FAQ ON CONSOLIDATED FINANCIAL STATEMENTS – MARCH 31, 2009

1. **Why does the Consolidated Financial statement show a loss for the year March 2009?**

   There are 3 main non-cash components which resulted in loss in the Consolidated Financial Statement, which are:

   A. Foreign Exchange Translation Difference - Rs. 3,809 Mn
   B. Actuarial loss on Pension (W&M) - Rs. 1,746 Mn
   C. Onerous Lease Provision (W&M) - Rs. 404 Mn

If the above 3 non-cash components are removed, the Operating EBITDA is better when compared to March 2008, as illustrated below:

		INR Mn
	2009	**2008**
Net sales	**55,719**	**47,338**
Cost of goods Sold	**26,909**	**20,906**
staff cost	**4,748**	**4,279**
Advt & Sales promotion	**7,110**	**6,341**
Other overheads	**6,060**	**5,025**
OPERATIONAL EBITDA	**10,892**	**10,787**
Interest /Finance cost	**7,176**	**5,448**
Depreciation	**926**	**741**
Pension Plan (Gain) / Loss	**1,746**	**(976)**
Onerous Lease Provision	**404**	**0**
Exchange loss	**3,809**	**81**
Profit before Exceptional Item	**(3,169)**	**5,492**
Exceptional Item	**0**	**(181)**
Tax	**916**	**2,661**
Minority Interest & Associates	**(2)**	**(291)**
	-	-
Profit after Tax	**(4,084)**	**2,721**

A detailed description on the 3 non-cash components:

A. **Foreign Exchange Translation Difference - Rs. 3,809 Mn**

We have a US $ loan ($619 Mn) in an overseas subsidiary domiciled in UK, which has in turn been invested in GBP for the acquisition of Whyte & Mackay. On consolidation of the overseas subsidiaries into USL, we need to take cognizant of the USD Vs GBP variation.

This Exchange loss is primarily on account of the huge FX variation between GBP-USD as at March 31, 2009 when compared to March 2008. The USD- GBP exchange rate as at March 2008 was 1.9855 (resulting in a loan balance of GBP 311 Mn) and as at March 2009 was 1.4311 (resulting in a loan balance of GBP 432 Mn), which resulted in a notional exchange loss of GBP 121 Mn.

The Central Government, vide Notification dated March 31, 2009, amended Accounting Standard 11. As a result, the Company opted to amortize the foreign exchange loss over a period of 3 years (until 2011), over the balance period of such asset/liability. Accordingly, Rs.3,809 Mn was amortised during March 2009. The balance Rs. 5,598 Mn will be amortised until 2011.

Please refer Note 17 in the Consolidated financial statement.

The FX position as of date has improved considerably when compared to March 2009.

B. **Actuarial loss on Pension (W&M) - Rs. 1,746 Mn**

The pension position as reported in the accounts reflects the requirements of the UK GAAP standard FRS17 and is reflective at a point in time.

The actuarial loss on plan assets has been calculated based on changes in the assumptions regarding the expected returns on investments during the period. At the end of March 2009, expected returns on investments were considered to be less favorable than they were as at the opening position (April 2008) as well as at the date of acquisition in May 2007. This has resulted in an actuarial loss on plan assets for the year. However, this is not unique to the Whyte and Mackay pension scheme, but common to most Pensions schemes in the UK.

For the year March 2008, there was an actuarial gain primarily on account of funding from USL during the acquisition in May 2007.

However, a discussion will take place between trustees and independent advisors to ascertain whether or not the current level of funding is sufficient to meet the obligations, or whether increased contributions will be required, if the deficit position remains. We expect to get clarity on this aspect by the end of the current fiscal year.

C. Onerous Lease Provision (W&M) - Rs. 404 Mn

Under UKGAAP, W&M is required to make a provision for any future under recovered rent and committed costs for properties that are either vacant, or are rented out to sub tenants at a rent that is less than the amount W&M are paying under the head lease. W&M have 2 such properties – Dalmore House, Glasgow and Seafield (Units 2 & 3), Edinburgh. The situation with these properties is a legacy of decisions made by former management in 1991 and 1979 respectively – the properties are currently surplus to our own requirements, so they are either unoccupied or sub let at a rent lower than the amount paid by the company under the head lease.

The Lease provision is out of an assessment of the most likely scenario regarding the future occupancy of the premises. Various factors to take into consideration are current negotiations with prospective tenants, current rental value of similar properties, condition of the premises, rent review dates, length of contract, etc, to arrive at the most likely scenario based on present reasonable assumptions.

2. Did the company borrow funds during 2008-09? The secured loan has gone up by Rs.4,600 Mn

The effective "increase" in secured loan is on account of restatement of the foreign loans as at the Balance sheet date, wherein there was an unrealized exchange loss to the extent of Rs 4,600 Mn.

3. What would be the reason for reduction in Goodwill?

With the Calcutta High Court confirming the Merger of Shaw Wallace & Company Ltd (SWCL) during the year, the financial statement for USL has been drawn after accounting the merger of SWCL and Primo. As a result of the merger, Goodwill accounted during the time of acquisition of SWCL, is required to be reversed, the details of which are:

	INR Mn
SWCL	2,461
Primo	4,516
Capital reserve on Shaw Wallace Breweries Ltd, erstwhile subsidiary of SWCL (netted off in Goodwill)	1,251
Total reversal from Goodwill	**8,228**

4. Why have the investments gone up during 2008-09? Any new investments?

As per the Scheme of Amalgamation approved by the Hon High Courts, on merger of SWCL and Primo to USL, the investments in USL by SWCL and Primo got assigned to USL Benefit Trust at the 6 months average market value of USL preceding to the appointed date of Merger (April 1, 2007), aggregating to Rs 9,256 Mn.

Please refer Note 2 A (iii) and (v) of the Financial Statements

5. What is this "Term Liability towards Franchise Rights amounting to Rs 4,431Mn?

Royal Challenger Sports Pvt Ltd, a wholly owned subsidiary of USL acquired the perpetual rights to the Bangalore Franchise of BCCI-IPL during 2008. The cost of Franchise Rights, $111.6 Mn (equivalent to Rs 4,933Mn, including service tax at applicable rate), is payable over a period of 10 years. As at March 2009, the balance amount payable to BCCI-IPL is Rs 4,431 Mn, payable over the balance 9 years.

Please refer Note 4 of the Financial Statements.

6. What is the major addition to fixed assets during the year?

The Franchise Rights acquired from BCCI-IPL, though is in perpetuity, it was only prudent to consider the same having a finite life rather than infinite. Accordingly, the cost of Rights amounting to $111.6 Mn, equivalent to Rs 4,933Mn (including service tax at applicable rate) has been capitalized as Intangible asset and amortized over a period of 50 years.

Please refer Note 4 of the Financial Statements.