

Report of the Directors

The Directors of **United Breweries [Holdings] Limited** present their Report with Audited Accounts of your Company for the year ended March 31, 2004.

FINANCIAL RESULTS

	[Figures in '000]	
	2003-2004 Rupees	2002-2003 Rupees
The working of the Company for the year under review resulted in a Loss of	305,574	1,604,800
Add : Balance of loss brought forward from the previous year	945,515	342,744
	1,251,089	1,947,544
Less : Balance in General Reserve	—	1,002,029
Loss carried forward	1,251,089	945,515

In view of the loss for the year under review, your Directors regret their inability to recommend any dividend for the year.

land sale was substantially applied towards paying down debt.

CAPITAL

The Authorised Capital remained at Rs.1,000,000,000 and the Issued, Subscribed and Paid up Capital stood at Rs. 226,409,560.

PROPERTY DEVELOPMENT

The Company's prestigious development Project UB cTy on the erstwhile Brewery land in Vittal Mallya Road, Bangalore, is progressing as per schedule. The foundation for two of the towers has been completed and construction of the lift core of one of the towers through the novel slip form method is in progress.

Your Company is confident that 4,80,000 square feet in Phase I will be available for occupation by 2006.

As a sequel to the property development, your Company sold three acres of land in Vittal Mallya Road *inter alia* on condition that it shall be used for establishing a five star deluxe hotel that would be constructed by the buyer which would greatly enhance the facilities to the adjacent upcoming UB cTy. The UB Crescent in the same road was also disposed off at a very attractive price resulting in substantial profit to the Company. The proceeds from the

SUBSIDIARY COMPANIES

During the year under review, your Company has agreed the sale of its investments in its wholly owned Subsidiary, United Breweries Nepal Private Limited. A Memorandum of Understanding has been signed between the Company and the prospective buyer, for the sale of the 250,000 Ordinary shares held by the Company subject to terms and conditions contained therein. Approval from the Reserve Bank of India under the Foreign Exchange Management Act, 1999 for the sale of the shares has been received.

During the year, the following Subsidiary Companies which have been dormant for some time, viz.,

- [i] Cardboard Industries Limited
- [ii] Kingfisher.Com Limited

ceased to be Subsidiaries of the Company after the Registrar of Companies, Karnataka, Bangalore, formally notified the striking off of their names in terms of Section 560 of the Companies Act, 1956.

As Shareholders are already aware, the Company's interests in UB Holdings (South Africa) (Proprietary) Limited and its Subsidiary, United National Breweries (SA) (Pty) Limited



is engaging the attention of the Board and upon receipt of an attractive offer price, the Company's interests in those Subsidiaries will be disposed off. In the interim, United National Breweries (SA) (Pty) Limited has returned to profits with consequent expectation of a higher price in the event of sale.

During the year, the following Companies also ceased to be subsidiaries of your Company consequent upon the divestment of the entire shares held by the Company in the said Subsidiaries :

M W P Limited
UB Pharmaceuticals Limited

Consequent upon M W P Limited ceasing to be a subsidiary of the Company, The Asian Age (South) Limited, a subsidiary of M W P Limited also ceased to be an ultimate subsidiary of your Company.

Your Company has made an application to the Central Government seeking exemption from attaching the accounts, etc. of the following Subsidiaries with its Balance Sheet :

UB Electronic Instruments Limited, UB Global Corporation Limited, UB Information & Consultancy Services Limited, UB Infrastructure Projects Limited, UB Transit Systems Limited, UB General Investments Limited, UB International Trading Limited and Variegate Trading Limited. If, in terms of the approval granted by the Central Government, the Accounts etc., of the above subsidiaries are not required to be attached with the Balance Sheet of your Company, they will be furnished on request by any Shareholder wishing to have a copy, by the Senior Vice President – Legal and Company Secretary at the Registered Office of the Company.

The performance of the aforesaid subsidiaries are covered in the Directors' Reports of the respective companies and therefore are not repeated here.

CONSOLIDATED FINANCIAL STATEMENTS

As required by Accounting Standard – AS 21 on Consolidated Financial Statements issued by The Institute of Chartered Accountants of India, the audited Consolidated

Financial Statement of the Company and its Subsidiaries are attached.

DEPOSITORY SYSTEM

The trading in the shares of your Company are under compulsory dematerialization mode. As of date, shares representing **62.73%** of the share capital are in dematerialized form. As the depository system offers numerous advantages, Shareholders are requested to take advantage of the same and avail of the facility of dematerialization of the Company's shares.

DIRECTORATE

Mr. P Subramani, resigned as Whole-time Director of the Company with effect from January 31, 2004. Your Board places on record its appreciation of the valuable services rendered by him during his tenure as Whole-time Director of your Company. He continues to hold the position of Company Secretary.

Mr. R N Pillai who was the Manager from February 1, 2004 till March 17, 2004 was inducted in to the Board as Additional Director and also appointed as Managing Director of the Company for a period of three years with effect from March 18, 2004 till March 17, 2007 on "NIL" remuneration and perquisites. His appointment would come up for approval at the ensuing Annual General Meeting.

Mr. Mani Narayanaswami and Mr. S G Ruparel, retire by rotation and, being eligible, offer themselves for re-appointment.

AUDITORS

Messrs Vishnu Ram & Co., Chartered Accountants, the Company's Auditors hold office till the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

AUDITORS' REPORT

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

Report of the Directors (Contd.)

- [i] the reason for preparing accounts on going concern basis is adequately explained in note 1(a) of Schedule 11.
- [ii] the Real Estate development of UB ciTy would ensure the financial viability of the Company as mentioned in note 1(b) of Schedule 11.
- [iii] the possible decline in value of certain long term investments in subsidiary and other companies amounting to Rs.244.50 million, is offset by the intrinsic value of the Company's assets including investments being substantially higher than recorded in the books.
- [iv] as regards the non-consideration of possible diminution in the value of an overseas subsidiary, necessary adjustments, if any, will be made in the year of disposal of the investments in the above overseas subsidiary.
- [v] the Management Fee outstanding as of March 31, 2004 of Rs.234.30 million currently stands at Rs.190.30 million on part receipt of Rs.44 million.
- [vi] with regard to the erosion of net worth and incurrance of cash losses, as per Para (X) of the Companies (Auditor's Report) Order, 2003, the Management explanation is already covered in para (i) above. Referring to the delays in payment of dues to State Financial Institution and a Bank, as per para (XI) of the said Order, the loans have since been repaid in full.

LISTING OF SHARES OF THE COMPANY

The shares of your Company are presently listed on Bangalore Stock Exchange Limited (Regional Exchange) and The Stock Exchange - Mumbai. The Listing fees for the year 2004-05 have been paid to these Stock Exchanges.

VOLUNTARY DELISTING OF THE COMPANY'S SHARES

Consequent to the applications for Voluntary Delisting of the Company's Equity Shares made to Seven (7) Stock Exchanges viz., Ahmedabad, Cochin, Calcutta, Madras, Delhi, Hyderabad and Ludhiana, confirmations have been received from the Stock Exchanges at Ahmedabad, Cochin,

Delhi, Hyderabad, Ludhiana and Chennai delisting the Company's Shares and from the Calcutta Stock Exchange, confirmation is awaited.

CASH FLOW STATEMENT AND CONSOLIDATED FINANCIAL STATEMENTS

As required by Clause 32 of the Listing Agreement, Cash Flow Statement and Consolidated Financial Statements are appended.

CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement, a Report on Corporate Governance is appended along with a Certificate of Compliance from the Auditors.

MANAGEMENT DISCUSSION AND ANALYSIS

As required by Clause 49 of the Listing Agreement with the Stock Exchange, Management Discussion and Analysis Report is appended and forms an integral part of the Report on Corporate Governance.

FIXED DEPOSITS

Fixed Deposits from the public and shareholders stood at Rs. 210.152 million as on March 31, 2004. The amount included Rs. 10.357 million representing matured deposits, out of which a sum of Rs. 6.048 million has since been paid. The balance amount out of the matured deposits of Rs.4.309 million represents unclaimed matured deposits and shall be disbursed upon receipt of the proper claim from the matured deposit holders.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

In terms of Section 205C of the Companies Act, 1956 an amount of Rs. 17,60,975/- being the aggregate of Dividend, Debentures and Deposits remaining unclaimed and unpaid for more than 7 years, was transferred to the Investor Education and Protection Fund.



PARTICULARS OF EMPLOYEES

Information in accordance with Section 217 [2A] of the Companies Act, 1956 read with the provisions of the Companies [Particulars of Employees] Rules, 1975, is not annexed to and the same will be furnished on request.

EMPLOYEE STOCK OPTION SCHEME

The Company has not offered any stock option to the Employees during the year 2003-04 under the "UBHL Employee Stock Option Scheme – 2002".

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS & OUTGO

Your Company is not engaged in manufacturing activities and therefore disclosure of information in respect of conservation of energy and technology absorption is not applicable. The expenditure in foreign currency, net of recoveries, during the year amounted to Rs. 2.229 million.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors reports that :

- (i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanations for material departures, if any.

- (ii) accounting policies have been selected and applied consistently and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Loss of the Company for that period.

- (iii) 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 prevention and detection of fraud and other irregularities.

- (iv) the Annual Accounts have been prepared on a going concern basis despite erosion of net worth for reasons explained in the relevant financial note.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation for the support received from shareholders, depositors, banks and financial institutions. Your Directors also acknowledge the support and contribution of all employees.

By Authority of the Board

Mumbai
July 28, 2004

Dr. Vijay Mallya
Chairman

Report on Corporate Governance



Pursuant to Clause 49 of the Listing Agreement, a Report on Corporate Governance is given below:

A. MANDATORY REQUIREMENTS

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's philosophy of Corporate Governance is aimed at assisting the top management in the efficient conduct of its business and fulfilling its obligations towards the Government, its shareholders, employees and other stakeholders, guided by a strong emphasis on transparency, accountability and integrity.

Over the years, the Company has consistently shown a high level of commitment towards effective Corporate Governance and has maintained high business ethics. The Company believes that its operations and actions must serve the underlying goal of enhancing the interests of its stakeholders over a sustained period of time in a socially responsible way.

Your Board believes that Corporate Governance is a powerful medium of sub-serving the long term interests of its stakeholders for the attainment of transparency, accountability and equity in all facets of its operations by enhancing and sustaining its corporate value through growth and innovation. Towards this end, the Board has adopted the following policies and principles concerning its composition, deliberations, performance and other related areas. These policies are in compliance with the Securities and Exchange Board of India (SEBI) requirements and the Listing Agreement.

2. CREATION OF SHAREHOLDER VALUE

The Company recognises the rights and interests of its Shareholders and is committed to protect the same. The Board of Directors is pleased to announce that the development of the project "UB cITy" is as per schedule.

UB cITy will be a mixed use development in the truest sense. It will house commercial offices, banks, high-end retail stores, a five star hotel, service apartments, restaurants, food courts, pubs, health clubs and cafes. Multi-level parking areas will offer virtually unlimited parking space.

3. BOARD OF DIRECTORS AND THE BOARD PROCEDURE

The Board of Directors comprises a Non-Executive Chairman (Promoter), a Managing Director and five non-executive Directors of whom three are independent as defined by Clause 49 of the Listing Agreement. This ensures a good blend of executive and independent Directors and achieves the desired level of independence of the Board. All non-executive Directors are persons of eminence and bring in a wide range of expertise and experience to the Board.

The meetings are governed by a detailed agenda. All major issues included in the agenda are backed by comprehensive background information to enable the Board to take informed decisions. The agenda papers, containing detailed notes on various agenda items and other information, which would enable the Board to discharge its responsibility effectively, is circulated to the Directors. The important matters discussed at the meetings of the Audit Committee and the Shareholders'/Investors' Grievances Committee are also highlighted.

Information provided to the Board

The Board was provided with all the relevant information on important matters affecting the business of the Company viz.,

- Progress on the real estate development
- Financial performance and statutory announcements
- Secretarial matters including Transfers & Transmissions of Shares
- Company Deposits, Insider Trading and disclosures requirements and
- Other matters.

All decisions were arrived at after due deliberations by the Members of the Board.

Attendance record of Directors

During the year ended March 31, 2004, nine Board Meetings were held on June 30, 2003, July 30, 2003, August 25, 2003, September 9, 2003, September 26, 2003, October 22, 2003, January 30, 2004, January 31, 2004 and March 18, 2004.

The details of attendance of Directors at the Board meetings during the financial year 2003-04 and at the last Annual General Meeting (AGM) held on September 26, 2003 are depicted below :

Name	Position	Category	Meetings held during the tenure of Directors	Meetings attended	Attendance at the last AGM held on September 26, 2003
Dr Vijay Mallya	Non-Executive Chairman	Promoter	9	6	Present
Mr. Shrikant G Ruparel	Director	Independent	9	5	Present
Mr. Mani Narayanaswami	Director	Independent	9	5	Present
Mr. N Srinivasan	Director	Independent	9	9	Present
Mr. P Subramani (1)	Whole-time Director & Company Secretary	Executive	8	7	Present
Mr. P A Murali	Director	Non-Executive	9	8	Present
Mr. A Harish Bhat	Director	Non-Executive	9	7	Present
Mr. R N Pillai (2) & (3)	Managing Director	Executive	1	—	Not Applicable

1. Resigned as Whole-time Director with effect from January 31, 2004. However, he continues to hold the position of Company Secretary.
2. Appointed as Manager with effect from February 1, 2004 and resigned as Manager on March 18, 2004.
3. Mr. Pillai was appointed as an Additional Director/Managing Director with effect from March 18, 2004 for a period of three years i.e. up to March 17, 2007 without any remuneration and perquisites.

Notes :

1. Independent Director means a Director who, apart from receiving a Director's remuneration, does not have any other material pecuniary relationship or transactions with the Company, its promoters, its management, or its subsidiaries.
2. None of the Directors is inter-related.
3. None of the Directors has any business relationships with the Company.

Report on Corporate Governance (Contd.)



Other Directorships and memberships of Board Committees

None of the Directors holds Directorships in more than 15 Public Limited Companies and none of the Directors is a member of more than 10 Board-level committees or a Chairman of more than five such committees.

The details of number of Directorships held in other public limited companies and the committee positions held by Directors of the Company is summarised below:

Directors	Number of other Directorships		Private Limited Companies	Committees	
	Public Limited Companies			Memberships	Chairmanship
	Listed Companies	Unlisted Companies			
Dr. Vijay Mallya	6	7	7	1	1
Mr. Shrikant G Ruparel	–	4	1	3	1
Mr. Mani Narayanaswami	1	2	–	3	1
Mr. N Srinivasan	7	2	4	5	5
Mr. P A Murali	–	3	–	1	1
Mr. A Harish Bhat	–	6	2	1	–
Mr. R N Pillai	–	3	4	1	–

The information provided above pertains to the following committees in accordance with the provisions of Clause 49 of the Listing Agreement :

1. Audit Committee
2. Remuneration/Compensation Committee
3. Investors'/Shareholders' Grievances Committee

DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT

Mr. Mani Narayanaswami and Mr. S G Ruparel retire by rotation and being eligible, have offered themselves for re-appointment. Mr. R N Pillai was appointed as Additional Director/Managing Director of the Company with effect from March 18, 2004 for a period of 3 years i.e. up to March 17, 2007 and he shall not be subject to retirement by rotation.

Report on Corporate Governance (Contd.)

The brief particulars of the Directors of the Company, retiring by rotation and proposed to be re-appointed at the ensuing Annual General Meeting are as under :

Name and brief Resume and Functional Expertise of the Director	Appointment/ Re-appointment	Directorships held in other Companies	Committee positions held in other Companies
<p>Mr. MANI NARAYANASWAMI</p> <p>Resume :</p> <p>Mr. Mani Narayanaswami has a Master's Degree in Arts (Madras University) and an M.B.A. (Harvard University). As an Officer of the Indian Administrative Service (IAS) he has served in several assignments under the Government of Karnataka and the Government of India – including Finance Secretary (Karnataka), Textile Commissioner, Chief Controller of Imports and Exports (Textiles) in the Ministry of Commerce. After his voluntary retirement in 1984, he joined United Breweries Inc. in New York (1984 to 1988) and then became President, Corporate Affairs, UB Group (1989 to 1993). Currently he is on the Board of the Company.</p>	<p>Re-appointment on retirement by rotation.</p>	<p>M a n g a l o r e Chemicals & Fertilizers Limited, UB General Investments Limited, The Asian Age (South) Limited.</p>	<p>UB General Investments Limited</p>
<p>Mr. SHRIKANT G RUPAREL</p> <p>Resume :</p> <p>Qualification : Master's Degree in Arts (Oxon) & Master's Degree in Science (London).</p> <p>Expertise : The Company has benefitted immensely from his rich business knowledge and experience.</p> <p>Director of the Company since December, 1991.</p>	<p>Re-appointment on retirement by rotation</p>	<p>Ruparel Enterprises Ltd. F S Advertising Ltd. Bentley Finance (India) Ltd. Indo Bio-Care Pvt. Ltd. City IPSS Securities Ltd.</p>	<p>- NIL -</p>
<p>Mr. RUP NARAYAN PILLAI</p> <p>Resume :</p> <p>Qualification : B.Sc (Hons.), A.C.A.</p> <p>Expertise : Has held various important positions in the Group and is presently Assistant Vice President-Corporate Finance of McDowell & Company Ltd.</p> <p>Director of the Company since March 18, 2004.</p>	<p>Co-opted on the Board as Additional Director/ Managing Director and holds office up to the date of ensuing Annual General Meeting.</p>	<p>United Distillers India Ltd. McDowell India Spirits Ltd. Variegate Trading Ltd. Millennium Night Star Breweries P Ltd. Idea Streamz Consultants Pvt. Ltd. Manchitra Services Pvt. Ltd. 3G Wireless Communications Pvt. Ltd.</p>	<p>- NIL -</p>

Report on Corporate Governance (Contd.)



COMMITTEES OF THE BOARD

4. AUDIT COMMITTEE

Terms of Reference and Composition, Names of Members and Chairman.

The powers of the Audit Committee are as mentioned in Clause 49(II)(d) of the Listing Agreement and Section 292A of the Companies Act, 1956. The terms of reference of this Committee are wide enough covering the matters specified for Audit Committees under the Listing Agreement. The Committee acts as a link between the Statutory and the Internal Auditors on one side and the Board of Directors of the Company on the other side.

The Chief Financial Officer, UB Group, Heads of Finance and Accounting and the Internal Auditors are permanent invitees. The Statutory Auditors are also invited to attend the meetings. The Company Secretary acts as the Secretary to the Committee.

Seven meetings were held during the year ended March 31, 2004. The Composition and Attendance of the Members at the Meetings of the Audit Committee held during 2003-04 are as follows :

Directors	Category	Meetings held during the tenure of Directors	Meetings attended
Mr. N Srinivasan – Chartered Accountant	Chairman/Independent	7	7
Mr. Shrikant G Ruparel	Independent	7	6
Mr. Mani Narayanaswami	Independent	7	4

5. REMUNERATION/COMPENSATION COMMITTEE (a non-mandatory requirement)

Terms of Reference and Composition, Names of Members and Chairman.

The Remuneration/Compensation Committee of the Board was constituted in April 2002 to formulate and recommend to the Board, from time to time, a compensation structure for Wholetime Members of the Board.

One meeting was held during the year on March 18, 2004, which was attended by two Members of the Committee. The Remuneration/Compensation Committee comprises of :

Name	Designation	Category
Mr. Shrikant G Ruparel	Chairman	Non-Executive Independent
Mr. Mani Narayanaswami	Member	Non-Executive Independent
Mr. N Srinivasan	Member	Non-Executive Independent

REMUNERATION TO DIRECTORS

Remuneration paid to Wholetime/Managing/Executive Directors

During the year, Mr. P Subramani resigned as Wholetime Director of the Company. However, he continued to hold the position of Company Secretary. Mr. Subramani is deemed not to have drawn any remuneration for the additional charge held by him as Wholetime Director, based on expert legal opinion.

Mr. R N Pillai, who is presently the Assistant Vice President – Finance of an Associate Company, was appointed as Managing Director of the Company for a period of 3 years, with effect from March 18, 2004, without any remuneration and perquisites from the Company.

The Company does not have Service Contract with any of the Directors.

Remuneration to Non-Executive Directors

Non-Executive Directors except Dr. Vijay Mallya and Mr. R N Pillai are paid a sitting fee of Rs.10,000 per meeting of the Board and Audit Committee and Rs.5,000 per meeting of the other Committees attended by them, effective from March 18, 2004.

The details of remuneration paid to the Directors of the Company are given below :

Remuneration of Directors during financial year 2003-04

Name of the Director	Salary (Rs.)	Commission (Rs.)	Sitting Fee (Rs.)	Total (Rs.)	Notice period
Dr. Vijay Mallya Chairman	Nil	Nil	Nil	Nil	N.A.
Mr. Shrikant G Ruparel	Nil	Nil	52,000	52,000	N.A.
Mr. Mani Narayanaswami	Nil	Nil	82,000	82,000	N.A.
Mr. N Srinivasan	Nil	Nil	91,000	91,000	N.A.
Mr. P A Murali	Nil	Nil	45,000	45,000	N.A.
Mr. A Harish Bhat	Nil	Nil	40,000	40,000	N.A.
Mr. R N Pillai	Nil	Nil	Nil	Nil	N.A.

Notes : 1. The Company did not advance any loans to any of the Executive Directors and/or Non-Executive Directors during the period under review.

2. The Company has so far not issued any Stock Options to Executive Directors or employees.

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

Directors	No. of Shares held	
	As on March 31, 2004	As on March 31, 2003
Dr. Vijay Mallya	2,882,739	2,882,739
Mr. Shrikant G Ruparel	NIL	NIL
Mr. Mani Narayanaswami	NIL	NIL
Mr. N Srinivasan	60	60
Mr. P A Murali	NIL	NIL
Mr. A Harish Bhat	NIL	NIL
Mr. R N Pillai	NIL	NIL

Note : In terms of the Articles of Association of the Company, a Director need not hold any qualification shares in the Company.

6. INVESTORS'/SHAREHOLDERS' GRIEVANCES COMMITTEE

This Committee is constituted to monitor redressal of grievances and other matters specified for Investors'/Shareholders' Grievances Committee under the Listing Agreement.

In order to facilitate prompt and efficient services to the Shareholders, the Company has set up a Share Transfer Committee, which looks into all aspects relating to transfer, transmission, issue of duplicate share certificates etc.. This committee oversees and reviews all matters connected with the securities' transfer/transmission. The Investors'/Shareholders' Grievances Committee has delegated to the Company Secretary, the power to approve transfer/transmission of shares and to monitor the share transfer process.

The Registrars and Share Transfer Agents of the Company register the transfer of shares in physical form within 30 days of receipt of the proper documents. Share transfers under objection, if any, are returned within two weeks from the date of receipt. Depending on the exigencies, the Share Transfer Committee meets on a fortnightly/monthly basis to consider the transfer/transmission proposals.

Report on Corporate Governance (Contd.)



The particulars of the meetings of the Investors'/Shareholders' Grievances Committee held during the year are furnished below :

Directors	Category	Meetings held during the tenure of Directors	Meetings attended
Mr. Mani Narayanaswami	Chairman/Independent	14	11
Mr. Shrikant G Ruparel	Independent	14	3
Mr. N Srinivasan	Independent	14	5
Mr. P Subramani	Wholetime Director	14	14

The Investors'/Shareholders' Grievances Committee was reconstituted with effect from March 18, 2004, due to the reconstitution of the Board. The reconstituted committee comprises of :

Name	Designation	Category
Mr. Mani Narayanaswami	Chairman	Non-Executive Independent
Mr. N Srinivasan	Member	Non-Executive Independent
Mr. Shrikant G Ruparel	Member	Non-Executive Independent
Mr. R N Pillai	Member	Executive

COMPLIANCE OFFICER	Mr. P SUBRAMANI
e-mail address	ps1@ubmail.com

Particulars of investors' grievances received and redressed are furnished below :

Analysis of Queries/Grievances

	Numbers		Percentage	
	2003-04	2002-03	2003-04	2002-03
1. Non-receipt of dividend warrants	136	186	9.47	7.21
2. Non-receipt of Demat credit	20	15	1.39	0.58
3. Requests for Duplicate Share Certificates	04	75	0.28	2.91
4. Transfer of Shares and Rejections	516	958	35.93	37.13
5. Non-receipt of Certificates by Post in exchange for Letters of Allotment	—	—	—	—
6. Others	760	1346	52.93	52.17
TOTAL	1436	2580	100	100

Notes :

- The nature of complaints received from Investors are inclusive of complaints for non-receipt of dividend warrants. Other Complaints (Serial No. 6) include change of address, revalidation of dividend warrants, nomination, powers of attorney, exchange of share certificates relating to amalgamation/demerger.
- Investors' queries/grievances are normally attended to within a period of 3 days from the date of receipt thereof, except in cases involving external agencies or compliance with longer procedural requirements specified by the authorities concerned.
- The other queries and grievances referred to under Serial 6 above constitute 52.93% (2002-03 – 52.17%) of the total number of complaints received during the year. The total number of Shareholders as on March 31, 2004 were 41,788 as against 44,469 in the previous year.

7. GENERAL BODY MEETINGS

The last three Annual General Meetings (AGMs) of the Company were held on the following dates, time and venue :

Financial Year	Date	Time	Venue
85th Annual General Meeting – April 2000-March 2001	Saturday, September 22, 2001	11.00 a.m.	Dr. B R Ambedkar Bhavana, Vasanthanagar, Bangalore 560 052.
86th Annual General Meeting – April 2001-March 2002	Monday, September 30, 2002	2.00 p.m.	Dr. B R Ambedkar Bhavana, Vasanthanagar, Bangalore 560 052.
87th Annual General Meeting – April 2002- March 2003	Friday, September 26, 2003	4.30 p.m.	Dr. B R Ambedkar Bhavana, Vasanthanagar, Bangalore 560 052.

8. MATERIAL DISCLOSURES AND COMPLIANCE

Related Party disclosures

The Company has not entered into any transactions of a material nature with the promoters, directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company.

Transactions with related parties as per the requirements of Accounting Standards 18 are disclosed in Schedule 11 Note 15 (Notes to Accounts).

Details of non-compliance

Neither has the Company failed to comply with provisions of law nor has any penalty or stricture been imposed by the Stock Exchanges or SEBI or any statutory authority on any matter related to the capital markets, during the last 3 years.

9. MEANS OF COMMUNICATION

Half-yearly report sent to each household of shareholders :	No, as the Results of the Company are published in the Newspapers and Press Releases are also issued.
Quarterly Results :	- do -
Any Web site where displayed:	ubindia.com
Whether it also displays official News releases and the presentations made to institutional Investors or to the analysts:	Yes
Newspapers in which Results are normally published	i) The Asian Age ii) Kannada Prabha
Whether Management Discussion and Analysis is a part of the Annual Report	Yes

Report on Corporate Governance (Contd.)



10. MANAGEMENT DISCUSSION AND ANALYSIS

STRENGTHS

Based on a current determination of the market value of the land and investment of your Company, the realizable value exceeds the original cost/book value as applicable, by Rs.3,489.40 million. As the Group's holding Company, your Company continues to monitor the growth of the core businesses of the Group in Chemicals & Fertilizers, Pharma, Liquor and Beer.

The development of the real estate property UB ciTy is under implementation and on completion substantial revenues would accrue to the Company on a sustainable basis. Your Company has divested its investments in certain non-operating/unviable subsidiaries in order to consolidate its strength and control recurring costs.

RISKS AND CONCERNS

Your Company's financial viability is related to the real estate project and income from investments. The project has attracted retail and corporate enquiries for purchase/rental of the proposed built up place in UB ciTy.

Market valuation of investments contains an element of volatility caused by competitors' and legislative action affecting profitability and investors' sentiments.

OPPORTUNITIES

The Company foresees great value addition on completion of the real estate project, which is expected to be a trend-setter for multi use buildings in Bangalore City.

Your Company's basic strength is in increasing its market capitalization through steady growth in financial performance of companies in which it holds investments.

INTERNAL CONTROL SYSTEM

Your Company has evolved a system of internal control to ensure that transactions are authorised, recorded and correctly reported. The adequacy of the internal control systems is reviewed by the Audit Committee of the Board of Directors. The Internal Audit Department evaluates the functioning and quality of internal controls and provides assurance of its adequacy and effectiveness through periodic reporting. Your Board believes that appropriate procedures and controls are operating and monitoring practices are in place.

CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, the Company has adopted a "Code of Conduct for Dealing in Securities" at the meeting of the Board of Directors held on September 30, 2002. The Company has updated the Code as per the requirements of SEBI.

DESIGNATED OFFICER – To oversee the Corporate Disclosures Practices.	Mr. S R GUPTE Executive Vice Chairman of UB Group
COMPLIANCE OFFICER – To carry out the responsibilities as set out in SEBI Regulations.	Mr. P SUBRAMANI Senior Vice President-Legal & Company Secretary

11. GENERAL SHAREHOLDER INFORMATION

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

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

The particulars of the Annual General Meeting for the year ended March 31, 2004 is as under :

Date of 88th ANNUAL GENERAL MEETING	Venue	Time
Tuesday, September 28, 2004	Dr. B R Ambedkar Bhavana, Miller's Road, Vasanthanagar BANGALORE – 560 052	1.35 p.m.

BOOK CLOSURE	FROM	SEPTEMBER 16, 2004	TO	SEPTEMBER 28, 2004, both days inclusive.
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Listing on Stock Exchanges and Stock Codes

Consequent to the applications for Voluntary Delisting of the Company's equity shares made to Seven (7) Stock Exchanges at Ahmedabad, New Delhi, Cochin, Ludhiana, Hyderabad, Madras and Calcutta, confirmations have been received from the Stock Exchanges at Ahmedabad, New Delhi, Cochin, Ludhiana, Hyderabad and Madras, delisting the Company's shares and confirmation is awaited from Calcutta Stock Exchange.

The Company's Shares are currently listed and traded on the following Stock Exchanges :

Sl. No.	Name of the Stock Exchange	Address	Stock Code
1.	Bangalore Stock Exchange Limited REGIONAL STOCK EXCHANGE	No. 51, Stock Exchange Towers, I Cross, J C Road Cross, Bangalore 560 027	UNITEDBRED
2.	The Stock Exchange-Mumbai	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001	507458

The Company has paid Annual Listing Fees for the year 2004-05 to the above Stock Exchanges.

ISIN Number of Company's Shares for NSDL & CDSL	INE696A01025
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Share Transfer System and Dematerialisation of Shares

As per the notification issued by Securities and Exchange Board of India (SEBI), the shares of the Company are to be traded compulsorily in dematerialised form by all investors with effect from August 2000.

The shares of the Company, being in the Compulsory demat list, are transferable through the depository system. Shares in physical form are processed by Alpha Systems Private Limited, Registrars and Share Transfer Agents of the Company and approved by the Share Transfer Committee.

The Company has, as per SEBI guidelines, with effect from June 2000, offered the facility of transfer-cum-demat. Under the said system, after the share transfer is effected, an option letter is sent to the transferees indicating the details of the transferred shares and requesting them in case they wish to demat the shares, to approach a Depository Participant (DP) with the option letter. The DP, based on the option letter, generates the demat request and sends to the Company along with the option letters issued by the Company. On receipt of the same, the Company dematerialises the shares. In case the transferees do not wish to dematerialise the shares, they need not exercise the option and Company will despatch the share certificates within 30 days from the date of such option letter.

Report on Corporate Governance (Contd.)



The transfer-cum-demat scheme was introduced by the depositories to counter the problems faced by the investors in the transition phase of moving from physical to demat trading mode and reduce the time period involved in transfer and demat. However, as on date, a large number of stocks have already been dematerialised. Almost 100% trading takes place in dematerialised form and hence, there is far less pressure on the companies/the share transfer agents. In view of this, SEBI felt that the facility of transfer-cum-demat is no longer relevant and can be withdrawn without causing any undue inconvenience and/or delays to the investors.

SEBI has vide its Circular No. SEBI/MRD/Cir-10/2004 dated February 10, 2004 withdrawn transfer-cum-demat scheme. In line with the above, the Company has discontinued issuing of option letters to the shareholders.

As of March 31, 2004 a total of **14,203,377** Equity Shares of the Company which forms **62.73%** of the Share Capital of the Company were in dematerialised form.

MARKET PRICE DATA

The details of market price of the shares of the Company at the Stock Exchange, Mumbai during the last corporate financial year are provided in the Table hereunder.

MONTHS	BSE	BSE	
	SENSEX	High (Rs.)	Low (Rs.)
April 2003	2959.79	20.10	16.05
May 2003	3180.75	21.60	16.00
June 2003	3607.13	23.70	18.00
July 2003	3792.61	33.50	22.00
August 2003	4244.73	30.00	22.60
September 2003	4453.24	28.65	23.15
October 2003	4906.87	26.95	20.70
November 2003	5044.82	30.50	21.50
December 2003	5838.96	47.00	25.15
January 2004	5695.67	68.50	34.00
February 2004	5667.51	42.50	30.10
March 2004	5590.60	41.00	36.00

Distribution of Shareholding as on March 31, 2004

CATEGORY	No. of Shareholders	% (Percentage)	No. of Shares Held	% (Percentage)
Up to 5000 Shares	41,674	99.73	3,875,066	17.12
5001 – 10000	49	0.12	343,339	1.52
10001 – 20000	18	0.04	250,186	1.11
20001 – 30000	6	0.01	146,781	0.65
30001 – 40000	5	0.01	170,588	0.75
40001 – 50000	2	0.00	97,958	0.43
50001 – 100000	7	0.02	531,091	2.35
100001 and Above	27	0.06	17,225,947	76.08
Total	41,788	100.00	22,640,956	100.00

NOMINATION

Individual shareholders holding shares singly or jointly in physical form can nominate a person in whose name the shares become transferable in the case of death of the registered shareholder/s. The prescribed form for such nomination can be obtained from the Registrars & Share Transfer Agents or from the Company. Nomination facility in respect of shares held in electronic form is also available with the depository participant (DP) as per the bye-laws and business rules applicable to NSDL and CDSL.

Shareholding Pattern as on March 31, 2004 as per Clause 35 of Listing Agreement

	CATEGORY	No. of Shares held	% of Shareholding to the paid up Capital
A.	Promoter's Holding		
1.	Promoters'		
	– Indian Promoters	9,246,883	40.85
	– Foreign Promoters	—	—
2.	Persons acting in concert	—	—
	Sub-Total (1+2)	9,246,883	40.85
B.	Non-Promoters Holding		
3.	Institutional Investors		
a.	Mutual Funds and UTI	1,007,593	4.43
b.	Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions, Non-Government Institutions)	783,711	3.45
c.	FII's *	5,733,463	25.33
	Sub-Total (3a+b+c)	7,524,767	33.21
4.	Others		
a.	Private Corporate Bodies	1,588,140	7.02
b.	Indian Public	4,068,982	17.99
c.	NRIs/NROs/OCBs *	169,558	0.74
d.	Any other (please Specify) UB Group Employee Welfare Trust	33,840	0.15
	Other Trust	8,786	0.04
	Sub-Total (4a+b+c+d)	5,869,306	25.94
	Grand Total	22,640,956	100.00

*Total Foreign Shareholding is 5,903,021 Equity Shares i.e. 26.07% of total paid up capital.

Outstanding Global Depository Receipts (GDRs) or American Depository Receipts (ADRs)	Not Issued
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Report on Corporate Governance (Contd.)



UNCLAIMED DIVIDEND

Pursuant to Section 205A of the Companies Act, 1956, unclaimed dividends up to and including for the financial year 1994-95 were transferred to the General Revenue Account of the Central Government. The Shareholders who have not encashed their dividend warrants relating to financial year(s) up to 1994-95 are requested to claim the amounts from the Registrar of Companies, Karnataka, Kendriya Sadan, "E" Wing, II Floor, Koramangala, Bangalore 560 034.

During the year under review, the unclaimed dividend for the financial year 1995-96 was transferred to the Investor Education & Protection Fund. The dividend for the following years remaining unclaimed for 7 years from the date they became due for payment are required to be transferred by the Company to the Investor Education and Protection Fund established by the Central Government pursuant to Section 205C of the Companies Act, 1956 and the various dates for transfer of such amounts are detailed hereunder. No claim shall lie against this fund or the Company on the expiry of the said period of seven years.

Financial Year	Dividend Number	Date of Declaration	Due for transfer on
1996-97	109	September 24, 1997	November 3, 2004
1997-98	110	September 29, 1998	November 7, 2005
1998-99	111	September 15, 1999	October 25, 2006
1999-2000	112	September 30, 2000	November 9, 2007
2000-01	113	September 22, 2001	October 18, 2008
2001-02	—	No Dividend was Declared	N.A.
2002-03	—	No Dividend was Declared	N.A.

Shareholders who have so far not encashed their dividend warrants for the above periods are requested to write to the Company's Registrars and Share Transfer Agents.

REGISTRARS AND SHARE TRANSFER AGENTS

During the year under review, Alpha Systems Private Limited continued as the Company's Registrars and Share Transfer Agents.

All matters pertaining to Share Transfers/Transmissions were handled by **ALPHA SYSTEMS PRIVATE LIMITED**. Share Transfer requests were processed by them and a Memorandum of Transfer along with relevant documents sent to the Company for approval by the Share Transfer Committee. The average time taken for processing Share Transfer requests including despatch of Share Certificates was 21 days, while 10-12 days were required for processing dematerialisation requests. The Company's representatives visited their office to monitor, supervise and ensure that there were no delays or lapses in the system.

Report on Corporate Governance (Contd.)

For any assistance regarding Share Transfers, Transmissions, Change of address, non-receipt of dividends, duplicate/missing Share Certificates and other relevant matters, Shareholders may write to :

<p>ADDRESS FOR CORRESPONDENCE WITH REGISTRARS AND SHARE TRANSFER AGENTS</p>	<p>ALPHA SYSTEMS PRIVATE LIMITED 30, RAMANA RESIDENCY, 4TH CROSS, SAMPIGE ROAD, MALLESWARAM, BANGALORE – 560 003</p> <p>TEL. NO. : 080-23460815 – 18 FAX NO. : 080-23460819</p> <p><i>Persons to contact :</i></p> <p>Mr. Sridhar/Mr. G Subramani/Mr. Rajaraman/Mr. Prabhakar</p> <p>e-mail address : sridhar@123alpha.com mani@123alpha.com</p>
<p>ADDRESS FOR CORRESPONDENCE WITH THE COMPANY</p>	<p>UNITED BREWERIES (HOLDINGS) LIMITED SECRETARIAL DEPARTMENT UB ANCHORAGE, 5TH FLOOR, 100/1, RICHMOND ROAD, BANGALORE – 560 025</p> <p>TEL. NO. : 080-22272808/22275809 FAX NO. : 080-22274890</p>
<p>ADDRESS FOR CORRESPONDENCE FOR SHAREHOLDERS HOLDING SHARES IN DEMATERIALISED FORM :</p>	<p>Shareholders holding shares in dematerialised form should address all their correspondence (including change of address, nominations, ECS mandates, bank details to be incorporated on dividend warrants, powers of attorney, etc.) to their Depository Participant.</p>

Report on Corporate Governance (Contd.)



B. NON-MANDATORY REQUIREMENTS

1.	Chairman of the Board Whether Chairman of the Board is entitled to maintain a Chairman's Office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties.	Dr. Vijay Mallya being a Non-Executive Chairman is entitled to maintain an office at Company's account.
2.	Remuneration Committee	The Company has constituted a Remuneration Committee.
3.	Shareholder Rights The half-yearly declaration of financial performance including summary of the significant events in last six months should be sent to each household of Shareholders.	The Company's half yearly Results are published in English and Kannada newspapers. Press Releases are also issued which are carried by newspapers. Hence, same are not sent to the Shareholders to their houses. Second half-yearly Results are not taken on record by the Board as audited Results are approved by the Board. The audited Results for the financial year are communicated to the Shareholders through the Annual Report.
4.	Postal Ballot	The Company will make use of postal ballot for obtaining approval for such items as are mandated by Section 192A of the Companies Act, 1956.

AUDIT CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of United Breweries (Holdings) Limited

1. We have examined the compliance of conditions of Corporate Governance by United Breweries (Holdings) Limited for the year ended on March 31, 2004, as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchanges.
2. The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the directors and management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.
4. We state that no investor grievance is pending for a period exceeding one month as on March 31, 2004 against the Company as per the records maintained by the Shareholders'/Investors' Grievance Committee.
5. We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For **Vishnu Ram & Co.**,
Chartered Accountants,

(S. Vishnumurthy)
Proprietor.
Membership No. 22715

Mumbai,
July 28, 2004



UBHL

Auditors' Report



To
The Members of
UNITED BREWERIES (HOLDINGS) LIMITED.
Bangalore.

1. We have audited the attached Balance Sheet of **UNITED BREWERIES (HOLDINGS) LIMITED**, Bangalore as at 31st March 2004, the Profit and Loss Account and also the Cash Flow Statement of the company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (1 of 1956), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. *Attention is invited to the following:-*
 - (a) *The company has prepared the financial statements on 'going concern' basis, despite full erosion of its net-worth. (Refer note 1(a) of Schedule 11)*
 - (b) *The financial viability of the company would depend upon the successful completion of the joint real estate development referred to in note 1(b) of schedule 11.*
 - (c) *The company has not considered and provided for the possible diminution in the value of investment in an overseas subsidiary having a carrying value of Rs. 638 million. The diminution in the value has not been ascertained in the absence of an independent valuation of the investment.*
 - (d) *Note 4(b) of Schedule 11, regarding the non consideration of and non provision for the decline in the value of certain long-term investments in a subsidiary and other companies having a carrying value of Rs. 244.5 million, whose net-worths are fully eroded.*
 - (e) *The company has considered the arrears of management fees of Rs. 234.3 million due from an overseas subsidiary including Rs. 46.5 million pertaining to the current year, as good and recoverable even though these amounts are long overdue.*
5. Further to our comments in the Annexure referred to in paragraph 3 above and subject to our observations in paragraph 4 (a), 4(b), 4(c), 4(d), and 4(e) we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the company, so far as appears from our examination of those books;
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the attached Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (v) On the basis of the written representation received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31-03-2004 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and *subject to our observations in paragraphs 4(a), 4(b), 4(c), 4(d), and 4(e) above and the consequential effects of which are presently not ascertainable*, give a true and fair view in conformity with accounting principles generally accepted in India;
 - (a) in the case of the Balance Sheet, of the state of affairs of the company as at 31-03-2004;
 - (b) in the case of the Profit and Loss account 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.

For **Vishnu Ram & Co.**,
Chartered Accountants,

(S. Vishnumurthy)
Proprietor.
Membership No.22715

Mumbai,
July 28, 2004

(Referred to in our Report of even date)

- (i)
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
 - (b) All the assets have not been physically verified by the management during the year. However, the Company has a regular programme of verification, which in our opinion is reasonable, having regard to the size of the Company and the nature of its assets. Material discrepancies noticed on such verification have been properly dealt with in the books of account.
 - (c) During the year, the Company has disposed off a part of its land and buildings. According to the information and explanations given to us, we are of the opinion that the sale of the said part of the land and building perse has not affected the going concern status of the Company.
- (ii) During the year, the Company did not carry on any activity involving carrying of any inventory. Therefore, the provisions of clause 4(ii)(a), 4(ii)(b) and 4(ii)(c) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- (iii)
 - a) During the year, the Company has taken secured loans totalling Rs. 1720 million and unsecured loan amounting Rs. 73 million from two companies covered in the register maintained under section 301 of the Companies Act, 1956. The Company has not granted any loans, secured or unsecured, to parties covered in the register maintained under section 301 of the Act.
 - b) In our opinion, the rate of interest and other terms and conditions of loans taken by the Company are not, prima facie, prejudicial to the interest of the Company.
 - c) The Company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest.
 - d) There is no overdue amount in respect of above loans.
- (iv) In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v)
 - a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained u/s 301 of the Companies Act, 1956 have been so entered.
 - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of deposits) Rules, 1975 with regard to the deposits accepted from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) In our opinion and according to the information and explanations given to us, the provisions of section 209(1)(d) of the Companies Act, 1956 are not applicable to the Company with regard to maintenance of cost records.
- (ix)
 - a) The Company is regular in depositing with appropriate authorities, undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance contributions, income tax, sales tax, wealth tax, cess and other material statutory dues applicable to the Company.
 - b) According to the information and explanations given to us, no undisputed amounts payable in respect of above statutory dues were in arrears as at 31-3-2004, for a period of more than 6 months from the date they became payable.

Annexure (Contd.)



- (c) According to the information and explanations given to us, the following statutory dues have not been deposited with appropriate authorities on account of disputes.

Name of the Statute	Nature of dues	Amount	Forum where dispute is pending
Income Tax Act, 1961	Income tax demand (A.Y. 1999-00)	Rs. 12.28 million	Pending before the Income Tax Appellate Tribunal, Bangalore
Karnataka Sales Tax Act, 1957	Penalty and interest under Section 12-B (4) for the year 1996-97	Rs.100.69 million	Pending before the Sales Tax Appellate Tribunal, Bangalore

- (x) *In our opinion, the accumulated losses of the Company are more than fifty percent of its net worth. The Company has incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.*
- (xi) *In our opinion and according to the information and explanations given to us, during the year, there have been delays ranging from three months to eleven months in payment of dues on account of principal and interest to KSIIDC and UTI Bank amounting to Rs. 31.24 million and Rs. 55.81 million respectively.*
- (xii) According to the information and explanations given to us, the Company has not granted any loans on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Companies (Auditor's) Order, 2003 are not applicable to the Company.
- (xiii) The Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures or other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) According to the information and explanation given to us, we are of the opinion that the terms and conditions of the guarantees given by the Company, during the year, for the loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company.
- (xvi) According to the information and explanation given to us, the Company has raised a construction finance loan of Rs. 2 billion from a financial institution. The management has explained that the loan amount has been applied for repayment of other loans with the concurrence of the lending financial institution.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investment. No long-term funds have been used to finance short-term assets.
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year covered by our audit to parties and companies covered in the register maintained u/s 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, the Company has not issued any debentures during the year covered by our audit.
- (xx) According to the information and explanations given to us, the Company has not raised any money by public issue of any securities. Therefore, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **Vishnu Ram & Co.**,
Chartered Accountants,

(S. Vishnumurthy)

Proprietor.

Membership No.22715

Mumbai,
July 28, 2004

	Schedule	As at March 31, 2004		As at March 31, 2003	
		Rs.	Rs.	Rs.	Rs.
I. SOURCES OF FUNDS					
(1) Shareholders' Funds					
(a) Capital	1	226,409,560		229,050,060	
(b) Reserves and surplus	2	<u>2,428,804,814</u>	<u>2,655,214,374</u>	<u>2,819,534,909</u>	3,048,584,969
(2) Loan Funds					
(a) Secured loans	3	3,182,993,540		2,505,446,445	
(b) Unsecured loans		<u>210,152,000</u>	<u>3,393,145,540</u>	<u>569,437,452</u>	3,074,883,897
			<u>6,048,359,914</u>		<u>6,123,468,866</u>
II. APPLICATION OF FUNDS					
(1) Fixed Assets					
(a) Gross block	4	2,046,770,996		2,452,263,553	
(b) Less : Depreciation		<u>131,328,892</u>		<u>161,886,710</u>	
(c) Net Block		1,915,442,104		2,290,376,843	
(d) Capital work-in-progress		<u>19,710,728</u>	<u>1,935,152,832</u>	<u>20,482,022</u>	2,310,858,865
(2) Investments					
Less : Provision for diminution in value of Investments	5	2,778,441,527		3,084,203,742	
		<u>146,347,357</u>	<u>2,632,094,170</u>	<u>487,639,622</u>	2,596,564,120
(3) Current Assets, Loans and Advances					
(a) Sundry debtors	6	247,873,506		187,859,603	
(b) Cash and bank balances		161,937,217		41,374,308	
(c) Loans and advances		153,438,381		537,461,814	
(d) Other current assets		<u>35,558,423</u>		<u>32,869,575</u>	
		<u>598,807,527</u>		<u>799,565,300</u>	
Less : Current Liabilities & Provisions					
(a) Current liabilities	7	355,041,560		543,104,714	
(b) Provisions		<u>13,741,688</u>		<u>12,997,719</u>	
		<u>368,783,248</u>		<u>556,102,433</u>	
Net Current Assets			<u>230,024,279</u>		243,462,867
(4) (a) Miscellaneous Expenditure					
(To the extent not written off)			—		27,068,450
(b) Profit & loss account			<u>1,251,088,633</u>		945,514,564
Accounting Policies	10				
Notes on Accounts	11		<u>6,048,359,914</u>		<u>6,123,468,866</u>

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

Dr. Vijay Mallya
Chairman

N. Srinivasan
Director

R.N. Pillai
Managing Director

For Vishnu Ram & Co.,
Chartered Accountants,

P. Subramani
Company Secretary

P.A. Murali
Director

S. Vishnumurthy,
Proprietor.

Mumbai,
July 28, 2004

Profit & Loss Account



Schedule	For the year ended March 31, 2004		For the year ended March 31, 2003	
	Rs.	Rs.	Rs.	Rs.
INCOME	8			
Sales and service		58,500,000	463,306,607	
Less: Excise duty		—	193,224,317	
		58,500,000	270,082,290	
Profit on sale of assets		425,037,082	71,206,503	
Other income		166,412,183	149,402,780	490,691,573
		649,949,265		
EXPENDITURE				
Manufacturing & other expenses	9(a)	244,783,618	420,898,379	
Interest	9(a)	460,352,446	466,707,299	
Deferred revenue expenses		27,068,451	21,284,323	
Extra-ordinary items	9(b)	209,317,964	1,176,800,000	2,085,690,001
Loss before depreciation		291,573,214		1,594,998,428
Add : Depreciation		14,000,855	23,050,991	
Less : Adjusted against revaluation reserve		—	13,249,601	9,801,390
Loss		305,574,069		1,604,799,818
Loss brought forward from previous year		945,514,564		342,744,295
		1,251,088,633		1,947,544,113
Less : Appropriations :				
Transferred to General reserve per contra		—		1,002,029,549
Balance of loss carried to Balance Sheet		1,251,088,633		945,514,564
Earnings per share (Basic/Diluted)		(13.50)/(13.50)		(70.88)/(63.48)
Accounting Policies	10			
Notes on Accounts	11			

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

Dr. Vijay Mallya
Chairman

N. Srinivasan
Director

R.N. Pillai
Managing Director

For Vishnu Ram & Co.,
Chartered Accountants,

P. Subramani
Company Secretary

P.A. Murali
Director

S. Vishnumurthy,
Proprietor.

Mumbai,
July 28, 2004

Cash Flow Statement

FOR THE YEAR ENDED MARCH 31, 2004

Rupees Million

	2003-2004	2002-2003
A. Cash Flow from Operating Activities		
Net Profit/(Loss) before extra-ordinary items	(96.257)	(427.999)
Add : Adjustment for depreciation	14.000	9.801
Less : Dividend Income	96.576	66.569
Less : Profit on sale of investments (net)	—	0.003
Less : Profit/Loss on sale of assets	425.037	71.207
Add : Exceptional items	—	1,020.594
Add : Interest expenses (net)	460.352	435.298
Deferred revenue	—	21.284
Operating Profit/(Loss) before working capital changes	(143.518)	921.199
Adjusted for :-		
Inc. in Trade and other receivables	(60.014)	(43.017)
Decrease in Inventories	—	52.791
Deferred Revenue : reductions/(Increase)	27.068	(1.109)
(Dec)/Inc. in Trade payables/other creditors	(187.319)	17.443
Cash Flow before extra-ordinary items	(363.783)	947.307
B. Extra-ordinary items	(209.317)	(1,176.800)
Cash Flow after extra-ordinary items	(573.100)	(229.493)
C. Cash Flow from Investing Activities		
Purchase of fixed Assets	(82.758)	(132.433)
Sale of fixed assets	478.771	94.866
Purchase of investments	(37.450)	(1.500)
Sale of investments	1.920	1.129
Dividend Income	96.576	66.569
Net cash generated in Investing Activities	457.059	28.631
D. Cash Flow from financing activities		
Short term loan : Increase/(Decrease)	(359.285)	76.593
Long term Borrowing/repayments	677.547	458.751
Recovery of loans/advances	381.336	111.424
Interest paid	(460.352)	(435.298)
Repayment of warrant	(2.641)	—
Net cash generated from Financing Activities	236.605	211.470
Net cash inflow	120.564	10.608
Opening Balance	41.374	30.766
Closing Balance	161.938	41.374

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

Dr. Vijay Mallya
Chairman

N. Srinivasan
Director

R.N. Pillai
Managing Director

For Vishnu Ram & Co.,
Chartered Accountants,

P. Subramani
Company Secretary

P.A. Murali
Director

S. Vishnumurthy,
Proprietor.

Mumbai,
July 28, 2004

Schedules



	As at March 31, 2004		As at March 31, 2003	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE 1				
SHARE CAPITAL				
Authorised				
100,000,000 Equity Shares of Rs.10 each		1,000,000,000		1,000,000,000
Issued, Subscribed and Paid-up				
22,640,956 Shares of Rs.10 each fully paid (Previous Year - 22,640,956 shares)		226,409,560		226,409,560
		226,409,560		226,409,560
Amount received against Convertible Warrants Issued *		—		2,640,500
		226,409,560		229,050,060
56,680 shares @ Rs. 7.50 per share were allotted without payment being received				
9,606,815 shares allotted as Bonus through capitalisation of Reserves				
1,375,427 shares allotted as per scheme of amalgamation				
2,359,500 shares allotted against conversion of warrants				
(*The warrant holders did not exercise their option to convert the warrants before March 31, 2003 being the expiry date. Hence the amount was refunded.)				
SCHEDULE 2				
RESERVES AND SURPLUS				
Capital reserve		21,199,774		21,199,774
Fixed assets revaluation reserve	2,051,483,935		2,064,733,536	
Less: Adjustment for the year	390,730,095	1,660,753,840	13,249,601	2,051,483,935
General reserve	—		1,002,029,549	
Less debit balance in P & L a/c. as per contra	—	—	1,002,029,549	—
Contingency reserve		75,000,000		75,000,000
Securities premium account		671,851,200		671,851,200
		2,428,804,814		2,819,534,909
SCHEDULE 3				
SECURED LOANS				
From bankers	—		940,115,753	
Interest accrued and due	—	—	15,059,071	955,174,824
From financial institutions		1,574,527,270		1,550,271,621
From others		1,608,466,270		—
(Includes interest accrued & due)		3,182,993,540		2,505,446,445
Unsecured Loans				
Fixed deposits (Maturing in the next one year Rs. 97,036,000)		210,152,000		391,199,000
Short term loans and advances :				
From bankers		—		33,828,452
From others		—		144,410,000
		210,152,000		569,437,452

SCHEDULE 4

FIXED ASSETS as at March 31, 2004

Description of Assets	Gross Block				Depreciation				Net value of Assets as on 31st March, 2004	Net value of Assets as on 31st March, 2003
	Value/Cost as at 31st March, 2003	Additions during the year	Sales/write-off during the year	Value/Cost as at 31st March, 2004	Value/Cost as at 31st March, 2003	Deletion during the year	For the year	Value/Cost as at 31st March, 2004		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Buildings	188,918,665	27,658,607	86,516,712	130,060,560	48,838,300	44,376,816	7,355,964	11,817,448	118,243,112	140,080,365
Goodwill	150,000	—	150,000	—	—	—	—	—	—	150,000
Furniture, Fixtures & Fittings	52,582,153	5,233,290	70,555	57,744,888	36,233,692	14,522	2,445,696	38,664,866	19,080,022	16,348,461
Licence & Rights	40,000	—	40,000	—	—	—	—	—	—	40,000
Office Equipments - Others	2,553,302	38,795	—	2,592,097	1,417,947	—	162,752	1,580,699	1,011,398	1,135,355
Land * *	2,104,316,937	—	397,603,901	1,706,713,036	—	—	—	—	1,706,713,036	2,104,316,937
Office Equipments - Computers	3,678,306	177,600	—	3,855,906	2,721,296	—	352,958	3,074,254	781,652	957,010
Plant & Machinery	20,150,847	3,868,827	—	24,019,674	950,316	167,336	1,420,064	2,203,044	21,816,630	19,200,531
Aircraft	68,346,362	43,288,281	—	111,634,643	64,213,397	—	669,540	64,882,937	46,751,706	4,132,965
Vehicles *	11,526,981	2,493,037	3,869,826	10,150,192	7,511,762	—	1,593,882	9,105,644	1,044,548	4,015,219
Total	2,452,263,553	82,758,437	488,250,994	2,046,770,996	161,886,710	44,558,674	14,000,856	131,328,892	1,915,442,104	2,290,376,843
Capital work-in-progress at cost and advance payment for Capital works.									19,710,728	20,482,022
									1,935,152,832	2,310,858,865

* includes vehicles acquired under HP terms (Original Cost Rs. 4,051,000)

** Refer note 3(b)

Schedules (Contd.)



SCHEDULE 5 INVESTMENTS

Particulars	As at March 31, 2004			As at March 31, 2003		
	Number of Shares	Face Value	Cost Rs.	Number of Shares	Face value	Cost Rs.
TRADE INVESTMENTS (FULLY PAID-UP EQUITY SHARES)						
United Breweries Limited	2,726,632	Rs. 27,266,320	629,000,070	2,726,632	Rs. 27,266,320	629,000,070
Baramati Grape Industries Limited	39,050	Rs. 3,905,000	3,905,000	39,050	Rs. 3,905,000	3,905,000
H Parsons P.Limited	—	—	—	5,842	Rs. 584,200	1,847,850
Castle Breweries Limited @	149,949	Rs. 1,499,490	45,287	149,949	Rs. 1,499,490	45,287
Maltext Malsters Limited	15,424	Rs. 1,542,400	914,890	15,424	Rs. 1,542,400	914,890
United Distilleries India Limited	6,000,000	Rs. 60,000,000	60,000,000	6,000,000	Rs. 60,000,000	60,000,000
United Racing & Blood Stock Breeders Limited	4,004,500	Rs. 40,045,000	40,045,000	4,004,500	Rs. 40,045,000	40,045,000
Asian Age Holdings Limited	7,490	Rs. 74,900	37,524,900			
Herbertsons Limited	2,246,756	Rs. 22,467,560	32,236,863	2,246,756	Rs. 22,467,560	32,236,863
Mangalore Chemicals & Fertilisers Limited	9,043,797	Rs. 90,437,970	134,568,566	9,043,797	Rs. 90,437,970	134,568,566
McDowell & Company Limited	21,800,934	Rs. 218,009,340	722,837,972	21,800,934	Rs. 218,009,340	722,837,972
UB Engineering Limited	3,726,749	Rs. 37,267,490	103,830,108	3,726,749	Rs. 37,267,490	103,830,108
NON-TRADE (FULLY PAID UP EQUITY SHARES)						
Aventis Pharma Limited	2,348,370	Rs. 23,483,700	1,892,894	2,348,370	Rs. 23,483,700	1,892,894
Bayer India Limited (formerly Aventis CropScience Limited) (3)	1,002,613	Rs. 10,026,130	—	601,568	Rs. 6,015,680	—
United Vander Horst Limited	284,288	Rs. 2,842,880	3,158,594	284,288	Rs. 2,842,880	3,158,594
Unitel Communications Limited @	1,729,400	Rs. 17,294,000	8,267,150	1,729,400	Rs. 17,294,000	8,267,150
GMR Industries Limited (2)	200,000	Rs. 2,000,000	5,000,000	200,000	Rs. 2,000,000	5,000,000
North West Distilleries P Limited	498	Rs. 4,980	4,980	498	Rs. 4,980	4,980
Pixray India Limited	—	—	—	1,518	Rs. 151,800	152,225
Uhde India Limited	256,000	Rs. 2,560,000	120,000	256,000	Rs. 2,560,000	120,000
WIE Engineering Limited @	306,860	Rs. 3,068,600	1,419,115	306,860	Rs. 3,068,600	1,419,115
UB Pharma (Kenya) Limited (4)	120,000	KS 12,000,000	7,615,982	120,000	KS 12,000,000	7,615,982
IN SUBSIDIARY COMPANIES (FULLY PAID) SHARES - NON LISTED						
Cardboard Industries Limited	—	—	—	625,000	Rs. 62,500,000	62,500,000
MWP Limited	—	—	—	9,250,000	Rs. 92,500,000	92,440,000
United Breweries Nepal Private Limited	250,000	NC 25,000,000	18,000,000	250,000	NC 25,000,000	18,000,000
UB Electronic Instruments Limited	280,976	Rs. 28,097,600	27,208,976	280,976	Rs. 28,097,600	27,208,976
UB Global Corporation Limited	19,000,017	Rs. 190,000,170	190,000,170	19,000,017	Rs. 190,000,170	190,000,170
UB Information & Consultancy Services Limited	1,000,011	Rs. 10,000,110	10,000,110	1,000,011	Rs. 10,000,110	10,000,110
UB International Trading Limited	50,002	Rs. 500,020	500,020	50,002	Rs. 500,020	500,020
UB Pharmaceuticals Limited	—	—	—	11,120,017	Rs. 111,200,170	111,200,110
UB Transit Systems Limited	50,000	Rs. 500,000	500,000	50,000	Rs. 500,000	500,000
UB General Investments Limited	10,000,000	Rs. 100,000,000	100,000,000	10,000,000	Rs. 100,000,000	100,000,000
UB Infrastructure Projects Limited	50,000	Rs. 500,000	500,000	50,000	Rs. 500,000	500,000
UB Holding (South Africa) (Pty) Limited	69,960,000	SAR 69,960,000	637,844,900	69,960,000	SAR 69,960,000	637,844,900
Variegate Trading Limited	50,000	Rs. 500,000	499,980	50,000	Rs. 500,000	499,980
Kingfisher.Com Limited	—	—	—	7,500,000	Rs. 75,000,000	74,999,930
OTHERS						
BOB Growth 95 - Units	100,000	Rs. 1,000,000	1,000,000	100,000	Rs. 1,000,000	1,000,000
Unit Trust of India(Venture Capital) - Units	—	—	—	1,470	Rs. 147,000	147,000
			2,778,441,527			3,084,203,742
Less : Provision for diminution in value of Investment			146,347,357			487,639,622
Net value of Investment			2,632,094,170			2,596,564,120

**SCHEDULE 5
INVESTMENTS (Contd.)**
Notes :

1. @ These Companies are under liquidation proceedings.
2. The Company's name has been changed from the earlier GMR Vasavi Industries Ltd. Share Certificates are yet to be received from the Company.
3. Consequent to a merger arrangement of Aventis Crop Science Ltd. with Bayer India Limited, the Company was allotted 401,045 additional shares in the merged Company.
4. UB Pharma (Kenya) Ltd. has closed its operations.

		As at 31st March, 2004
	Cost	Market Value
Quoted Investments	1,637,633,623	3,466,266,698
Unquoted Investments	1,140,807,904	
	2,778,441,527	

	Number of Shares	Face Value Rs.	Cost Rs.
ADDITIONS DURING THE YEAR			
Asian Age Holdings Limited	7,490	74,900	37,450,000
Total			37,450,000
DELETIONS DURING THE YEAR			
MWP Limited	9,244,000	92,440,000	92,440,000
Unit Trust of India (Venture Capital - units)	14,700	147,000	147,000
UB Pharmaceuticals Limited	11,120,011	111,200,110	111,200,110
Cardboard Industries Limited	625,000	62,500,000	62,500,000
Kingfisher.Com Limited	7,500,000	75,000,000	74,999,930
H Parsons P Limited	5,842	584,200	1,847,850
Pixray India Limited	1,518	151,800	152,225
Total			343,287,115

Schedules (Contd.)



	As at March 31, 2004		As at March 31, 2003	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE 6				
CURRENT ASSETS, LOANS AND ADVANCES				
Current Assets				
Sundry Debtors				
Unsecured				
Debts outstanding for a period exceeding six months				
Due from a subsidiary considered good		163,593,000		123,093,000
Other debts considered good		4,933,827		16,192,780
considered doubtful		—		11,211,622
		168,526,827		150,497,402
Less : Provision		—		11,211,622
		168,526,827		139,285,780
Debts outstanding for a period of less than six month				
Due from a subsidiary considered good	70,736,000		40,500,000	
Other debts - considered good	8,610,679	79,346,679	8,073,823	48,573,823
		247,873,506		187,859,603
Cash and Bank Balances				
Cash and cheques on hand and in transit		95,980		11,896,502
Balances with scheduled banks :				
on current account	137,498,519		25,973,806	
(including unclaimed dividend account)				
on deposit account	24,342,718	161,841,237	3,504,000	29,477,806
		161,937,217		41,374,308
Loans and Advances				
Unsecured (unconfirmed)				
Advances recoverable in cash or in kind or for value to be received				
Considered good	38,095,786		288,056,132	
Considered doubtful	375,548,321		336,060,637	
	413,644,107		624,116,769	
Less : Provision	375,548,321	38,095,786	336,060,637	288,056,132
Due by subsidiary companies				
Considered good	117,503,880		292,633,219	
Considered doubtful	110,356,456		125,442,528	
	227,860,336		418,075,747	
Less : Provision	110,356,456		125,442,528	
	117,503,880		292,633,219	
Less : Due to subsidiary companies	2,161,285	115,342,595	43,227,537	249,405,682
		153,438,381		537,461,814
Other Current Assets				
Balances with excise authorities		—		281,850
Deposits :				
Considered good *	19,306,280		22,307,604	
Considered doubtful	1,595,923		—	
	20,902,203		22,307,604	
Less : Provision	1,595,923	19,306,280	—	22,307,604
Advance payment of income tax		16,252,143		10,280,121
		35,558,423		32,869,575

(* includes Rs. 772,380 rental deposit and Rs. 1,100,000 advance outstanding from the Company Secretary. Maximum amount due during the year Rs. 772,380 and Rs. 1,100,000)

	As at March 31, 2004 Rs.	As at March 31, 2003 Rs.
SCHEDULE 7		
CURRENT LIABILITIES		
Sundry creditors - due to others	333,600,401	212,815,391
Due to SSI units	—	—
Unclaimed dividend account	5,861,380	5,983,034
Interest accrued but not due	15,579,779	308,619,714
Acceptances	—	15,686,575
Investor education and protection fund	—	—
(No amounts are due to the Investor education and protection fund)	<u>355,041,560</u>	<u>543,104,714</u>
PROVISIONS		
Leave encashment payable	13,741,688	12,997,719
	<u>13,741,688</u>	<u>12,997,719</u>
	Rs.	Rs.
	Year ended March 31, 2004 Rs.	Year ended March 31, 2003 Rs.
SCHEDULE 8		
INCOME		
Sales & Service		
Sales	—	421,099,698
Income from services	58,500,000	42,206,909
	<u>58,500,000</u>	<u>463,306,607</u>
Other Income		
Dividend received	96,576,855	66,569,450
Guarantee commission (TDS deducted Rs. 3,82,044)	5,633,861	4,456,824
Miscellaneous income	3,293,277	27,992,766
Profit on sale of investments (Net)	—	3,000
Rent (TDS Deducted 8,25,991)	4,009,032	1,001,825
Provisions no longer required	32,663,158	1,431,029
Refund of Income Tax relating to previous years	—	22,873,386
Exchange fluctuation gain	24,236,000	25,074,500
	<u>166,412,183</u>	<u>149,402,780</u>

Schedules (Contd.)



	Year ended March 31, 2004		Year ended March 31, 2003	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE 9 (a)				
MANUFACTURING & OTHER EXPENSES				
Consumption of raw materials	—		24,013,967	
Consumption of stores and spares	—		75,556,707	
Power and fuel	—		12,553,248	
Excise duty	—	—	840,990	112,964,912
Personnel expenses :				
Salaries, wages and bonus	60,261,797		66,747,468	
Voluntary retirement benefit	—		5,084,299	
Gratuity	4,757,349		2,678,283	
Contribution to provident & other funds	8,846,612		9,688,012	
Welfare expenses	2,905,070	76,770,828	8,898,481	93,096,543
Other expenses :				
Rent including lease rent	5,482,577		7,414,455	
Insurance	545,384		866,050	
Repairs and maintenance	212,105		9,617,555	
Directors sitting fees	315,000		205,000	
Travel and conveyance	21,221,311		14,954,166	
Communication expenses	5,151,408		3,916,361	
Retainership fees	3,349,022		2,931,205	
Electricity, gas & water	2,964,483		6,178,130	
Vehicle expenses	5,573,183		5,145,597	
Printing & stationery	2,740,812		5,971,072	
Brokerage	2,054,903		3,553,535	
Advertising & sales promotion	783,154		52,624,923	
Rates and taxes	4,922,710		13,283,723	
Auditors remuneration	825,345		1,116,000	
Bad debts/advances written off	185,166,293		243,737,898	
Less: Provision withdrawn	146,083,981	39,082,312	(243,737,898)	
Obsolete stock written off	—		1,781,352	
Legal & professional fee	20,518,038		23,522,932	
Guarantee obligations	5,656,000		—	
Provision for doubtful advances	39,976,941		—	
Investment written off	137,499,930		—	
Less : Provision withdrawn	137,499,930	—	—	—
Loss on sales/redemption of investment	911,850		—	
Miscellaneous expenses	5,726,252	168,012,790	38,309,923	191,391,979
Change in inventory :				
Opening stock/stock taken over on demerger	—		23,444,945	
Closing stock	—		—	23,444,945
		244,783,618		420,898,379
INTEREST				
On fixed loans		423,468,522		417,257,945
On others		—		28,036,779
Process fees		41,094,250		31,409,000
		464,562,772		476,703,724
Less : Interest received @		4,210,326		9,996,425
		460,352,446		466,707,299
@ Tax deducted at source		275,659		216,645
SCHEDULE 9 (b)				
EXTRA-ORDINARY ITEMS				
Bad advances written off		125,273,874		121,989,845
Provision for doubtful advances		34,359,064		410,964,937
Guarantee obligations devolvement (refer note 5)		49,685,026		—
Provision for doubtful debts		—		11,211,622
Provision for diminution in value of investment		—		487,639,622
Voluntary retirement benefits		—		144,993,974
		209,317,964		1,176,800,000

SCHEDULE 10**SIGNIFICANT ACCOUNTING POLICIES****Fixed Assets :**

1. Fixed Assets are stated at cost as adjusted by the revaluation of Land at Bangalore in August 2001 at the market value by approved valuers less depreciation, where applicable. All costs relating to the acquisition and installation of fixed assets are capitalised and include borrowing cost relating to borrowed funds attributable to the acquisition of qualifying assets for the period upto the date of commencement of production/acquisition.

Expenditure incurred in enhancing the economic useful life of a fixed asset is capitalised.

2. Fixed assets acquired under hire purchase/instalment credit schemes are capitalised at cost while the annual finance charges are recognised in the Profit & Loss Account. Fixed assets taken on financial lease prior to March 31, 2001, not being new leases, are not capitalized.

Investments :

Investments being long term in nature, are stated at cost/below cost. Diminution in the value of investment, if considered permanent, is provided for.

Income from Services :

Income from services namely, royalty, technical assistance fee etc. are accounted for on accrual basis in terms of the respective agreements. Fixed annual fee for management services from other companies are accrued as per agreements.

Dividend :

Dividend income is accounted as and when declared by the respective companies.

Depreciation :

Depreciation has been provided at the rates prescribed under Schedule XIV of the Companies Act, 1956, under written down value method.

Retirement Benefits :

1. Contributions to Pension and Superannuation Funds are made over to separate trust funds.
2. Liability towards gratuity payable in future to employees is ascertained on actuarial basis as at the year-end and funded into a gratuity fund maintained by Life Insurance Corporation of India.
3. Leave encashment benefit to employees is determined on actuarial basis and provided for.

Taxes on Income :

Current tax if applicable, is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not determined on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Contingent Liabilities :

All known liabilities wherever material are provided for and liabilities, which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of Notes to the Accounts.

Cash Flow Statement :

The cash Flow Statement is prepared as per the indirect method prescribed under Accounting Standard "AS 3" issued by the Institute of Chartered Accountants of India.

The statement has been compiled from and is based on the Balance Sheet as at March 31, 2004 and the related Profit and Loss Account for the year ended on that date.

Notes on Accounts



SCHEDULE 11

NOTES ON ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004

- 1a) The financial statements for the year reflect a negative net worth. However, as the value of land under property development as carried in the books exceeds the original cost by Rs.1660.7 mio and the market value of quoted investments as on the balance sheet date was significantly higher than its book value by Rs. 1828.7 mio, the Company's net worth is significantly positive and accordingly, the accounts have been presented on principles applicable to going-concern.
- 1b) The Company entered into an agreement with Prestige Estates Projects Private Limited (Prestige) under which Prestige will complete the construction of 'UB ciTy', located in Vittal Mallya Road, Bangalore. The development will be entirely funded by Prestige and the Company will be entitled to 55% of the constructed space in consideration of the transfer of 45% of the property to Prestige. The property development is under implementation and on completion, substantial revenue would accrue to the Company.

2. SECURED LOANS

a) FROM BANKERS

Certain loans from Bankers were secured by pledge of shares held by the Company and one loan additionally by a corporate guarantee

As at March 31, 2004 (Rs.)	As at March 31, 2003 (Rs.)
----------------------------------	----------------------------------

—	955,174,827
---	-------------

b) FROM OTHERS

i) Secured by pledge of certain investment, deposit of title deeds of specific lands and buildings.

—	1,547,025,603
---	---------------

ii) Secured by a pledge of certain shares held by the Company and in addition by a charge on a portion of the Company's vacant land and the Company's share in the proposed property development thereon. Includes a loan secured by a charge on a residential property.

1,573,378,671	—
---------------	---

iii) Secured by mortgage through deposit of title deeds of a property along with a second charge on certain immovable properties pledge of certain securities and a charge on all present and future assets.

1,605,495,023	—
---------------	---

iv) Secured by Hire Purchase agreements for purchase of assets under instalment scheme.

3,796,247	3,246,017
-----------	-----------

v) The Company has acquired vehicles under hire purchase schemes during the year. The future minimum hire purchase payment (MHP) March 31, 2004 is :

	MLP	Interest	Present Value
Upto a period of 1 year	1,085,592	264,541	821,051
2 years to 5 years	2,710,655	307,824	2,402,831
TOTAL	<u>3,796,247</u>	<u>572,365</u>	<u>3,223,882</u>

3. FIXED ASSETS

- a) During the year the company sold 'UB House' and 'UB Crescent' and the net surplus arising therefrom (Rs. 425.0 Mio) is being included in the profit & loss account.
- b) A review of the market value of the erstwhile brewery land was undertaken by an approved valuer and based on his report, dated August 1, 2001, the value of the land was restated at Rs. 1,990 Mio. with a corresponding adjustment to the Fixed Assets Revaluation Reserve. The balance in the revaluation reserve after adjustment for disposal of land amounts to Rs. 1660.7 Mio as on 31.3.04.
- c) Expenditure of Rs. 43.3 Mio incurred by the company on technical up-gradation of the aircraft owned by it has been capitalised in view of the substantial addition to its useful life.

	As at March 31, 2004 (Rs.)	As at March 31, 2003 (Rs.)
4. INVESTMENTS		
a) Aggregate of average cost of investments in shares of certain companies that have been pledged for availing loans by the Company (Rs. 965,637,599) and a Group company (Rs. 470,462,347)	1,436,099,946	991,730,394
b) The Company had in earlier years promoted/acquired certain companies with the objective of obtaining controlling interest or for strategic reasons and the cost of these long term investments aggregating to Rs.244.5 Mio. has been carried at cost considering their intrinsic value and the business potential, though the net worth of these companies has been eroded. In the opinion of the Board of Directors, no provision is presently considered necessary; besides there is significant appreciation in the aggregate market value of the total investments, on a global basis.		
5. Following the proceedings before the Debt Recovery Tribunal (DRT) and the High Court of Karnataka, the Company accepted its guarantee obligations in respect of an erstwhile associate company (Rs. 49,685,026) and the liability against certain facilities availed from a bank by an erstwhile wholly-owned subsidiary (Rs. 47,248,145). These amounts have been considered in the accounts.		
6. The timing differences arising from business loss and depreciation result in net deferred tax asset as at March 31, 2004. However, the same has not been determined, as a matter of prudence.		
7. The unamortized portion of Deferred Revenue Expenditure carried over to the current financial year has been written-off in line with Accounting Standard AS 26 issued by the Institute of Chartered Accountants of India, resulting in an overstatement of loss for the year by Rs. 9.9 Mio.		
8. In terms of the subsisting agreement with United National Breweries (SA) (Pty) Limited, a stipulated annual management fee is receivable from an overseas subsidiary. The amount which has fallen in arrears upto 31.3.04 amounts to Rs. 234.3 Mio, of which Rs. 44 Mio has since been received. The amount receivable has also been confirmed by that Company. The management is therefore of the opinion that the outstanding management fee is considered good and recoverable and the said amount will be repatriated in terms of the approval granted by the Reserve Bank of India.		
9. A binding agreement has been reached between the Company jointly with United Breweries Limited (UBL) and Scottish & Newcastle Plc, a leading European brewing company for placement of a sum of Rs. 2 billion by way of Redeemable Optionally Convertible Preference Shares (ROCPS) through a Rights Issue into UBL. It has been agreed that as and when the infusion of preference capital into UBL is consummated, a 'Put Option' exercisable under certain circumstances of default by UBL shall be granted to the holders of ROCPS by Variegate Trading Limited, a wholly owned subsidiary of the Company. Under the terms of the agreement, upon the grant of such a 'Put Option', the Company shall extend a corporate guarantee for the due performance of obligations under the 'Put Option', by Variegate Trading Limited.		
	As at March 31, 2004 (Rs.)	As at March 31, 2003 (Rs.)
10. CONTINGENT LIABILITIES		
a. Estimated amount of Contracts remaining to be executed on capital account not provided for	4,252,000	71,327,849
b. Guarantees given by the Company		
i) On behalf of subsidiaries	253,500,000	211,000,000
ii) On behalf of others	908,036,536	919,636,536

Notes on Accounts (Contd.)



	As at March 31, 2004 (Rs.)	As at March 31, 2003 (Rs.)
c. i) Pursuant to a petition for a claim against the Company, filed by Mysore Sales Intl. Limited (MSIL) in connection with the demand for commission. The same was dismissed by the High Court of Karnataka in April 2002. MSIL has filed an appeal before the Division Bench of the High Court of Karnataka and the matter is pending. The company has been advised by Counsel that the claim of MSIL is not sustainable in law.	517,049,000	517,049,000
ii) Amount of disputed sales tax penalty and interest thereon which has been stayed by the Karnataka Appellate Tribunal and the matter is pending.	100,692,159	—
iii) Income tax demand under appeal with the Appellate Tribunal. In regard to the matters in c (i), (ii) and (iii) above, no provision is considered necessary, based on legal opinion	13,814,762	—
d. Claims against the Company not acknowledged as debt	21,458,260	61,100,587
e. Suit amount of Rs. 251,195,021 is payable in case of any delays or defaults in payments of the settlement amount of Rs. 96,933,171 (refer note 5 above), along with interest as may be applicable.		
f. Rebate of Rs. 6,399,208 granted by the Bangalore Water Supply and Sewerage Board in earlier years, out of which Rs. 4,365,230 allowed in earlier years has been recalled from the Company and the same is under litigation.		
11. MINIMUM REMUNERATION PAID TO A WHOLETIME DIRECTOR		
The Company Secretary was also designated as Wholetime Director of the Company effective 20th August 2002, but did not draw any additional remuneration in his capacity as Wholetime Director. This is supported by expert legal opinion obtained by the Company.		
12. REMUNERATION INCLUDING PERQUISITES PAID TO MANAGERIAL PERSONNEL		
The appointment of Managing Director without remuneration with effect from 18.03.04 requires approval of the share holders at the ensuing Annual General Meeting.		
13. REMUNERATION TO AUDITORS		
Statutory Audit	500,000	500,000
Tax Audit	32,800	203,750
Other Services	—	20,000
Expenses (including service tax)	292,545	392,250
	825,345	1,116,000
14. SEGMENTAL REPORTING		
There is no reportable business segment for the company.		
15. RELATED PARTY TRANSACTIONS		
i. Name of the Related Parties where control exists :		
Subsidiaries :		
1. UB Electronic Instruments Ltd.	2. UB Global Corporation Ltd.	
3. UB Holdings (SA) Proprietary Ltd.	4. UB Information & Consultancy Services Ltd.	
5. UB Transit Systems Ltd.	6. UB General Investments (formerly known as United Breweries (Holdings) Ltd.)	
7. Variegate Trading Ltd.	8. UB Infrastructure Projects Ltd.	
9. UB International Trading Ltd.	10. United National Breweries (SA) (Pty) Ltd.	

Associates :

McDowell & Company Ltd., Herbertsons Ltd., Mangalore Chemicals & Fertilisers Ltd., UB Engineering Ltd., United Racing & Blood Stock Breeders Ltd., Castle Breweries Limited (under liquidation), Maltex Malsters Limited, United Distilleries (India) Limited, WIE Engineering Ltd. and UB Pharma (Kenya) Limited .

Key Management Personnel :

- | | |
|------------------|---|
| Mr. P. Subramani | – upto 31st January, 2004 |
| Mr. R.N. Pillai | – as Manager from 1st February to 17th March 2004 |
| | – as Managing Director from 18th March 2004 |

ii. Transactions with Related Parties during the year :

Rs in Mio

Sl. No.	Nature of Transactions	Subsidiaries		Associates		Total	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
1.	Purchase of Goods/Services	0.119	—	4.960	0.610	5.079	0.610
2.	Sale of Goods/Services	71.737	—	102.376	63.100	174.113	63.100
3.	Receipts against rendering of Services	—	—	76.532	48.630	76.532	48.630
4.	Payments against rendering of Services	—	—	13.100	—	13.100	—
5.	Finance (Including loans & equity contributions in cash or in kind)	155.307	27.540	199.095	28.900	354.402	56.440
6.	Guarantees	Ref. Note 7(b)(i)		Ref. Note 7(b)(ii)			
7.	Investments	—	1.520	—	—	—	1.520
8.	Wholesale Director Remuneration	Refer Note 8					
9.	Amount Due from as of March 31, 2004	462.505	416.640	57.295	239.490	519.800	656.130
10.	Amount Due to as of March 31, 2004	2.645	43.230	109.953	91.720	112.598	134.950
11.	Prov. for doubtful advances	110.356	125.442	45.556	56.003	155.912	181.445
12.	Bad debts written off	258.104	121.989	—	—	258.104	121.989

16. EARNINGS PER SHARE

For the purpose of computing earnings per share, the Loss after tax of Rs. 305,574,069 for the year has been used as the numerator. The shares subscribed as on 31/3/04 was used as denominator (22,640,956 shares).

Earnings per share (Basic/Diluted) – Rs. (13.50)/(13.50) – Prior Year (70.88)/(63.48).

17. EXPENDITURE IN FOREIGN CURRENCY

Foreign Travel expenses of employees and consultants

Rs.

2,229,058
(1,709,264)

18. EARNINGS IN FOREIGN EXCHANGE

Services

46,500,000
(40,500,000)

19. The figures in brackets relate to previous year.

20. Previous year's figures have been regrouped wherever necessary to conform with the current year's classification.

Signatures to Schedule 1 To 11

Dr. Vijay Mallya
Chairman

N. Srinivasan
Director

R.N. Pillai
Managing Director

For Vishnu Ram & Co.

P. Subramani
Company Secretary

P.A. Murali
Director

S. Vishnumurthy
Proprietor
Chartered Accountants

Mumbai
July 28, 2004

Statement 212



STATEMENT PURSUANT TO SECTION 212(1)(e) OF THE COMPANIES ACT, 1956 AS AT MARCH 31, 2004

(Rupees in '000s)

Sl. No.	Name of the Subsidiary	No. of Equity shares at the end of the financial year of the Company	Extent of holding	Net Aggregate Profit/(Loss) of the Subsidiary so far as it concerns the Shareholders of the Company			
				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 31.03.2004	(ii) For previous year of the subsidiary since it became a subsidiary	(i) For the subsidiary's financial year ended 31.03.2004	(ii) For the previous financial year of the subsidiary since it became a subsidiary
1	2	3	4	5	6	7	8
1.	UB Electronic Instruments Limited	280,976	96.25	1,157	(7,380)	—	—
2.	UB Global Corporation Limited	19,000,017	100	57,577	(75,656)	—	—
3.	UB Information And Consultancy Services Limited	1,000,017	100	(28)	(16,766)	—	—
4.	UB Infrastructure Projects Limited*	50,000*	100	—	—	—	—
5.	UB Transit Systems Limited*	50,000*	100	—	—	—	—
6.	UB General Investments Limited	10,000,000	100	(47,079)	(161,859)	—	—
7.	UB International Trading Limited	50,002	100	418	(33)	—	—
8.	Variegate Trading Limited	50,000	100	(41)	(50)	—	—

* As the Company has not commenced its business activities, there is no Profit & Loss Account.

Dr. Vijay Mallya
Chairman

N. Srinivasan
Director

R.N. Pillai
Managing Director

P. Subramani
Company Secretary

P.A. Murali
Director

Mumbai,
July 28, 2004

Balance Sheet Abstract



COMPANY'S GENERAL BUSINESS PROFILE

(Rs. in Thousands)

I. Registration Details

Registration	:	740
State Code	:	08
Balance Sheet Date	:	31.03.2004

II. Capital Raised during the year

Public Issue	:	Nil
Rights Issue	:	Nil
Bonus Issue	:	Nil
Private Placement	:	Nil

III. Position of Mobilisation and Deployment of Funds

Total Liabilities	6,048,360	Total Assets	6,048,360
Sources of Funds		Application of Funds	
Paid up Capital	226,410	Net Fixed Assets	1,935,153
Reserves & Surplus	2,428,805	Investments	2,632,094
Secured Loans	3,182,993	Net Current Assets	230,024
Unsecured Loans	210,152	Misc. Expenditure	1,251,089

IV. Performance of Company

Turnover	58,500	Total Expenditure	955,523
Loss Before Tax	(305,574)	Loss After Tax	(305,574)
Earnings per Share	(13.50)	Dividend Rate	Nil

V. Generic Names of Three Principal Products/Services of the Company

Item Code - ITC Code	—
Product Description	Real Estate Development & Investments



UBHL

Auditors' Report on Consolidated Financial Statements



To
The Board of Directors of
UNITED BREWERIES (HOLDINGS) LIMITED
Bangalore

1. We have examined the attached Consolidated Balance Sheet of **UNITED BREWERIES (HOLDINGS) LIMITED** (parent Company) and its subsidiaries as at 31st March 2004, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the parent Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe our audit provides a reasonable basis for our opinion.
3. (a) We did not audit the financial statements of some of the subsidiaries, whose financial statements reflect total assets (net) of Rs. 427.727 million as at 31st March 2004, and total revenues of Rs. 492.616 million for the year then ended. Those financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of those subsidiaries, is based solely on the report of those auditors.
(b) *The financial statements of two foreign subsidiaries and a subsidiary of one of such foreign subsidiary have not been included in the Consolidated Financial Statements for the reason that the control of the parent Company over those subsidiaries is intended to be temporary as mentioned in note 1 of schedule 10.*
(c) *The financial statements of certain associate companies mentioned in note 1 of Schedule 10 have not been included in the Consolidated Financial Statements for the reasons stated against their names.*
(d) The financial statements of certain associate companies, which reflect the group's share of profits (net) for the year of Rs.65.522 million have been audited except as indicated in 3(e) below, by other auditors and we have relied upon such audited financial statements for the purpose of our examination of the Consolidated Financial Statements.
(e) *As stated in Note 3 of Schedule 10, the audited financial statements for the year ended March 31, 2004 are not available in respect of certain associates of the Company. Consequently, the Company's share in the profits of these associates and the value of investments in the Consolidated Financial Statements are included on the basis of un-audited financial statements for the year ended March 31, 2004 as provided by the management of these associates. The carrying value of these investments aggregate to Rs. 45.155 million.*
4. *Subject to our comments in para 3(b) and 3(c) regarding the non-consideration of the financial statements of two foreign subsidiaries and a subsidiary of one of those foreign subsidiaries and certain associate companies in the Consolidated Financial Statements and para 3(e) regarding the incorporation of share in the results of certain associate companies based on un-audited financial results, we report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard AS 21, 'Consolidated Financial Statements' and Accounting Standard AS 23, 'Accounting for Investments in Associates in Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the parent Company and its subsidiaries and associates included in the Consolidated Financial Statements.*
5. *Attention is invited to the following :*
 - (a) *The parent Company and two of its subsidiaries have prepared their financial statements on 'going concern' basis, despite full erosion of their net-worth.*
 - (b) *The financial viability of the parent Company would depend upon the successful completion of the joint real estate development referred to in note 1(b) of schedule 11.*
 - (c) *The possible diminution in the value of investment in an overseas subsidiary having a carrying value of Rs. 682.842 million has not been considered and provided for in the financial statements. The diminution in the value has not been ascertained in the absence of an independent valuation of the investment.*
 - (d) *Note 6(b) of Schedule 11, regarding the non consideration of and non provision for the decline in the value of certain long-term investments having a carrying value of Rs. 144.835 million in the shares of companies whose net worth is fully eroded.*
 - (e) *The parent Company has considered the arrears of management fees of Rs. 234.3 million due from an overseas subsidiary including Rs. 46.5 million pertaining to the current year, as good and recoverable even though these amounts are long overdue.*
6. On the basis of information and explanations given to us and on the consideration of the separate audit reports on individual financial statements of the parent Company, its subsidiaries and associates and *subject to our observations in para 3(b), 3(c), 3(e) and 5 (a), 5(b), 5(c), 5(d) and 5(e) above, the cumulative consequential effect of which are presently not ascertainable, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with accounting principles generally accepted in India;*
 - (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the parent Company and its subsidiaries as at 31-03-2004;
 - (b) in the case of the Consolidated Profit and Loss account, of the consolidated results of operations of the parent Company and its subsidiaries for the year then ended; and
 - (c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year then ended.

For **Vishnu Ram & Co.**,
Chartered Accountants,

(**S. Vishnumurthy**)
Proprietor.

Membership No.22715

Mumbai,
July 28, 2004

Consolidated Balance Sheet

Schedule	As at March 31, 2004		As at March 31, 2003	
	Rs.	Rs.	Rs.	Rs.
I. SOURCES OF FUNDS				
(1) Shareholders' Funds				
(a) Capital	1	226,409,560		229,050,060
(b) Reserves and surplus	2	2,561,208,331	2,787,617,891	3,179,345,502
Minority Interest			830,981	785,847
(2) Loan Funds				
(a) Secured loans		3,392,194,343		2,598,416,059
(b) Unsecured loans		219,474,168	3,611,668,511	671,838,232
			<u>6,400,117,383</u>	<u>6,679,435,700</u>
II. APPLICATION OF FUNDS				
(1) Fixed Assets				
(a) Gross block	4	2,106,818,793		2,592,837,513
(b) Less : Depreciation		153,389,790		215,168,721
(c) Net Block		1,953,429,003		2,377,668,792
(d) Capital work-in-progress		20,560,609	1,973,989,612	129,679,749
Goodwill on consolidation			11,356,807	155,744,176
(2) Investments				
	5		4,099,659,350	4,012,983,258
(3) Current Assets, Loans and Advances				
(a) Inventories	6	116,141,955		91,792,018
(b) Sundry debtors		444,300,624		354,366,827
(c) Cash and bank balances		255,256,863		110,409,532
(d) Loans and advances		111,807,270		522,632,567
(e) Other current assets		36,009,059		34,660,110
		<u>963,515,771</u>		<u>1,113,861,054</u>
Less : Current Liabilities & Provisions				
(a) Current liabilities	7	976,646,308		1,162,087,955
(b) Provisions		22,770,875		16,731,372
		<u>999,417,183</u>		<u>1,178,819,327</u>
Net Current Assets		(35,901,412)		(64,958,273)
Deferred Tax Asset		300,130		128,674
(4) (a) Miscellaneous Expenditure				
(To the extent not written off)				68,189,324
(b) Profit & loss account	8(a)		350,712,896	—
Accounting Policies				
	10			
Notes on Accounts				
	11		<u>6,400,117,383</u>	<u>6,679,435,700</u>

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

Dr. Vijay Mallya
Chairman

N. Srinivasan
Director

R.N. Pillai
Managing Director

For Vishnu Ram & Co.,
Chartered Accountants,

P. Subramani
Company Secretary

P.A. Murali
Director

S. Vishnumurthy,
Proprietor.

Mumbai,
July 28, 2004

Consolidated Profit & Loss Account



Schedule	For the year ended March 31, 2004		For the year ended March 31, 2003	
	Rs.	Rs.	Rs.	Rs.
INCOME	8 (b)			
Sales and service	1,123,373,998		1,340,180,293	
Less : Excise duty	—		193,402,852	
	<u>1,123,373,998</u>		<u>1,146,777,441</u>	
Profit on sale of assets	424,175,972		—	
Other income	<u>315,981,520</u>	<u>1,863,531,490</u>	<u>263,279,148</u>	1,410,056,589
EXPENDITURE				
Manufacturing & other expenses	9 (a)	1,398,413,531	1,299,691,899	
Interest	9 (a)	475,847,649	511,830,708	
Deferred revenue expenses		67,220,726	27,097,768	
Extra-ordinary items	9 (b)	<u>522,007,424</u>	<u>581,253,666</u>	2,419,874,041
Loss before depreciation and taxation		<u>599,957,840</u>		1,009,817,452
Add : Depreciation		24,139,479	34,491,445	
Less : Adjusted against revaluation reserve		—	<u>14,636,754</u>	
		<u>24,139,479</u>		<u>19,854,691</u>
Loss before taxation		<u>624,097,319</u>		1,029,672,143
Income tax		<u>8,948,884</u>		<u>1,184,933</u>
Loss after taxation		<u>633,046,203</u>		1,030,857,076
Add : Profit transferred to minority interest		45,134		63,872
Less : Share of profit in associates		<u>65,522,584</u>		<u>100,869,846</u>
		<u>567,568,753</u>		<u>930,051,102</u>
Earning per share (Basic / Diluted)		<u>(27.96)/(27.96)</u>		<u>(45.53)/(40.77)</u>
Accounting Policies	10			
Notes on Accounts	11			

This is the Profit & Loss Account referred to in our Report of even date.

Dr. Vijay Mallya
Chairman

N. Srinivasan
Director

R.N. Pillai
Managing Director

For Vishnu Ram & Co.,
Chartered Accountants,

P. Subramani
Company Secretary

P.A. Murali
Director

S. Vishnumurthy,
Proprietor.

Mumbai,
July 28, 2004

Consolidated Cash Flow Statement

	Rs. Million			
	2003-2004		2002-2003	
	Rs.	Rs.	Rs.	Rs.
A. Cash Flow from operating Activities				
Net Profit/(Loss) before tax and extra-ordinary items		(102.090)		(448.419)
Add : Adjusted for depreciation	24.139		19.855	
Less : Dividend Income	98.162		68.174	
Less : Profit on sale of investments (net)	29.430		(0.003)	
Less : Profit/(Loss) on sale of assets	424.175		71.229	
Add : Exceptional items	—		436.413	
Add : Interest expenses (net)	475.847		480.422	
Add : Deferred revenue	67.220	15.439	27.098	824.382
Operating Profit/(Loss) before working capital changes		(86.651)		375.963
Adjusted for :				
Inc. in Trade and other receivables	(89.934)		(44.738)	
Inc. in Inventories	(24.350)		34.776	
Deferred Revenue : Reduction/(Increase)	0.969		(1.109)	
(Dec.)/Inc. in Trade payables/other creditors	(179.403)	(292.718)	246.485	235.414
Cash generated from operations		(379.369)		611.377
Direct taxes Paid		(9.119)		(0.864)
Cash Flow before extra-ordinary items		(388.488)		610.513
B. Extra-ordinary items		(388.170)		581.253
Cash Flow after extra-ordinary items		(776.658)		29.260
C. Cash Flow from Investing Activities				
(Purchase)/Sale transfer of fixed Assets (Net)	542.664			(52.569)
(Purchase)/Sale of investments	8.277			0.859
Dividend Income	98.162			68.174
Net cash generated in Investing Activities		649.103		16.464
D. Cash Flow from financing activities				
Short term loan repaid	(452.365)			(387.263)
Long term Borrowing	793.778			700.173
Recovery of loans/advances	409.476			123.608
Interest paid	(475.847)			(480.422)
Repayment of warrants	(2.640)			—
Net cash generated from Financing Activities		272.402		(43.904)
Net cash inflow		144.847		1.820
Opening Balance		110.409		108.589
Closing Balance		255.256		110.409

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

Dr. Vijay Mallya
Chairman

N. Srinivasan
Director

R.N. Pillai
Managing Director

For Vishnu Ram & Co.,
Chartered Accountants,

P. Subramani
Company Secretary

P.A. Murali
Director

S. Vishnumurthy,
Proprietor.

Mumbai,
July 28, 2004

Consolidated Schedules



	As at March 31, 2004 Rs.	As at March 31, 2003 Rs.
SCHEDULE 1		
SHARE CAPITAL		
Authorised		
100,000,000 Equity Shares of Rs.10 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, Subscribed and Paid-up		
22,640,956 shares of Rs 10 each fully paid (P.Y. - 22,640,956 shares)	<u>226,409,560</u>	<u>226,409,560</u>
Amount received against convertible warrants issued *	<u>—</u>	<u>2,640,500</u>
	<u>226,409,560</u>	<u>229,050,060</u>
56,680 shares @ Rs.7.50 per share were allotted without payment being received		
9,606,815 shares allotted as Bonus through capitalisation of Reserves		
1,375,427 shares allotted as per scheme of amalgamation		
2,359,500 shares allotted against conversion of warrants		
(* The warrants holders did not exercise their option to convert the warrants before March 31, 2003, being the expiry date. Hence the amount was refunded.)		
SCHEDULE 2		
RESERVES AND SURPLUS		
Capital reserves		
As per last balance sheet	153,603,421	21,202,742
Less : Elimination on desubsidiarisation	(130)	—
Add : Capital reserve on consolidation of subsidiaries	—	210
Add : Capital reserve arising on associates profits	<u>153,603,291</u>	<u>132,400,469</u>
Fixed assets revaluation reserve		
As per last balance sheet	2,062,035,024	2,076,727,367
Less : Transferred to profit & loss account on sale	390,730,095	14,692,343
Less : Elimination on desubsidiarisation	<u>10,551,089</u>	<u>—</u>
	<u>1,660,753,840</u>	<u>2,062,035,024</u>
Security premium	671,851,200	671,851,200
Balance in Profit & loss account (Cr.)	—	216,855,857
Contingency reserve	<u>75,000,000</u>	<u>75,000,000</u>
	<u>2,561,208,331</u>	<u>3,179,345,502</u>
SCHEDULE 3		
SECURED LOANS		
From bankers	207,321,618	1,033,085,364
Interest accrued and due	<u>—</u>	<u>15,059,074</u>
	<u>207,321,618</u>	<u>1,048,144,438</u>
From others	<u>3,184,872,725</u>	<u>1,550,271,621</u>
	<u>3,392,194,343</u>	<u>2,598,416,059</u>
UNSECURED LOANS		
Fixed deposit	214,474,168	391,199,000
Short term loans and advances :		
From bankers	—	47,788,810
From others	<u>5,000,000</u>	<u>232,850,422</u>
	<u>219,474,168</u>	<u>671,838,232</u>

SCHEDULE 4
CONSOLIDATED FIXED ASSETS as at March 31, 2004

Description of Assets	Cost/Valuation				Depreciation				Net value of Assets as at 31.03.04	Net value of Assets as at 31.03.03
	As at 31.03.03	Additions during the year	Sales during the year	As at 31.03.04	As at 31.03.03	Deductions	For the year	As at 31.03.04		
Land *	2,104,316,937	—	397,603,901	1,706,713,036	—	—	—	—	1,706,713,036	2,104,316,937
Building	189,305,421	27,658,607	86,516,712	130,447,316	49,157,462	44,376,816	7,362,723	12,143,369	118,303,947	140,147,959
Plant and Machinery	35,174,152	25,230,557	(323,400)	60,728,109	3,657,170	273,580	7,714,442	11,098,032	49,630,077	31,516,982
Office Equipment	4,719,259	369,582	433,400	4,655,441	2,163,273	—	382,857	2,546,130	2,109,311	2,555,986
Furniture and Fixtures	57,069,646	6,517,153	174,756	63,412,043	38,264,037	73,574	3,360,280	41,550,743	21,861,300	18,805,608
Computer	9,226,363	646,062	66,900	9,805,525	6,519,676	55,020	1,169,642	7,634,299	2,171,226	2,706,687
Goodwill	150,000	—	150,000	—	—	—	—	—	—	150,000
Licences & Rights	40,000	—	40,000	—	—	—	—	—	—	40,000
Aircraft	68,346,362	43,288,281	—	111,634,643	64,213,397	—	669,540	64,882,937	46,751,706	4,132,965
Vehicles	22,532,739	3,161,410	6,271,469	19,422,680	11,612,370	1,558,086	3,479,995	13,534,280	5,888,400	10,920,369
Capital Work in Progress	—	—	—	—	—	—	—	—	20,560,609	57,087,470
TOTAL ASSETS	2,490,880,879	106,871,652	490,933,738	2,106,818,793	175,587,385	46,337,076	24,139,479	153,389,790	1,973,989,612	2,372,380,963

* Refer note 5B

As per last Balance Sheet	2,592,837,513				215,168,721					2,507,348,541
Capital Work in Progress as per last Balance Sheet										129,679,749
Less : Elimination due to desubidiarisation	101,956,634				39,581,336					62,375,299
Add : Capital Work in Progress closing balance										57,087,470
Balance as per above schedule	2,490,880,879				175,587,385					2,372,380,963

Consolidated Schedules (Contd.)



	As at March 31, 2004 Rs.	As at March 31, 2003 Rs.
SCHEDULE 5		
INVESTMENTS		
In Government & trustee securities	1,015,200	1,162,200
In fully paid equity shares :		
Long term - associates	3,417,668,848	2,057,511,035
Trade - others	747,915,615	667,966,018
Non-Trade - others	2,884,350	35,949,390
	<u>4,169,484,013</u>	2,762,588,643
Less : Provision for diminution in value of investments	135,347,247	149,030,470
Add : Share of profits from associates	65,522,584	1,399,425,085
	<u>4,099,659,350</u>	<u>4,012,983,258</u>
SCHEDULE 6		
CURRENT ASSETS, LOANS AND ADVANCES		
Current Assets		
Inventories		
Raw material, stores and spares	69,906,734	45,807,842
Finished goods	36,090,438	38,534,314
Work-in-process	10,144,783	7,449,862
	<u>116,141,955</u>	<u>91,792,018</u>
Sundry Debtors		
Unsecured		
Debts outstanding for a period exceeding six months		
Due from a subsidiary – considered good	163,593,000	123,093,000
Other debts – considered good	706,658	19,802,731
– considered doubtful	389,448	112,161,402
	<u>164,689,106</u>	255,057,133
Less : Provision	389,448	112,161,402
	<u>164,299,658</u>	142,895,731
Debts outstanding for a period less than six months		
Due from a subsidiary considered good	70,736,000	40,500,000
Other debts considered good	209,264,966	170,971,096
	<u>280,000,966</u>	211,471,096
	<u>444,300,624</u>	354,366,827
Cash and Bank Balances		
Cash and cheques on hand and in transit	259,361	12,028,439
Balances with scheduled banks on current account (including unpaid dividend account)	211,053,557	54,932,641
on deposit account	43,943,945	43,448,452
	<u>254,997,502</u>	98,381,093
	<u>255,256,863</u>	<u>110,409,532</u>

Consolidated Schedules (Contd.)

		As at March 31, 2004 Rs.		As at March 31, 2003 Rs.
Loans and Advances				
Unsecured (unconfirmed)				
Advances recoverable in cash or in kind or for value to be received				
Considered good	111,807,270		522,632,567	
Considered doubtful	402,344,987		385,019,098	
	<u>514,152,257</u>		<u>907,651,665</u>	
Less : Provision	402,344,987	111,807,270	385,019,098	522,632,567
		<u>111,807,270</u>		<u>522,632,567</u>
Other Current Assets				
Balances with excise authorities		—		281,850
Deposits :				
Others		19,756,916		24,049,754
Advance payment of income tax		16,252,143		10,328,506
		<u>36,009,059</u>		<u>34,660,110</u>
SCHEDULE 7				
CURRENT LIABILITIES				
Sundry creditors – due to others		923,122,985		596,292,980
Due to SSI units		32,082,164		3,924,268
Interest accrued but not due		15,579,779		308,619,714
Unclaimed dividends		5,861,380		5,983,034
Acceptances		—		247,267,959
		<u>976,646,308</u>		<u>1,162,087,955</u>
PROVISIONS				
Provision for income tax		6,956,530		560,502
Leave encashment payable		15,814,345		16,170,870
		<u>22,770,875</u>		<u>16,731,372</u>
SCHEDULE 8 (a)				
PROFIT & LOSS ACCOUNT				
Balance as per last balance sheet		216,855,857		(19,247,811)
Loss for the year		(567,568,753)		(930,051,103)
Share of profits in associates as on 01.04.2002		—		1,166,154,770
Profit/(loss) balance carried to balance sheet		<u>(350,712,896)</u>		<u>216,855,857</u>
SCHEDULE 8 (b)				
INCOME				
Sales & Service				
Sales		1,055,352,483		1,275,825,743
Income from services		68,021,515		64,354,550
		<u>1,123,373,998</u>		<u>1,340,180,293</u>
Other Income				
Dividend received		98,161,901		68,174,496
Guarantee commission		5,633,861		4,456,824
Miscellaneous income		64,035,567		78,954,803
Exchange fluctuation gain		27,296,964		25,074,500
Profit on sale of investments (Net)		29,430,780		71,231,894
Provision made in earlier years no longer required		82,294,947		15,386,631
Bad debt recovered		9,127,500		—
		<u>315,981,520</u>		<u>263,279,148</u>

Consolidated Schedules (Contd.)



	Year ended March 31, 2004		Year ended March 31, 2003	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE 9 (a)				
MANUFACTURING & OTHER EXPENSES				
Manufacturing Expenses				
Consumption of finished goods	469,597,815		396,719,178	
Consumption of raw material	337,836,133		398,535,286	
Power and fuel	4,605,009		21,393,400	
Excise duty	—	812,038,957	840,990	817,488,854
Personnel Expenses				
Salaries, wages and bonus	166,199,466		95,383,705	
Voluntary retirement benefit	—		5,084,299	
Gratuity	5,557,349		3,598,061	
Contribution to provident & other funds	11,036,180		12,364,464	
Welfare expenses	8,137,629	190,930,624	14,422,633	130,853,162
Other Expenses				
Rent including lease rent	9,927,215		18,113,142	
Insurance	1,077,663		1,394,908	
Repairs to building	2,100		3,952,940	
Repairs to machinery	2,354,521		9,717,216	
Director's sitting fees	356,000		248,000	
Travel and conveyance	31,802,192		18,088,515	
Communication expenses	12,314,938		10,822,387	
Selling and promotion expenses	783,154		149,017,254	
Rates and taxes	5,921,704		16,900,369	
Auditor's remuneration	1,167,008		1,575,652	
Bad debts written off	313,458,973		250,883,705	
Less : Provision withdrawn	212,083,556	101,375,417	(250,730,953)	
Obsolete stock written off	—		1,781,352	
Legal & professional Fees	20,579,810		24,111,109	
Guarantee obligation	5,656,000		—	
Provision for doubtful advances	64,068,531		—	
Investment written off	137,499,930		—	
Less : Provision withdrawn	137,499,930	—	—	—
Miscellaneous expenses	138,057,697	395,443,950	95,474,287	351,349,883
		1,398,413,531		1,299,691,899
Interest				
On Fixed loans		441,738,723		491,310,646
Processing fees		41,094,250		31,409,000
		482,832,973		522,719,646
Less : Interest received		6,985,324		10,888,938
		475,847,649		511,830,708
SCHEDULE 9 (b)				
EXTRA-ORDINARY ITEMS				
Bad advances written off		125,273,874		—
Provision for doubtful advances		34,359,064		293,457,600
Guarantee obligations devolvement (refer note 7)		49,685,026		—
Loss on desubsidiarisation		312,689,460		—
Provision for doubtful debts		—		11,211,622
Provision for diminution in value of investment		—		131,590,470
Voluntary retirement benefits		—		144,993,974
		522,007,424		581,253,666

SCHEDULE 10

SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS :

The consolidated financial statements are prepared in accordance with Accounting Standard (AS 21) on Consolidated Financial Statements and Accounting Standard (AS 23) on Accounting for Investments in Associates in Consolidated Financial Statement issued by The Institute of Chartered Accountants of India.

The subsidiary companies considered in the consolidated financial statements are :

Name of the Subsidiary	Ownership Percentage	Country of Incorporation
UB Electronic Instruments Limited	96.25	India
UB Global Corporation Limited	100.00	India
UB Information & Consultancy Services Limited	100.00	India
UB Transit Systems Limited	100.00	India
UB General Investments Limited	100.00	India
Variegate Trading Limited	100.00	India
UB Infrastructure Projects Limited	100.00	India
UB International Trading Limited	100.00	India

During the year, 3 companies ceased to be subsidiaries as a consequence of the parent company's disposal of its stake therein and two subsidiaries ceased to exist under a closure scheme provided by Section 560 of the Companies Act, 1956.

The financials of UB Holdings SA (Proprietary) Ltd., a subsidiary company, and United National Breweries (SA) (Pty) Ltd., its subsidiary, have been excluded from consolidation since the control of the parent company over the subsidiaries are intended to be temporary, and further, the Board of Directors of the parent company have in principle, accepted the proposal for disposal of these companies subject to an agreement being reached on various terms and conditions/ statutory approvals.

The financials of United Breweries (Nepal) Pvt. Ltd., a subsidiary company, has also been excluded from consolidation since the control of the parent company over the subsidiary is intended to be temporary. The Board of Directors of the parent company have accepted an offer for purchase of the shares and have completed the initial formalities. The transfer of shares will be completed on receipt of requisite statutory approvals.

The associate companies required to be considered in the consolidated financial statements are :

Name of the Associate Company	Ownership Percentage	Country of Incorporation
UB Engineering Limited	30.82	India
Mangalore Chemicals & Fertilisers Limited	24.51	India
Maltex Malsters Limited	34.28	India
Herbertsons Limited	23.59	India
McDowell & Company Limited	42.47	India
United Distilleries India Limited	50.00	India
United Racing & Bloodstock Breeders Limited	47.83	India
WIE Engineering Limited	25.88	India
UB Pharma (Kenya) Limited	50.00	Kenya
Unitel Communications Limited	20.92	India
H. Parsons Pvt. Limited	35.25	India
Castle Breweries Limited. (under liquidation)	24.99	India
AsianAge Holdings Limited	33.00	India
Pixray India Limited	41.93	India

Consolidated Accounts (Contd.)



The following companies were excluded from the consolidation for the year under review for reasons mentioned there against.

Name of the Associate Company	Reason for exclusion
H. Parsons Pvt. Limited	Sale of parent company's stake
Castle Breweries Limited (under liquidation)	Under liquidation proceedings Refer note below
AsianAge Holdings Limited	Reduction in ownership stake consequent to further issue of equity shares.
Pixray India Limited	Sale of parent company's stake
WIE Engineering Limited	Under liquidation proceedings Refer note below
UB Pharma (Kenya) Limited	Closure of operations
Unitel Communications Limited	Under liquidation proceedings Refer note below
United Distilleries India Limited	Refer note 2 (iv)
United Racing & Bloodstock Breeders Limited	Refer note 2 (iv)

Note : External circumstances hampered companies either under liquidation proceedings or under closure of operations from making available financial statements to the parent company for consolidation.

The Financial Statements of the Company have been prepared under historical cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India and the provisions of the Companies Act, 1956. The preparation of the financial statements in conformity with GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Actual result could differ from those estimates.

2. PRINCIPLES OF CONSOLIDATION :

- i) The financial statement of the parent company and its subsidiaries have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenditure after eliminating intra group balances and intra-group transactions.
- ii) The financial statements of the parent company and its subsidiaries have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances.
- iii) Goodwill represents the difference between the group's share in the net worth of a subsidiary and the cost of acquisition at each point of time of making the investment in the subsidiary. Goodwill arising on consolidation is not amortised. For this purpose the group's share of net worth is determined on the basis of the latest financial statement prior to the acquisition after making necessary adjustments for material events between the date of such audited financial statement and the date of respective acquisition. Negative goodwill is recognised as capital reserve on consolidation.
- iv) Associate companies wherein the parent's interest has been provided for are not considered for consolidation.

3. ACCOUNTING FOR INVESTMENT IN ASSOCIATES :

Accounting for investments in Associate Companies has been carried out under the Equity method of accounting prescribed under Accounting Standard (AS 23). The Parent Company's share in Associates' results are included on the following basis.

Name of the Associate Company	Basis of inclusion
UB Engineering Limited	Unaudited results as confirmed by the Management of the Company for the year ended 31/03/04
Mangalore Chemicals & Fertilisers Limited	Audited results for the year ended 31/03/04
Maltex Malsters Limited	Unaudited results as confirmed by the Management of the Company for the year ended 31/03/04
Herbertsons Limited	Audited results for the year ended 31/03/04
McDowell & Co. Limited	Audited results for the year ended 31/03/04

4. FIXED ASSETS :

Fixed Assets are stated at cost as adjusted by the revaluation of land at Bangalore in August 2001 at the market value by approved valuers less depreciation where applicable. All costs relating to the acquisition and installation of fixed assets are capitalized and include borrowing cost relating to borrowed funds attributable to the acquisition of qualifying assets for the period upto the date of commencement of production/acquisition.

Expenditure incurred in enhancing the economic useful life of a fixed asset is capitalised.

Fixed assets acquired under hire purchase/instalment credit schemes are capitalized at cost while the annual finance charges are recognised in the Profit & Loss Account. Fixed assets taken on financial lease prior to March 31, 2001, not being new leases, are not capitalised.

5. INVESTMENTS :

Investments being long term in nature are stated at cost/below cost. Diminution in the value of investment, if considered permanent, is provided for.

6. INVENTORIES :

Raw Materials, stores and spare parts are valued at cost, while the finished goods are valued at the lower of cost and net realizable value, except in one subsidiary where the trading stocks and packing materials are valued at weighted average value. The costs of inventories are worked on FIFO basis and includes excise duty where applicable, in the case of finished goods.

7. SALES/INCOME FROM SERVICES :

Sales reflected at gross values, that is inclusive of Excise Duty where applicable, but net of trade discounts.

Income from services namely, royalty and technical assistance fee are accounted for on accrual basis in terms of the respective agreements. Fixed annual fee for management services from other companies are accrued as per agreements.

8. DIVIDEND :

Dividend income is accounted as and when declared by the respective companies.

9. DEPRECIATION :

Depreciation has been provided at the rates prescribed under Schedule XIV of the Companies Act, 1956, under written-down value method.

10. EMPLOYEE BENEFITS :

Liability towards gratuity payable in future to employees is ascertained on actuarial basis as at the year-end and funded into gratuity fund maintained by Life Insurance Corporation except in respect of certain companies, where such provisions though made, is not funded.

Contributions to Pension and Superannuation Funds are made over to separate trust funds.

Leave encashment benefit to employees is determined on actuarial basis and provided for.

Consolidated Accounts (Contd.)



11. TAXES ON INCOME :

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not determined unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

12. CONTINGENT LIABILITIES :

All known liabilities wherever material are provided for and liabilities, which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of Notes to the Accounts.

13. FOREIGN CURRENCY TRANSACTIONS :

Transactions in foreign currencies are recorded at the rates prevailing on the date of transaction or nearer thereto. The unsettled foreign currency transactions at the year end are restated at the exchange rate prevailing at the end.

14. CASH FLOW STATEMENT

The cash flow statement is prepared as per the indirect method prescribed under Accounting Standard (AS 3) issued by the Institute of Chartered Accountants of India.

The statement has been compiled from and is based on the Balance Sheet as at March 31, 2004 and the related Profit and Loss Account for the year ended on that date.

SCHEDULE 11

NOTES ON ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004

1. a) The financial statements for the year of the parent Company reflect a negative net worth. However, as the value of land under property development as carried in the books exceeds the original cost by Rs.1660.7 mio and the market value of quoted investments as on the balance sheet date was significantly higher than its book value by Rs. 1828.7 mio, the Company's networth is significantly positive.
b) The Company entered into an agreement with Prestige Estates Projects Private Limited (Prestige) under which Prestige will complete the construction of 'UB ciTy', located in Vittal Mallya Road, Bangalore. The development will be entirely funded by Prestige and the Company will be entitled to 55% of the constructed space in consideration of the transfer of 45% of the property to Prestige. The property development is under implementation and on completion, substantial revenue would accrue to the Company.
2. The group evaluates the carrying value of its Goodwill whenever events or changes in circumstances indicate that its carrying value may be impaired for diminution, other than temporary. The group has currently reassessed the circumstances that could indicate that the carrying amount of Goodwill may be impaired. As a consequence of such reassessment, the management believes that the expected revenues and earnings of acquired entities are sustainable in the foreseeable future, and there is no need for writing down the goodwill. In respect of three subsidiaries, the stakes in which were disposed off during the year, and one subsidiary which ceased existence under Section 560 of the Companies Act, 1956, the goodwill carried in the consolidation has been eliminated.
3. In terms of the subsisting agreement with United National Breweries (SA) (Pty) Limited, a stipulated annual management fee is receivable from an overseas subsidiary. The amount which has fallen in arrears upto 31.3.04 amounts to Rs. 234.3 Mio, of which Rs. 44 Mio has since been received. The amount receivable has also been confirmed by that Company. The management is therefore of the opinion that the outstanding management fee is considered good and recoverable and the said amount will be repatriated in terms of the approval granted by the Reserve Bank of India.

Consolidated Accounts (Contd.)

	As at March 31, 2004 (Rs.)	As at March 31, 2003 (Rs.)
4. SECURED LOANS		
FROM BANKERS		
a) Certain loans from Bankers were secured by pledge of shares held by the Company and one loan additionally by a corporate guarantee. Certain other facilities were secured on the hypothecation of all stocks and book debts and a guarantee from the parent Company.	207,321,618	1,111,588,542
b) FROM OTHERS		
i) Secured by pledge of certain investment, deposit of title deeds of specific lands and buildings.	—	1,547,025,603
ii) Secured by a pledge of certain shares held by the Company and in addition by a charge on a portion of the Company's vacant land and the Company's share in the proposed property development thereon. Includes a loan secured by a charge on a residential property.	1,573,378,671	—
iii) Secured by mortgage through deposit of title deeds of a property along with a second charge on certain immovable properties, pledge of certain securities and a charge on all present and future assets.	1,605,495,023	—
iv) Secured by Hire Purchase agreements for purchase of assets under instalment scheme.	3,796,247	3,246,017
v) Secured by Vehicles acquired during the year (amount payable within one year Rs.1,119,108 – P.Y. : Rs.1,186,404)	1,879,185	3,406,017
vi) The parent Company has acquired vehicles under hire purchase schemes during the year. The future minimum hire purchase payment as of March 31, 2004 is as below :		
	MLP	Interest
		Present Value
Upto a period of 1 year	1,085,592	264,541
2 years to 5 years	2,710,655	307,824
TOTAL	3,796,247	572,365
		3,223,882

5. FIXED ASSETS

- a) During the year, the parent Company sold 'UB House' and 'UB Crescent' and the net surplus arising therefrom (Rs. 425.0 Mio) is being included in the profit & loss account.
- b) A review of the market value of the erstwhile brewery land was undertaken by an approved valuer and based on his report, dated August 1, 2001, the value of the land was restated at Rs. 1,990 Mio. with a corresponding adjustment to the Fixed Assets Revaluation Reserve. The balance in the revaluation reserve after adjustment for disposal of land by the parent Company amounts to Rs. 1,660.7 Mio as on 31.03.04.
- c) Expenditure of Rs. 43.30 Mio incurred by the parent Company on technical upgradation of an aircraft owned by it has been capitalised in view of the substantial addition to its useful life.

Consolidated Accounts (Contd.)



6. INVESTMENTS

	As at March 31, 2004 (Rs.)	As at March 31, 2003 (Rs.)
a) Aggregate of average cost of investments in shares of certain companies that have been pledged for availing loans by the Company (Rs. 965,637,599) and a Group Company (Rs. 470,462,347)	1,436,099,946	1,263,673,821
b) The parent Company had promoted/acquired certain companies with the objective of obtaining controlling interest or for strategic reasons and the cost of these long term investments aggregating to Rs.144.8 Mio has been carried at cost considering their intrinsic value and the business potential, though the net worth of these companies has been eroded. In the opinion of the Board of Directors, no provision is presently considered necessary; besides there is significant appreciation in the aggregate market value of the total investments, on a global basis.		
c) The loss arising from desubsidiarisation of certain subsidiaries during the year has been considered in the financials.		
7. Following the proceedings before the Debt Recovery Tribunal (DRT) and the High Court of Karnataka, the Company accepted its guarantee obligations in respect of an erstwhile associate Company (Rs. 49,685,026) and the liability against certain facilities availed from a bank by an erstwhile wholly-owned subsidiary (Rs. 47,248,145). These amounts have been considered in the accounts.		
8. The unamortized portion of Deferred Revenue Expenditure carried over to the current financial year has been written-off in line with Accounting Standard (AS 26) issued by the Institute of Chartered Accountants of India, resulting in an overstatement of loss for the year by Rs. 9.9 Mio.		
9. A binding agreement has been reached between the parent Company, jointly with United Breweries Limited (UBL) and Scottish & Newcastle Plc, a leading European brewing Company for placement of a sum of Rs. 2 billion by way of Redeemable Optionally Convertible Preference Shares (ROCPS) through a Rights Issue into UBL.		
It has been agreed that as and when the infusion of preference capital into UBL is consummated, a 'Put Option' exercisable under certain circumstances of default by UBL shall be granted to the holders of ROCPS by Variegate Trading Limited, a wholly owned subsidiary.		
Under the terms of the agreement, upon the grant of such a 'Put Option', the parent Company shall extend a corporate guarantee for the due performance of obligations under the 'Put Option', by Variegate Trading Limited, the subsidiary.		
10. a) In respect of the parent Company, the timing differences arising from business loss and depreciation results in net deferred tax asset as at March 31, 2004. However, the same has not been determined, as a matter of prudence.		
b) In respect of the subsidiaries, the status as on 31/03/04 is as below :		
– In respect of UB International Trading Limited the timing difference has given rise to a deferred tax liability of Rs. 22,749.		
– In respect of UB Global Corporation Limited, the net deferred tax asset has not been recognized in the accounts as a prudent measure.		
– In Variegate Trading Limited, UB Information & Consultancy Services Limited and UB General Investments Limited the deferred tax asset has not been recognized on account of losses and also in view of virtual uncertainty of future taxable income.		
– In UB Electronic Instruments Limited, a deferred tax liability of Rs. 56,142 has been provided.		

	As at March 31, 2004 (Rs.)	As at March 31, 2003 (Rs.)
11. CONTINGENT LIABILITIES		
a) Letter of credits	10,387,084	2,103,802
b) Guarantees given by the Company		
i) On behalf of subsidiaries	253,500,000	211,000,000
ii) On behalf of others	908,036,536	921,596,960
c) Claims against the Company not acknowledged as debt	22,419,332	15,128,488
d) Export Obligations	—	30,000,000
e) Estimated amount of contracts remaining to be executed on capital account not provided for	4,252,000	71,327,849
f) i) Pursuant to a petition for a claim against the Company, filed by Mysore Sales Intl. Limited (MSIL) in connection with the demand for commission. The same was dismissed by the High Court of Karnataka in April 2002. MSIL has filed an appeal before the Division Bench of the High Court of Karnataka and the matter is pending. The Company has been advised by Counsel that the claim of MSIL is not sustainable in law.	517,049,000	517,049,000
ii) Amount of Disputed sales tax penalty and interest thereon which has been stayed by the Karnataka Appellate Tribunal and the matter is pending.	100,692,159	—
iii) Income tax demand under appeal with Appellate Tribunal	13,814,762	—
In regard to the matters in f (i), (ii) and (iii) above, no provision is considered necessary, based on legal opinion.		
g) Suit amount of Rs.251,195,021 is payable in case of any delays or defaults in payments of the settlement amount of Rs. 96,933,171 (refer note 7 above), along with interest as may be applicable.		
h) Counter guarantees issued in favour of a bank against guarantees issued by them.	2,124,591	1,960,424

12. MINIMUM REMUNERATION PAID TO A WHOLETIME DIRECTOR

In respect of the parent Company, the Company Secretary was also designated as Wholetime Director of the Company, effective 20th August 2002, but did not draw any additional remuneration in his capacity as Wholetime Director. This is supported by expert legal opinion obtained by the Company.

13. REMUNERATION INCLUDING PERQUISITES PAID TO MANAGERIAL PERSONNEL

The minimum remuneration paid to a Wholetime Director of UB Global Corporation Limited, a subsidiary was Rs.2,292,127 for the year (P.Y. : Rs.1,069,626).

The appointment of the Managing Director of the parent Company without remuneration requires approval of the share holders at the ensuing Annual General Meeting.

Consolidated Accounts (Contd.)



14. SEGMENTAL REPORTING

a. Segment-wise business performance for the year ended March 31, 2004

Rs. Million

Particulars	Alcoholic Beverages**	Leather Footwear	Processed Foods	Others unallocated	Total
Sales	338.702 (232.045)	550.006 (402.111)	113.651 (104.033)	77.552 (102.604)	1079.911 (840.793)
Total Revenue	338.702 (232.045)	550.006 (402.111)	113.651 (104.033)	77.552 (102.604)	1079.911 (840.793)
Total Revenue of each Segment as a percentage of total revenue of all segments	31% (28%)	51% (48%)	11% (12%)	7% (12%)	100% (100%)
Segment Result Operating Profit	20.463 (16.928)	50.442 (34.591)	12.645 (7.572)	(1.326) (1.834)	82.223 (60.924)
Unallocated Corporate Expenses					36.882 (33.280)
Operating Profit					45.341 (27.645)
Provision written back/ Interest Income					38.945 (2.211)
Provision for Doubtful debts/advances, Overheads/ Finance Costs/Income Tax					26.709 (19.922)
Net Profit/Loss					57.577 (9.933)
Other Information					
Segment Assets	58.449 (39.756)	189.479 (151.321)	46.024 (40.336)	24.644 (25.696)	318.596 (257.108)
Unallocated Corporate Assets					222.321 (165.497)
Total Assets	58.449 (39.756)	189.479 (151.321)	46.024 (40.336)	24.644 (25.696)	540.917 (422.605)
Segment Liabilities	42.423 (34.359)	154.610 (144.686)	71.385 (12.015)	27.611 (15.983)	296.029 (207.043)
Unallocated Corporate Liabilities					72.967 (101.237)
Total Liabilities	42.423 (34.359)	154.610 (144.686)	71.385 (12.015)	27.611 (15.983)	368.996 (308.279)
Capital Expenditure	0.017 (0.547)	0.074 (0.494)	0.054 (0.793)	0.004 (0.847)	0.149 (2.681)
Unallocated Capital Expenditure					1.129 (3.230)
Total Capital Expenditure	0.017 (0.547)	0.074 (0.494)	0.054 (0.793)	0.004 (0.847)	0.149 (2.681)
Depreciation	0.242 (0.294)	0.896 (1.134)	0.252 (0.217)	0.204 (0.205)	1.593 (1.850)
Unallocated Depreciation					1.551 (0.973)
Total Depreciation	0.242 (0.294)	0.896 (1.134)	0.252 (0.217)	0.204 (0.205)	3.144 (2.822)

b. Secondary Segment Information (Geographical Sales)

Rs. Million

	Alcoholic Beverages**	Leather Footwear	Processed Foods	Others unallocated	Total
1. Europe	0.416 (0.035)	460.500 (330.058)	80.555 (87.213)	0.964 (1.959)	542.435 (419.265)
2. Asia	273.483 (165.174)	39.871 (39.409)	25.368 (12.675)	30.644 (51.994)	369.366 (269.252)
3. America	27.995 (31.678)	42.866 (28.193)	7.728 (4.144)	25.639 (24.856)	104.229 (88.872)
4. Africa	25.313 (25.540)	1.231 (Nil)	Nil (Nil)	20.306 (23.795)	46.850 (49.334)
5. Australia	11.494 (9.617)	5.538 (4.451)	Nil (Nil)	Nil (Nil)	17.032 (14.068)
Total	338.702 (232.045)	550.006 (402.111)	113.651 (104.032)	77.552 (102.604)	1079.911 (840.793)

Note : The figures in brackets relate to previous year.

** Previous years' figures exclude Alcoholic Beverages result of the parent Company, to facilitate comparison.

15. RELATED PARTY TRANSACTIONS

i) Name of the Related Parties where control exists:

Subsidiaries :

1. UB Holdings SA (Proprietary) Limited
2. United National Breweries (SA) (Pty) Limited

Associates :

McDowell & Company Limited
 Herbertsons Limited
 Mangalore Chemicals & Fertilizers Limited
 UB Engineering Limited
 United Racing Blood Stock Breeders Limited
 Castle Breweries Limited (under liquidation),
 Maltex Malsters Limited
 United Distilleries India Limited
 AsianAge Holdings Limited
 Unitel Communications Limited
 WIE Engg. Limited
 UB Pharma (Kenya) Limited.

Key Management Personnel :

- Mr. P. Subramani – upto 31st January, 2004
 Mr. R.N. Pillai – as Manager from 1st February to 17th March 2004
– as Managing Director from 18th March 2004

Mr. Indur Hirani (UB Global Corporation Limited)

Consolidated Accounts (Contd.)



ii. Transactions with Related Parties during the year :

Rs. in Mio

Sl. No.	Nature of Transactions	Unconsolidated Subsidiaries		Associates		Total	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
1.	Purchase of Goods/Services	—	—	4.960	0.610	4.960	0.610
2.	Sale of Goods/Services	46.500	40.500	31.640	63.100	78.140	103.600
3.	Receipts against rendering of Services	—	—	76.532	48.630	76.532	48.630
4.	Payments against rendering of Services	—	—	13.100	—	13.100	—
5.	Finance (Including loans & equity contributions in cash or in kind)	—	—	199.095	28.900	199.095	28.900
6.	Guarantees & Collaterals	Ref. Note 11 (b)(i)		Ref. Note 11 (b) (ii)			
7.	Investments	—	—	—	—	—	—
8.	Wholetime Director Remuneration	Ref. Note 12		—	—	—	—
9.	Amount due from as on March 31, 2004	234.329	163.590	57.295	242.329	291.624	405.919
10.	Amount due to as on March 31, 2004	—	—	109.953	91.720	109.953	91.720
11.	Prov. for doubtful advances	—	—	45.556	56.003	45.556	56.003

16. LEASES

i) The total of future minimum lease payments under non-cancellable operating leases for a subsidiary are as below :

Period	(Rs/Mio)
1. not later than one year	—
2. 1-5 years	26.15
3. over 5 years	7.52

ii) Lease payment recognized in the statement of profit and loss for the period, with separate amounts for minimum lease payments and contingent rents is as below :

Minimum Lease payments	Rs.7.618 Mio
Contingent Rent	Nil

17. EARNINGS PER SHARE

For the purpose of computing earnings per share, the loss for the year, excluding share of profits of associates and transfer to minority interest, of Rs. 633,046,203, has been used as the numerator and the weighted average number of shares used as denominator :

	As on 31-03-2004	As on 31-03-2003
For Basic	22,640,956 shares	22,640,956 shares
For Diluted	22,640,956 shares	25,281,456 shares
Earnings per Share (Basic/Diluted)	(27.96)/(27.96)	(45.53)/(40.77)

18. Previous year's figures have been regrouped wherever necessary to confirm with the current year's classification.

Signatures to Schedules 1 to 11

Dr. Vijay Mallya
Chairman
Mumbai,
July 28, 2004

N. Srinivasan
Director
P. Subramani
Company Secretary

R.N. Pillai
Managing Director
P.A. Murali
Director

For Vishnu Ram & Co.,
Chartered Accountants,
S. Vishnumurthy,
Proprietor.

SUMMARISED FINANCIALS OF SUBSIDIARY COMPANIES

(Figures in Rupees)

		Issued & Subscribed Share Capital	Reserves & Surplus	Total Liabilities	Investments	P&L Debit balance	Total Assets	Income	Profit before Taxation	Provision for Taxation	Profit after Taxation
		1	2	3	4	5	6	7	8	9	10
1.	UB Electronic Instruments Limited	29,167,371	96,624	33,586,163	100,000	—	33,586,163	11,975,622	2,039,706	836,142	1,203,564
2.	Variegate Trading Limited	500,000	—	500,000	—	91,230	500,000	—	—	—	—
3.	UB General Investments Limited	100,000,000	2,968	449,354,647	211,122,157	208,938,245	449,354,647	45,784,267	—	—	—
4.	UB Global Corporation Limited	190,000,170	—	415,200,973	123,461,071	18,079,269	415,200,973	1,176,822,966	65,545,495	7,968,696	57,576,799
5.	UB International Trading Limited	500,020	384,970	884,990	—	—	884,990	434,856,811	622,632	53,279	569,353
6.	UB Information & Consultancy Services Limiteds	10,000,170	—	10,356,626	—	16,794,205	10,356,626	—	—	—	—
7.	UB Infrastructure Projects Limited	500,000	—	578,575	—	—	578,575	—	—	—	—
8.	UB Transit Systems Limited	500,000	—	533,700	—	—	533,700	—	—	—	—

Note : None of the above companies have proposed a dividend.



