday, September 30, 2014 at 2.30 p.m. at Level 1, UB Tower, #24, Vittal Mallya Road, Bangalore 560 001.

--

Name of the Member / Proxy / Authorised Representative * _____

Signature of the Member / Proxy / Authorised Representative* _____

*strike off whichever is not applicable

Notes:

1. The Company will accept only Attendance Slip of a person personally attending the meeting as a Member or valid proxy duly registered in time with the Company. The Company will not accept Attendance Slip from any other person even if signed by a Member. Members are requested not to be accompanied by non-Members or children.
2. Persons representing bodies corporate are required to submit with the Company original Resolution of the Board of Directors or other governing body of such Member, authorizing such person to act as its representative under Section 113 of the Companies Act, 2013.
3. Shareholders/Proxy holder/Authorised Representative attending the meeting should bring his/her copy of Annual Report for reference at the meeting.
4. To facilitate Members, registration of attendance will commence at 1.30 p.m. on September 30, 2014.
5. E-voting particulars are set out below:\

EVEN (Electronic Voting Event Number)	USER ID	PASSWORD

Please refer Notice for instructions on e-voting.

E-voting facility will be open during the following period.

Commencement of E-voting	End of E-voting
Wednesday, September 24, 2014 at 9.00 a.m.	Friday, September 26, 2014 at 6.00 p.m.

Members Are Advised That No Gifts Will Be Distributed At The
Annual General Meeting



United Spirits Limited

Corporate Identity Number: L01551KA1999PLC024991

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

Tel: +91 80 3985 6500; Fax: +91 80 3985 6862; www.unitedspirits.in, Email: uslinverstor@unitedspirits.in

PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the member(s) : _____

Registered Address : _____

E-mail Id : _____

Folio No / Client Id : _____

DP Id : _____

I/We, being holder (s) of _____ equity shares of United Spirits Limited hereby appoint

1. Name: _____ Address: _____

E-mail Id: _____ Signature: _____ or failing him / her

2. Name: _____ Address: _____

E-mail Id: _____ Signature: _____ or failing him / her

3. Name: _____ Address: _____

E-mail Id: _____ Signature: _____

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 15th Annual General Meeting of the Company to be held on Tuesday, September 30, 2014 at 2.30 p.m. at Level 1, UB Tower, #24, Vittal Mallya Road, Bangalore 560 001 and at any adjournment thereof in respect of such resolutions as are indicated below:

1	To receive, consider and adopt Audited Statement of Profit and Loss for the financial year ended March 31, 2014, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2	To appoint a Director in place of Dr. Vijay Mallya (DIN 00122890), who retires by rotation and being eligible offers himself for re-appointment.
3	Not to fill as of the current date, the vacancy in the Board of Directors of the Company arising out of the retirement of Mr. Gilbert Ghostine (DIN: 06555302) who has not offered himself for re-appointment.
4	To Appoint statutory Auditors and to fix their remuneration.
5	Appointment of Mr. Sudhakar Rao (DIN: 00267211) as an Independent Director for a term of five years.
6	Appointment of Mr. D.Sivanandhan (DIN: 03607203) as an Independent Director for a term of five years.
7	Appointment of Dr. (Mrs.) Indu Shahani (DIN: 00112289) as an Independent Director for a term of five years.
8	Not to fill as of the current date, the vacancy in the Board of Directors of the Company arising out of Mr. G.N. Bajpai (DIN: 00946138) not offering himself for re-appointment as an Independent Director.
9	Not to fill as of the current date, the vacancy in the Board of Directors of the Company arising out of Mr. Arunkumar Ramanlal Gandhi (DIN: 00007957) not offering himself for re-appointment as an Independent Director.
10	Not to fill as of the current date, the vacancy in the Board of Directors of the Company arising out of Mr. Vikram Singh Mehta (DIN: 00041197) not offering himself for re-appointment as an Independent Director.
11	Appointment of Mr. Anand Kripalu (DIN: 00118324) as a Director.
12	Appointment of and remuneration payable to Mr. Anand Kripalu as Managing Director and Chief Executive Officer.
13	Revision in the terms of remuneration payable to Mr. P.A. Murali, Executive Director.
14	Approval of the Borrowing Limit.
15	Approval to contribute to bona fide charitable and other funds.
16	Payment of Remuneration to Non-Executive Directors.

Affix Rs.1/-
Revenue
Stamp

Signature of the Shareholder(s): _____

Signature of the Proxy holder (s): _____

Notes:

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. A person can act as a proxy on behalf of Members not more than fifty members and holding in aggregate not more than ten percent of the total Share Capital of the Company. Further a Member holding more than ten percent of the total Share Capital of the Company carrying voting rights can appoint a single person as proxy and such person shall not act as a proxy for any other Member.
3. A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member.

FORM B

Format of covering letter of the Annual Audit Report to be filed with the Stock Exchanges

1.	Name of the Company	United Spirits Limited
2.	Annual financial statements for the year ended	31 March 2014
3.	Type of audit qualification	Qualified opinion per audit report dated 4 September 2014.
4.	Other audit observations	Matter of Emphasis (EOM) per audit report dated 4 September 2014.
5.	Frequency of qualification	Observations stated in the audit report dated 4 September 2014 on the standalone and consolidated financial statements of the Company have been reported for the first time, for the year ended 31 March 2014.



Alc.

6.	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:	Please see: Annexure I – Basis of Qualified Opinion and qualifications in annexure to the auditor's report (CARO), on standalone financial statements along with Directors' responses.
7.	Additional comments from the Board/Audit Committee chair:	Annexure II – EOM to the auditor's report on standalone financial statements. Annexure III – Basis of Qualified Opinion to the auditor's report on consolidated financial statements along with Directors' responses. Annexure IV - EOM to the auditor's report on consolidated financial statements.

for **B S R & Co. LLP.**

Chartered Accountants

Firm Registration Number: 101248W/W-100022


Sunil Gaggar

Partner

Membership No.: 104315

Place: Bangalore

Date: 11 September 2014

for **United Spirits Limited**


Anand Kripalu

Managing Director &
Chief Executive Officer

Place : Mumbai

Date : 11 September 2014

P.A.Murali

Executive Director &
Chief Financial Officer

Place: Bangalore

Date : 11 September 2014


Arunkumar Ramanlal Gandhi

Audit Committee Chairman

Place: **MUMBAI**

Date: 11 September 2014

The Statutory Auditors have qualified their opinion in the independent audit report in relation to the matters specified in Notes 26(a), 26(b), 26(c) and 30(f) to the standalone financial statements as follows:

1. Auditor's observations under Paragraph 1 'Basis for Qualified Opinion' of the Auditor's report to the financial statements:

As stated in Note 26(a) to the financial statements, certain parties who had previously given the required undisputed balance confirmations for the year ended 31 March 2013, alleged during the current year, that they have advanced certain amounts to certain alleged UB Group entities and linked the confirmation of amounts due to the Company to repayment of such amounts to such parties by the alleged UB Group entities. Also, some of these parties stated that the dues to the Company will be paid / refunded only upon receipt of their dues from such alleged UB Group entities. These dues of such parties are on account of advances by the Company in the earlier years under agreements for enhancing capacity, obtaining exclusivity and lease deposits in relation to Tie-up Manufacturing Units; agreements for specific projects; or dues owing to the Company from customers. These claims received in the current year may indicate that all or some of such amounts may have been improperly advanced from the Company to such parties for, in turn, being advanced to the UB Group entities. However, this can only be confirmed after a detailed inquiry. Based on the findings of the preliminary internal inquiry by the Management, under the instructions of the Board of Directors; and Management's assessment of recoverability, an aggregate amount of Rs. 6,495.4 million has been provided in the financial statements and has been disclosed as prior period items. Based on its current knowledge, the Management believes that the aforesaid provision is adequate and no additional material adjustments to the financial statements are likely to be required in relation to this matter. As stated in paragraph 4 below, the Board of Directors have instructed the Management to undertake a detailed inquiry into this matter. Pending such inquiry, we are unable to comment on the nature of these transactions; the provision established; or any further impact on the financial statements.

Directors' response: Information and explanation on the qualification on paragraph 1 of the audit report is provided in Note 26(a) to the financial statements. In particular, as stated in Note 26(a), the transactions referred to in the said Note are on account of amounts that were advanced by the Company in the earlier years and were duly confirmed by the relevant parties as payable to the Company in such earlier years, but were disputed by such parties for the first time when the Company sought balance confirmations from them for the year ended 31 March 2014. This was brought to the attention of the Board after 31 March 2014. Accordingly, as mentioned in Note 26(a), as a matter of prudence, the amounts mentioned in the Note 26(a) have now been provided for. Since the transactions referred to in the said Note 26(a) were entered in to prior to 31 March 2013, they have been reflected as prior period items in the financial statements.

Further, as mentioned in Note 26(a), the Board has: (i) directed a detailed and expeditious inquiry into this matter and (ii) authorized the initiation of suitable action and proceedings as considered appropriate by the Managing Director and Chief Executive Officer (MD) for recovering the Company's dues. Appropriate other action will also be taken commensurate with the outcome of that inquiry.



ALC.

2. Auditor's observations under Paragraph 2 'Basis for Qualified Opinion' of the Auditor's report to the financial statements:

As stated in Note 30(f) to the financial statements, subsequent to the balance sheet date, the Company received a letter dated 5 May 2014 from the lawyers of an entity (Alleged Claimant) alleging that the Alleged Claimant had advanced loans amounting to Rs. 2,000 million to Kingfisher Airlines Limited (hereinafter referred to as "KFA"), a UB Group entity, in an earlier year on the basis of agreements, executed in December 2011 and January 2012, through which the Company was alleged to have created a lien on certain investments in favour of the Alleged Claimant as security for the aforesaid loans. The letter alleged that KFA had defaulted in repayment of the aforesaid loans as well as interest of Rs. 790 million due thereon and demanded that the Company should pay the aforesaid amounts and pending such repayments, create a valid pledge on the specified investments. The Company responded to the aforesaid letter vide its letters dated 3 June 2014 and 28 July 2014, wherein the Company denied knowledge of the purported loan transactions and the purported agreements for the creation of security on such investments held by the Company. A letter dated 31 July 2014 was received from the Alleged Claimant wherein they have stated that the notice sent earlier did not take into account an addendum to the loan agreement; and after examining the aforesaid addendum, they have no claim or demand of any nature against the Company. In September 2014, scanned copies of the purported agreements and certain related documents were obtained by the Company. These documents indicate that while the agreements may have sought to create a lien on certain investments of the Company; subsequently, the Alleged Claimant and KFA sought to negotiate the release of the lien, which was formalised vide a second addendum in September 2012.

The Management has represented to us that the Company had no knowledge of these purported agreements; that the Board of Directors of the Company have not approved any such purported agreements; and it is not liable under any such purported agreements. We are unable to conclude on the validity of these agreements; any required compliance with the provisions of the Companies Act, 1956; and any consequential impact of the same.

Directors' response: Information and explanation on the qualification at paragraph 2 of the audit report is provided in Note 30(f) to the financial statements. In particular, as stated in Note 30(f), the claim is based on documents purportedly executed by the Company in the months of December 2011 and January 2012. However, the claim was received by the Company only after the year ended 31 March 2014. This matter was only thereafter brought to the knowledge of the Board by the Management. A letter dated 31 July 2014 was received from the Alleged Claimant wherein they have stated that the notice sent earlier did not take into account an addendum to the loan agreement; and after examining the aforesaid addendum, they have no claim or demand of any nature against the Company. Subsequently, in September 2014, the Company obtained scanned copies of the purported agreements (including the purported power of attorney) and various communications between KFA and the Alleged Claimant. These documents indicate that while the purported agreements may have sought to create a lien on certain investments of the Company, subsequently, the Alleged Claimant and KFA sought to negotiate the release of the purported obligation to create such lien, which was formalised vide a second addendum in September 2012.

The Management has verified from a perusal of the minutes of meetings of the board of directors of the Company that the board of directors at the relevant time had not approved or ratified any such documents. Accordingly, the Company has, in its responses to the Alleged



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Claimant, disputed the alleged claim and denied having created the alleged security or having executed any document in favour of the Alleged Claimant. Further, the Management, based on legal advice received, does not expect any liability or obligation to arise on the Company out of these allegations.

3. Auditor's observations under Paragraph 3 'Basis for Qualified Opinion' of the Auditor's report to the financial statements:

As stated in Note 26(b) to the financial statements, the Company and its subsidiaries had various pre-existing loans / advances / deposits due from United Breweries (Holdings) Limited (hereinafter referred to as "UBHL"). During the current year, pursuant to a previous resolution passed by the Board of Directors on 11 October 2012, these dues (together with interest) were consolidated into an unsecured loan aggregating Rs. 13,374 million vide an agreement dated 3 July 2013. The loan has been granted for a period of 8 years with a moratorium period of 6 years. Certain lenders have filed petitions for winding-up against UBHL. UBHL has provided guarantees to lenders and other vendors of Kingfisher Airlines Limited, which have been invoked and are currently being challenged in courts. The Company has also filed its affidavit opposing the aforesaid winding-up petition and the matter is sub-judice. Based on its assessment of the recoverability of the loan, the Company has made a provision of Rs. 3,303 million against the loan outstanding and has not recognised the interest income of Rs. 963 million on the loan. Given the various uncertainties involved with respect to the litigations involving UBHL as aforesaid and the extended period for repayment of the loan, we are unable to comment on the level of provision established.

Directors' response: Information and explanation on the qualification at paragraph 3 of the audit report is provided in Note 26(b) to the financial statements. In particular, as stated in Note 26(b), the Management has performed an assessment of the recoverability of the loan and has reviewed valuation reports in relation to UBHL prepared by reputed independent valuers that were commissioned by UBHL, and shared by UBHL with the Company. As a result of the abovementioned assessment and review by the Management, in accordance with the recommendation of the Management, the Company, as a matter of prudence, has not recognized interest income of Rs. 963 Million and has provided Rs. 3,303 Million towards the principal outstanding as at 31 March 2014. The Management believes that it should be able to recover, and no further provision is required for the balance amount of Rs. 9,957 Million, though the Company will attempt to recover the entire amount of Rs. 14,223 Million. However, the Management will continue to assess the recoverability of the said loan on an ongoing basis.

Further, the Board has directed the management to review the underlying loan agreement(s) and / or other relevant documents ("**Loan Documents**"), to *inter-alia* assess: (i) whether any event of default(s) under the Loan Documents has occurred on the part of UBHL; (ii) the legal rights and remedies which the Company has under the Loan Documents; (iii) whether the Company should invoke any of the remedies available to it under the Loan Documents (including recalling of the entire loan); and (iv) whether there is any scope of renegotiating the terms and conditions under the Loan Documents.

In this regard, the management should expeditiously take all the necessary steps to fully protect the interest of the Company and shareholders.



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4. Auditor's observations under Paragraph 4 'Basis for Qualified Opinion' of the Auditor's report to the financial statements:

As stated in Note 26(c) to the financial statements, the Board of Directors have instructed the Management to undertake a detailed inquiry in relation to the matters stated in the paragraphs above; the possible existence of any other transaction of a similar nature; the role of individuals involved; and potential non-compliance (if any) with the provisions of the Companies Act, 1956 and other regulations applicable to the Company. The Board has also instructed the Management to engage independent advisers and specialists, as required, for the inquiry. As the inquiry is yet to be carried out, we are unable to comment on any further adjustment that could be identified as a result of the inquiry; its resultant impact on the financial statements; and any potential non-compliances with the provisions of the Companies Act, 1956 and other regulations.

Directors' response: Information and explanation on the qualification at paragraph 4 of the audit report is provided in Note 26(c) to the financial statements. In particular, as stated in Note 26 (c) above, in addition to commissioning the inquiry, the Board has also authorized the MD to take suitable action and proceedings as considered appropriate by him for recovering the Company's dues. Appropriate other action will also be taken commensurate with the outcome of the inquiry commissioned by the Board. On the basis of the current knowledge and information of the Management, the Management believes that no additional material adjustments to the financial statements are likely to be required in relation to the matters mentioned in Note 26(a), 26(b) and 30(f) to the Statement. However, pending completion of the detailed inquiry mentioned above, the Company is unable to determine whether, on completion of such detailed inquiry, there could be any impact on the financial statements.

5. Auditor's observations under Paragraph 5 'Basis for Qualified Opinion' of the Auditor's report to the financial statements:

Though the observations in paragraph 1 above relate to claims received in the current year, the underlying transactions were entered into in earlier years. Accordingly, the financial statements of those earlier years and consequently the opening balances may be incorrectly stated to that extent. Further, the detailed inquiry as referred to in paragraph 4 above may result in further adjustments that may have an impact on the opening balances.

Directors' response: Information and explanation on the qualification at paragraph 5 of the audit report is provided in Note 26(a) to the financial statements. In particular, as stated in Note 26 (a), while the claims referred to in Note 26(a) were received only when the Company sought balance confirmations from the relevant parties for the year ended 31 March 2014, the transactions referred to in the said Note were entered in to prior to 31 March 2013 and therefore, they have been reflected as prior period items in the financial statements. Further, as stated in Note 26(a) (iii), the Management has stated to the Board that, on the basis of their current knowledge, no additional material adjustments to the financial statements are likely to be required in relation to the matters mentioned in the said Note. As mentioned in Note 26(c), the Board has commissioned the inquiry referred to in Note 26(c). Upon completion of the inquiry, the Board will consider impact on the financial statements, if any.



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6(a). Auditor's observation under Paragraph (iii)(a) of Annexure to the Auditor's Report:

According to the information and explanations given to us, the Company has granted an unsecured loan to a Company covered in the register maintained under Section 301 of the Companies Act, 1956 ('the Act') by way of conversion of certain pre-existing loans / advances / deposits due to the Company and its subsidiaries (refer paragraph 3 under 'Basis for Qualified Opinion'). The year-end balance of the loan and the maximum amount outstanding during the year amounted to Rs.13,374 million.

Further, as mentioned in paragraph 1 under 'Basis for Qualified Opinion', certain parties alleged that they have advanced certain amounts to certain alleged UB Group entities and linked the confirmation of amounts due to the Company to repayment of such amounts to such parties by the alleged UB Group entities. Also, some of these parties stated that the dues to the Company will be paid / refunded only upon receipt of their dues from such alleged UB Group entities. Considering the matters disclosed in paragraphs 1 and 4 of 'Basis for Qualified Opinion', we are unable to comment whether any such arrangements represent transactions with any company/ firm/ other party covered in the register maintained under Section 301 of the Act.

Directors' response: Information and explanation on the qualification at paragraph (iii)(a) of Annexure to the Auditor's report is provided in Note 26(a) to the financial statements. Further, the Management has certified to the Board that, on the basis of the Management's current information, particulars of contracts or arrangements that are required to be entered in the register maintained under section 301 of the Companies Act, 1956 (the Act) have been so entered. As mentioned in Note 26(c) to the financial results, the Board has ordered a detailed and expeditious inquiry in relation to the matters disclosed in paragraphs 1 and 4 of 'basis for qualified opinion' in the auditor's report. On completion of such inquiry, appropriate action if any will be taken.

6(b). Auditor's observation under Paragraph (iii)(b) of Annexure to Auditor's Report :

In our opinion, the rate of interest and other terms and conditions on which the above unsecured loan has been granted to the company covered in the register maintained under Section 301 of the Act as stated in sub-clause (a) above, are prima facie, prejudicial to the interest of the Company.

Based on its assessment of recoverability, the Company has during the current year, made a provision of Rs. 3,303 million against the loan and has not recognised any interest income (amounting to Rs. 963 million on the said loan).

Further, as mentioned in paragraph 1 under 'Basis for Qualified Opinion', a provision of Rs. 6,495.4 million has been made with respect to amounts due from certain parties who alleged that they have advanced certain amounts to alleged UB Group entities.

Directors' response: Management informed the Board that: (i) pursuant to a previous resolution passed by the board of directors of the Company on 11 October 2012, certain dues (together with interest) aggregating to Rs. 13,374 Million were consolidated into, and recorded as, an unsecured loan by way of an agreement entered into between the Company and UBHL on 3 July 2013; (ii) the interest rate of 9.5% p.a. was in accordance with Section 372A of the Companies Act, 1956, read with the circular issued by the Reserve Bank of India publishing the bank rate in terms section 49 of the Reserve Bank of India Act, 1934.



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The management and the nominee directors of the controlling shareholder have informed the Board that they will take all the necessary steps within their power and authority as management and directors of the Company to fully protect the interest of the shareholders in this regard.

Further, the Board has directed the management to review the underlying loan agreement(s) and / or other relevant documents ("Loan Documents"), to *inter-alia* assess: (i) whether any event of default(s) under the Loan Documents has occurred on the part of UBHL; (ii) the legal rights and remedies which the Company has under the Loan Documents; (iii) whether the Company should invoke any of the remedies available to it under the Loan Documents (including recalling of the entire loan); and (iv) whether there is any scope of renegotiating the terms and conditions under the Loan Documents.

In this regard, the management should expeditiously take all the necessary steps to fully protect the interest of the Company and shareholders.

6(c). Auditor's observation under Paragraph (iii)(c) of Annexure to Auditor's Report :

According to the information and explanations given to us, in case of the unsecured loan granted to the company covered in the register maintained under Section 301 of the Act as stated in sub-clause (a) above, no amounts were repayable during the year as per the terms of the loan agreement.

Considering the matters disclosed in paragraphs 1 and 4 under 'Basis for Qualified Opinion', we are unable to comment on the regularity in the receipt of the principal amount and interest relating to any other loan, secured or unsecured, that may have been granted to any company/ firm/ other party covered in the register maintained under Section 301 of the Act, as a result of the transactions disclosed in paragraphs 1 and 4 under 'Basis for Qualified Opinion'.

Directors' response: The Management has certified to the Board that, on the basis of the Management's current information, particulars of contracts or arrangements that are required to be entered in the register maintained under section 301 of the Act have been so entered. As mentioned in Note 26(b) to the Statement, the Board has ordered a detailed and expeditious inquiry in relation to the matters disclosed in paragraphs 1 and 4 of 'Basis for Qualified Opinion' in the auditor's report. On completion of such inquiry, appropriate action, if any, will be taken.

6(d). Auditor's observations under Paragraph (iii)(d) of Annexure to Auditor's Report:

According to the information and explanations given to us, in case of the unsecured loan granted to the company covered in the register maintained under Section 301 as stated in sub-clause (a) above, there is no overdue amount of more than Rupees one lakh in respect of the said loan.

Considering the matters disclosed in paragraphs 1 and 4 under 'Basis for Qualified Opinion', we are unable to comment whether there is overdue amount of more than Rupees one lakh in respect of any other loan, secured or unsecured, that may have been granted to any company/ firm/ other party covered in the register maintained under Section 301 of the Act, as a result of the transactions disclosed in paragraphs 1 and 4 under 'Basis for Qualified Opinion'.



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Directors' response: The Management has certified to the Board that, on the basis of the Management's current information, particulars of contracts or arrangements that are required to be entered in the register maintained under section 301 of the Act have been so entered. As mentioned in Note 26(b) to the financial statements, the Board has ordered a detailed and expeditious inquiry in relation to the matters disclosed in paragraphs 1 and 4 of 'Basis for Qualified Opinion' in the auditor's report. On completion of such inquiry, appropriate action, if any, will be taken.

6(e). Auditor's observation under Paragraph (iv) of Annexure to the Auditor's Report:

In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services during the year.

Except for the matter discussed below, we have not observed any major weaknesses in the internal control system during the course of the audit.

Considering the matters stated under 'Basis for Qualified Opinion', we are unable to comment on the adequacy of the internal control system of the Company at certain points in time during the earlier years with respect to such instances as stated under 'Basis for Qualified Opinion'.

Directors' response: The matters stated under 'Basis for Qualified Opinion' relate to the period prior to 1 April 2013. The Management believes that the Company has an internal control system commensurate with the size of the Company and the nature of its business. The Board has instructed the Management that, depending on the outcome of the inquiry, further strengthening of the internal control system should be carried out, as may be required.

6(f). Auditor's observation under Paragraph (v)(a) of Annexure to the Auditor's Report:

In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements entered into during the year referred to in Section 301 of the Act have been entered in the register required to be maintained under that Section.

However, considering the matters stated under 'Basis for Qualified Opinion', particularly paragraphs 1 and 4 thereof, we are unable to comment whether the particulars of any such contracts or arrangements that may result from the transactions disclosed under 'Basis for Qualified Opinion' and that need to be entered in the register maintained under Section 301 of the Act, have been so entered.

Directors' response: The Management has certified to the Board that, on the basis of the Management's current information, particulars of contracts or arrangements that are required to be entered in the register maintained under section 301 of the Act have been so entered. As mentioned in Notes 26(a), 26(b) and 30(f) to the financial statements, the Board has ordered a detailed and expeditious inquiry in relation to the matters disclosed in paragraphs 1 and 4 of 'Basis for Qualified Opinion' in the auditor's report. On completion of such inquiry, appropriate action, if any will be taken.



6(g). Auditor's observation under Paragraph (vii) of Annexure to the Auditor's Report:

In our opinion, the Company has an internal audit system commensurate with the size and nature of its business during the year, except in relation to matters stated under 'Basis for Qualified Opinion', where the internal audit system needs to be strengthened.

Directors' response: The matters stated under 'Basis for Qualified Opinion' relate to the period prior to 1 April 2013. The Management believes that the Company has an internal audit system commensurate with the size of the Company and the nature of its business. The Board has instructed the Management that, depending on the outcome of the inquiry, further strengthening of the internal audit system should be carried out, as may be required.

6(h). Auditor's observation under Paragraph (x) of Annexure to Auditor's Report:

The accumulated losses of the Company at the end of the year are not less than fifty percent of its net worth.

The Company has incurred cash losses in the financial year. However, no cash losses were incurred in the immediately preceding financial year.

Directors' response: The Board notes that the accumulated losses of the Company at the end of the year is 52% of its peak net worth in the previous four financial years. Therefore, the Company will be required to file a report under Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). The Board believes this report under Section 23 would arise as a technical requirement under SICA and does not reflect upon the long term prospects of the Company given the profitable nature of its business and as the accumulated losses are principally on account of exceptional items during the year.

6(i). Auditor's observation under Paragraph (xi) of Annexure to Auditor's Report:

In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to a bank or to any financial institution except that in case of loans due to banks, principal amounting to Rs 410 million and interest amounting to Rs 474 million were repaid with a delay of upto 67 days and 37 days, respectively. The Company did not have any outstanding debentures during the year.

Directors' response: The Management has informed the Board that as of 31 March 2014, there were no outstanding defaults by the Company of any dues to a bank or any financial institution.

6(j). Auditor's observation under Paragraph (xvi) of Annexure to Auditor's Report:

In our opinion and according to the information and explanations given to us, the term loans taken by the Company and applied during the year were for the purpose for which they were raised.

However, considering the matters stated under 'Basis for Qualified Opinion', particularly paragraphs 1, 3 and 4, we are unable to comment whether any transactions relating to such matters represent application of term loans for the purpose for which they were raised.



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Annexure 1

Directors' response: The Management has certified to the Board that, on the basis of the Management's current information, the Company has applied term loans taken by the Company during the year for the purpose for which they were raised. However, as mentioned in Note 26(c) to the financial statements, the Board has ordered a detailed and expeditious inquiry in relation to the matters disclosed in paragraphs 1, 3 and 4 of 'Basis for Qualified Opinion' in the auditor's report. On completion of such inquiry, appropriate action will be taken, as may be required.

6(k). Auditor's observation under Paragraph (xxi) of Annexure to Auditor's Report: As mentioned in detail in paragraphs 1 and 2 under 'Basis for Qualified Opinion', wherein it is stated that:

- certain parties alleged that they have advanced certain amounts to certain alleged UB Group entities and linked the confirmation of amounts aggregating to Rs. 5,846.9 million due to the Company to repayment of such amounts to such parties by the alleged UB Group entities. Further, some of these parties stated that the dues to the Company will be paid / refunded only upon receipt of their dues from such alleged UB Group entities; and
- an alleged instance of a purported agreement to create a lien on certain investments of the Company as security against loans given by an Alleged Claimant to Kingfisher Airlines Limited (KFA) in earlier years was noted. However, in a letter dated 31 July 2014 from the Alleged Claimant, it was stated that the allegation made earlier did not take into account an addendum to the loan agreement; and after examining the aforesaid addendum and the agreement, the Alleged Claimant does not have any claim or demand of any nature against the Company. Subsequently, in September 2014, scanned copies of the purported agreements were furnished to the Management by KFA. The Management has represented to us that the Company had no knowledge of these purported agreements; that the Board of Directors of the Company have not approved any such purported agreements; and it is not liable under any such purported agreements.

Pending the completion of the inquiry as mentioned in paragraph 4 under 'Basis for Qualified Opinion', we are unable to conclude whether these instances can be termed as 'fraud' and whether there are other instances of a similar nature.

Directors' response: See responses to paragraphs 1 to 3 of the Auditor's Report to the financial statements. As mentioned in the note 30(f) to the financial statements, the Board has directed a detailed and expeditious inquiry in relation to the matters disclosed in paragraphs 1 to 5 of "Basis for Qualified Opinion" in the Auditors' Report. Pending the completion of such inquiry, the Board is unable to conclude whether there have been any instances of fraud against the Company. Based on the findings of such inquiry, appropriate action, including action for recovery of the Company's assets or amounts owing to the Company, will be taken.



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Emphasis of Matter in the Auditor's Report on the standalone financial statements:

1. Note 25(c) to the financial statements, which states that subsequent to the balance sheet date, a bank has declared one of the directors of the Company as a wilful defaulter in respect of another company where he is a promoter director. The Reserve Bank of India's Master Circular on Wilful Defaulters along with certain covenants in the loan agreements sanctioned by the Company's bankers raise an uncertainty on the impact of this development on the availability of credit facilities to the Company. The said director has assured the Board that he will take appropriate steps to ensure that the operations of the Company are not impacted. Having received such assurance from the said director and appropriate comfort from the controlling shareholder of the Company, the financial statements have been prepared on a going concern basis;

2. Note 27(a) to the financial statements, wherein it is stated that during the year, on 8 November 2013, the Board of Directors approved the scheme of arrangement between United Spirits Limited and Enrica Enterprises Private Limited ('Enrica') and its shareholders and creditors as the case may be ('the Scheme') in respect of transfer of undertaking of the Company in Tamil Nadu by way of slump sale on a going concern basis under Section 391 read with Section 394 of the Companies Act, 1956, with appointed date 1 April 2013. The Scheme has been approved by the equity shareholders, secured creditors and unsecured creditors at the court convened meeting held on 16 June 2014. The relevant petitions have been filed before the respective jurisdictional High Courts by the Company and Enrica and awaiting for their approval. The Company has also entered into a franchise agreement with Enrica which prescribes a royalty payment to the Company for grant of manufacturing, marketing, distribution and sale rights to Enrica in defined territories. From the appointed date upto the effective date, the royalty payable shall be a fixed amount per case or the Franchisee's Profit (before tax and royalty) in respect of the franchised products, whichever is lower. Subsequent to the effective date, royalty at net sales realization linked slab rate will accrue to the Company as per the franchise agreement. Pending approval of the scheme, no effect has been given in the financial statements;

3. Note 28(i) to the financial statements, wherein it is stated that Tern Distilleries Private Limited, a wholly-owned subsidiary of the Company ('TERN') will be amalgamated with the Company pursuant to a Draft Rehabilitation Scheme and applicable provisions of Sick Industrial Companies (Special Provisions) Act, 1985 with the appointed date 1 April 2013 ('TERN Scheme'). The entire operations of TERN comprise transactions with the Company. The net impact on the stand-alone financial performance of the Company from such amalgamation is expected to be insignificant when effected. The equity shareholders of the Company have approved the TERN Scheme at their Extraordinary General Meeting held on 18 March 2014 and the approval by the Board for Industrial and Financial Reconstruction is awaited. Pending approval of the TERN Scheme, no effect has been given in the financial statements;



Annexure II

4. Note 28(iii) to the financial statements, wherein it is stated that SW Finance Co. Limited, a wholly owned subsidiary of the Company will be amalgamated with the Company with the appointed date 1 January 2014 ('SWFCL Scheme') pursuant to the applicable provisions of the Companies Act, 1956, and subject to the sanction of the Honourable jurisdictional High Courts/any such competent authority. The accounting for the above amalgamation shall be done upon receiving the necessary sanctions / approval from various regulatory authorities including the Registrar of Companies. Upon the SWFCL Scheme becoming effective, SWFCL will stand merged with the Company. Pending approval of the SWFCL Scheme, no effect has been given in the financial statements;

5. Note 27(b) to the financial statements, wherein it is stated that the Board of Directors decided to initiate a process based on the outline time-table provided in connection with the decision of the Office of Fair Trade to explore a potential sale of all or part of Whyte and Mackay Group (WMG). As a culmination of this process, subsequent to the year-end, on 9 May 2014 for an Enterprise Value of GBP 430 million, the Company's wholly owned subsidiary, United Spirits (Great Britain) Limited (USGBL or the Seller) entered into a Share Sale and Purchase agreement (SPA) with Emperador UK Limited and Emperador Inc. in relation to the sale of the entire issued share capital of Whyte and Mackay Group Limited. USGBL appointed third party financial advisers in respect of the sale process. The financial closure of the proposed transaction as contemplated by the terms of the SPA (as may be amended and modified from time to time), is subject to satisfaction of certain conditions precedent. The equity shareholders of the Company have approved the proposed sale of WMG by the Seller. The Company has filed an application with Reserve Bank of India (through authorized dealer of the Company) for its approval. Based on the Management's assessments of the recoverability of the investments and loans given for the Whyte and Mackay Group, a provision amounting to Rs 43,216 million has been made in the books including diminution in the value of investment in subsidiaries viz Palmer Investment Group Limited and Montrose International S.A.; the same has been disclosed as an exceptional item; and

6. Note 25(b) to the financial statements, wherein it is stated that during the year ended 31 March 2014, the Company decided to prepay credit facilities availed from a bank amounting to Rs. 6,216.6 million secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust. The Company deposited a sum of Rs. 6,280 million including prepayment penalty of Rs. 40 million with the bank and instructed the bank to debit the amount from the cash credit account towards settlement of the loan and release the assets / shares pledged by the Company. The bank, however, disputed the prepayment and continues to debit the account towards the instalments and interest as per the loan agreement. The Company has disputed the same and a case is pending before the Honourable High Court of Karnataka. Pending settlement with the bank, the loan amount and balance available in cash credit account is presented on net basis in the financial statements as at 31 March 2014.



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The Statutory Auditors have qualified their opinion in the independent audit report in relation to the matters specified in Notes 35(a), 35(b), 35(c) and 29(f) of the Consolidated financial statements as follows:

1. Auditor's observation as mentioned in detail in paragraph 1 'Basis for Qualified Opinion' to the Auditor's Report to the consolidated financial statements:

As stated in Note 35(a) to the financial statements, certain parties who had previously given the required undisputed balance confirmations for the year ended 31 March 2013, alleged during the current year, that they have advanced certain amounts to certain alleged UB Group entities and linked the confirmation of amounts due to the Company to repayment of such amounts to such parties by the alleged UB Group entities. Also, some of these parties stated that the dues to the Company will be paid / refunded only upon receipt of their dues from such alleged UB Group entities. These dues of such parties are on account of advances by the Company in the earlier years under agreements for enhancing capacity, obtaining exclusivity and lease deposits in relation to Tie-up Manufacturing Units; agreements for specific projects; or dues owing to the Company from customers. These claims received in the current year may indicate that all or some of such amounts may have been improperly advanced from the Company to such parties for, in turn, being advanced to the UB Group entities. However, this can only be confirmed after a detailed inquiry. Based on the findings of the preliminary internal inquiry by the Management, under the instructions of the Board of Directors; and Management's assessment of recoverability, an aggregate amount of Rs. 6,495.4 million has been provided in the financial statements and has been disclosed as prior period items. Based on its current knowledge, the Management believes that the aforesaid provision is adequate and no additional material adjustments to the financial statements are likely to be required in relation to this matter. As stated in paragraph 4 below, the Board of Directors have instructed the Management to undertake a detailed inquiry into this matter. Pending such inquiry, we are unable to comment on the nature of these transactions; the provision established; or any further impact on the financial statements;

Directors' response: Information and explanation on the qualification on paragraph 1 of the audit report is provided in Note 35(a) to the financial statements. In particular, as stated in Note 35(a), the transactions referred to in the said Note are on account of amounts that were advanced by the Company in the earlier years and were duly confirmed by the relevant parties as payable to the Company in such earlier years, but were disputed by such parties for the first time when the Company sought balance confirmations from them for the year ended 31 March 2014. This was brought to the attention of the Board after 31 March 2014. Accordingly, as mentioned in Note 26(a), as a matter of prudence, the amounts mentioned in the Note 35(a) have now been provided for. Since the transactions referred to in the said Note 35(a) were entered in to prior to 31 March 2013, they have been reflected as prior period items in the financial statements.

Further, as mentioned in Note 35(a), the Board has: (i) directed a detailed and expeditious inquiry into this matter and (ii) authorized the initiation of suitable action and proceedings as considered appropriate by the Managing Director and Chief Executive Officer (MD) for recovering the Company's dues. Appropriate other action will also be taken commensurate with the outcome of that inquiry.



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2. Auditor's observation as mentioned in detail in paragraph 2 'Basis for Qualified Opinion' to the Auditor's Report to the consolidated financial statements:

As stated in Note 29(f) to the financial statements, subsequent to the balance sheet date, the Company received a letter dated 5 May 2014 from the lawyers of an entity (Alleged Claimant) alleging that the Alleged Claimant had advanced loans amounting to Rs 2,000 million to Kingfisher Airlines Limited (hereinafter referred to as "KFA"), a UB Group entity, in an earlier year on the basis of agreements, executed in December 2011 and January 2012, through which the Company was alleged to have created a lien on certain investments in favour of the Alleged Claimant as security for the aforesaid loans. The letter alleged that KFA had defaulted in repayment of the aforesaid loans as well as interest of Rs. 790 million due thereon and demanded that the Company should pay the aforesaid amounts and pending such repayments, create a valid pledge on the specified investments. The Company responded to the aforesaid letter vide its letters dated 3 June 2014 and 28 July 2014, wherein the Company denied knowledge of the purported loan transactions and the purported agreements for the creation of security on such investments held by the Company. A letter dated 31 July 2014 was received from the Alleged Claimant wherein they have stated that the notice sent earlier did not take into account an addendum to the loan agreement; and after examining the aforesaid addendum, they have no claim or demand of any nature against the Company. In September 2014, scanned copies of the purported agreements and certain related documents were obtained by the Company. These documents indicate that while the agreements may have sought to create a lien on certain investments of the Company; subsequently, the Alleged Claimant and KFA sought to negotiate the release of the lien, which was formalised vide a second addendum in September 2012.

The Management has represented to us that the Company had no knowledge of these purported agreements; that the Board of Directors of the Company have not approved any such purported agreements; and it is not liable under any such purported agreements. We are unable to conclude on the validity of these agreements; any required compliance with the provisions of the Companies Act, 1956; and any consequential impact of the same;

Directors' response: Information and explanation on the qualification at paragraph 2 of the audit report is provided in Note 29(f) to the financial statements. In particular, as stated in Note 29(f), the claim is based on documents purportedly executed by the Company in the months of December 2011 and January 2012. However, the claim was received by the Company only after the year ended 31 March 2014. This matter was only thereafter brought to the knowledge of the Board by the Management. A letter dated 31 July 2014 was received from the Alleged Claimant wherein they have stated that the notice sent earlier did not take into account an addendum to the loan agreement; and after examining the aforesaid addendum, they have no claim or demand of any nature against the Company. Subsequently, in September 2014, the Company obtained scanned copies of the purported agreements (including the purported power of attorney) and various communications between KFA and the Alleged Claimant. These documents indicate that while the purported agreements may have sought to create a lien on certain investments of the Company, subsequently, the Alleged Claimant and KFA sought to negotiate the release of the purported obligation to create such lien, which was formalised vide a second addendum in September 2012.

The Management has verified from a perusal of the minutes of meetings of the board of directors of the Company that the board of directors at the relevant time had not approved or ratified any such documents. Accordingly, the Company has, in its responses to the Alleged Claimant, disputed the alleged claim and denied having created the alleged security or having executed any document in favour of the Alleged Claimant. Further, the Management, based on legal advice received, does not expect any liability or obligation to arise on the Company out of these allegations.



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3. Auditor's observation as mentioned in detail in paragraph 3 'Basis for Qualified Opinion' to the Auditor's Report to the consolidated financial statements:

As stated in Note 35(b) to the financial statements, the Company and its subsidiaries had various pre-existing loans / advances / deposits due from United Breweries (Holdings) Limited (hereinafter referred to as "UBHL."). During the current year, pursuant to a previous resolution passed by the Board of Directors on 11 October 2012, these dues (together with interest) were consolidated into an unsecured loan aggregating Rs. 13,374 million vide an agreement dated 3 July 2013. The loan has been granted for a period of 8 years with a moratorium period of 6 years. Certain lenders have filed petitions for winding-up against UBHL. UBHL has provided guarantees to lenders and other vendors of Kingfisher Airlines Limited, which have been invoked and are currently being challenged in courts. The Company has also filed its affidavit opposing the aforesaid winding-up petition and the matter is sub-judice. Based on its assessment of the recoverability of the loan, the Company has made a provision of Rs. 3,303 million against the loan outstanding and has not recognised the interest income of Rs. 963 million on the loan. Given the various uncertainties involved with respect to the litigations involving UBHL as aforesaid and the extended period for repayment of the loan, we are unable to comment on the level of provision established:

Directors' response: Information and explanation on the qualification at paragraph 3 of the audit report is provided in Note 35(b) to the financial statements. In particular, as stated in Note 35(b), the Management has performed an assessment of the recoverability of the loan and has reviewed valuation reports in relation to UBHL prepared by reputed independent valuers that were commissioned by UBHL, and shared by UBHL with the Company. As a result of the abovementioned assessment and review by the Management, in accordance with the recommendation of the Management, the Company, as a matter of prudence, has not recognized interest income of Rs. 963 Million and has provided Rs. 3,303 Million towards the principal outstanding as at 31 March 2014. The Management believes that it should be able to recover and no further provision is required for the balance amount of Rs. 9,957 Million, though the Company will attempt to recover the entire amount of Rs. 14,223 Million. However, the Management will continue to assess the recoverability of the said loan on an ongoing basis.

Further, the Board has directed the management to review the underlying loan agreement(s) and / or other relevant documents ("**Loan Documents**"), to *inter-alia* assess: (i) whether any event of default(s) under the Loan Documents has occurred on the part of UBHL; (ii) the legal rights and remedies which the Company has under the Loan Documents; (iii) whether the Company should invoke any of the remedies available to it under the Loan Documents (including recalling of the entire loan); and (iv) whether there is any scope of renegotiating the terms and conditions under the Loan Documents.

In this regard, the management should expeditiously take all the necessary steps to fully protect the interest of the Company and shareholders.



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4. Auditor's observation as mentioned in detail in paragraph 4 'Basis for Qualified Opinion' to the Auditor's Report to the consolidated financial statements:

As stated in Note 35(c) to the financial statements, the Board of Directors have instructed the Management to undertake a detailed inquiry in relation to the matters stated in the paragraphs above; the possible existence of any other transaction of a similar nature; the role of individuals involved; and potential non-compliance (if any) with the provisions of the Companies Act, 1956 and other regulations applicable to the Company. The Board has also instructed the Management to engage independent advisers and specialists, as required, for the inquiry. As the inquiry is yet to be carried out, we are unable to comment on any further adjustment that could be identified as a result of the inquiry; its resultant impact on the financial statements; and any potential non-compliances with the provisions of the Companies Act, 1956 and other regulations;

Directors' response: Information and explanation on the qualification at paragraph 4 of the audit report is provided in Note 35(c) to the financial statements. In particular, as stated in Note 35(c) above, in addition to commissioning the inquiry, the Board has also authorized the MD to take suitable action and proceedings as considered appropriate by him for recovering the Company's dues. Appropriate other action will also be taken commensurate with the outcome of the inquiry commissioned by the Board. On the basis of the current knowledge and information of the Management, the Management believes that no additional material adjustments to the financial statements are likely to be required in relation to the matters mentioned in Note 35(a), 35(b) and 29(f) to the Statement. However, pending completion of the detailed inquiry mentioned above, the Company is unable to determine whether, on completion of such detailed inquiry, there could be any impact on the financial statements.

5. Auditor's observation as mentioned in detail in paragraph 5 'Basis for Qualified Opinion' to the Auditor's Report to the consolidated financial statements:

Though the observations in paragraph 1 above relate to claims received in the current year, the underlying transactions were entered into in earlier years. Accordingly, the financial statements of those earlier years and consequently the opening balances may be incorrectly stated to that extent. Further, the detailed inquiry as referred to in paragraph 4 above may result in further adjustments that may have an impact on the opening balances.

Directors' response: Information and explanation on the qualification at paragraph 5 of the audit report is provided in Note 35(a) to the financial statements. In particular, as stated in Note 35(a), while the claims referred to in Note 35(a) were received only when the Company sought balance confirmations from the relevant parties for the year ended 31 March 2014, the transactions referred to in the said Note were entered into prior to 31st March 2013 and therefore, they have been reflected as prior period items in the financial statements. Further, as stated in Note 35(a) (iii), the Management has stated to the Board that, on the basis of their current knowledge, no additional material adjustments to the financial statements are likely to be required in relation to the matters mentioned in the said Note. As mentioned in Note 35(c), the Board has commissioned the inquiry referred to in Note 35(c). Upon completion of the inquiry, the Board will consider impact on the financial statements, if any.



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Emphasis of Matter in the Auditor's Report on the consolidated financial statements:

1. Note 34(c) to the financial statements, which states that subsequent to the balance sheet date, a bank has declared one of the directors of the Company as a wilful defaulter in respect of another company where he is a promoter director. The Reserve Bank of India's Master Circular on Wilful Defaulters along with certain covenants in the loan agreements sanctioned by the Company's bankers raise an uncertainty on the impact of this development on the availability of credit facilities to the Company. The said director has assured the Board that he will take appropriate steps to ensure that the operations of the Company are not impacted. Having received such assurance from the said director and appropriate comfort from the controlling shareholder of the Company, the financial statements have been prepared on a going concern basis;

2. Note 33 to the financial statements, wherein it is stated that during the year, on 8 November 2013, the Board of Directors approved the scheme of arrangement between United Spirits Limited and Enrica Enterprises Private Limited ('Enrica') and its shareholders and creditors as the case may be ('the Scheme') in respect of transfer of undertaking of the Company in Tamil Nadu by way of slump sale on a going concern basis under Section 391 read with Section 394 of the Companies Act, 1956, with appointed date 1 April 2013. The Scheme has been approved by the equity shareholders, secured creditors and unsecured creditors at the court convened meeting held on 16 June 2014. The relevant petitions have been filed before the respective jurisdictional High Courts by the Company and Enrica and awaiting for their approval. The Company has also entered into a franchise agreement with Enrica which prescribes a royalty payment to the Company for grant of manufacturing, marketing, distribution and sale rights to Enrica in defined territories. From the appointed date upto the effective date, the royalty payable shall be a fixed amount per case or the Franchisee's Profit (before tax and royalty) in respect of the franchised products, whichever is lower. Subsequent to the effective date, royalty at net sales realization linked slab rate will accrue to the Company as per the franchise agreement. Pending approval of the scheme, no effect has been given in the financial statements;

3. Note 27 to the financial statements, wherein it is stated that the Board of Directors decided to initiate a process based on the outline time-table provided in connection with the decision of the Office of Fair Trade to explore a potential sale of all or part of Whyte and Mackay Group (WMG). As a culmination of this process, on 9 May 2014 for an Enterprise Value of GBP 430 million, the Company's wholly owned subsidiary, United Spirits (Great Britain) Limited (USGBL or the Seller) entered into a Share Sale and Purchase agreement (SPA) with Emperador UK Limited and Emperador Inc. in relation to the sale of the entire issued share capital of Whyte and Mackay Group Limited. USGBL appointed third party financial advisers in respect of the sale process. The financial closure of the proposed transaction as contemplated by the terms of the SPA (as may be amended and modified from time to time), is subject to satisfaction of certain conditions precedent. The equity shareholders of the Company have approved the proposed sale of WMG by the Seller. The Company has filed an application with Reserve Bank of India (through authorized dealer of the Company) for its approval. WMG represented significant geographical area of operation accounting for nearly 16% of the group income and qualifies as discontinuing operations under AS 24 Discontinuing Operations. An impairment of goodwill amounting to Rs 32,357 million has been recognised in the books based on Management's best estimate; and



Annexure – IV

4. Note 34(b) to the financial statements, wherein it is stated that during the year ended 31 March 2014, the Company decided to prepay credit facilities availed from a bank amounting to Rs. 6,216.6 million secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust. The Company deposited a sum of Rs. 6,280 million including prepayment penalty of Rs. 40 million with the bank and instructed the bank to debit the amount from the cash credit account towards settlement of the loan and release the assets / shares pledged by the Company. The bank, however, disputed the prepayment and continues to debit the account towards the instalments and interest as per the loan agreement. The Company has disputed the same and a case is pending before the Honourable High Court of Karnataka. Pending settlement with the bank, the loan amount and balance available in cash credit account is presented on net basis in the financial statements as at 31 March 2014.



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