



McDowell & Company Limited

DIRECTORS

VIJAY MALLYA,
Chairman

S.R. GUPTA,
Vice Chairman

V.K. REKHI,
Managing Director

M.R. DORAISWAMY IYENGAR

P.K. KAKODKAR

B.M. LABROO



GROUP CHIEF FINANCIAL OFFICER

RAVI NEDUNGADI

COMPANY SECRETARY

V.S. VENKATARAMAN

AUDITORS

PRICE WATERHOUSE, CHARTERED ACCOUNTANTS, BANGALORE

REGISTERED & CORPORATE OFFICE

51, RICHMOND ROAD
BANGALORE - 560 025





Report of the Directors (Contd.)







Report of the Directors (Contd.)







Report of the Directors (Contd.)

ANNEXURE TO DIRECTORS' REPORT

STATEMENT OF PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2-A) OF THE COMPANIES ACT, 1956 AND COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975

| SL. NO. | NAME | AGE | DESIGNATION/ NATURE OF DUTIES | REMUNERATION Rs. | QUALIFICATION | EXPERIENCE IN YEARS | DATE OF COMMENCEMENT OF EMPLOYMENT | PARTICULARS OF PREVIOUS EMPLOYMENT |
|---------|---------------------|-----|---|---------------------|---|------------------------|--|---|
| 1 | ALOK GUPTA | 38 | Senior Vice President Marketing | 2,489,112 | B.Com., PGDM | 16 | 12-Feb-95 | Deputy General Manager - Shaw Wallace & Co. Ltd. |
| 2 | ANANT IYER | 44 | Divisional Vice President Business Strategy & Planning | 4,470,707 | M.Sc., MMS | 20 | 15-Jun-92 | Controller-Marketing, Consolidated Distilleries Ltd. |
| 3 | ASHWIN MALIK | 46 | Chief Operating Officer- North | 3,841,422 | B. A. (Eco.), MBA | 24 | 01-Nov-88 | VP-Sales & Marketing Carew Phipson Ltd. |
| 4 | DEEPAK ROY | 53 | President - Triumph Distillers & Vintners Pvt. Ltd. | 9,002,205 | B.A. (Hons.), Dip. in Mgmt. Science (University of Hawaii) | 27 | 18-Dec-02 | President-India/South Asia, Russia & Baltics, Guinness UDV |
| 5 | GERALD G D'SOUZA | 55 | Senior Vice President - Human Resources | 2,955,985 | M.A., Pers | 30 | 14-Aug-92 | Manager Personnel - Pfizer Limited. |
| 6 | HARISH A BHAT | 51 | Executive Vice President - Finance & Accounts | 3,252,807 | B.Com., FCA | 26 | 22-Nov-90 | Manager Treasury - Digital Equipment (I) Ltd. |
| 7 | NAVRATAN DUGAR | 61 | Executive Vice President- Procurement, Planning & Manufacturing | 3,539,014 | M.Com., MBA, MCIM | 35 | 01-May-01 | Advisor - Balaji Group of Companies |
| 8 | PHILIP SARGUNAR A B | 55 | Chief Operating Officer- South | 2,841,299 | MA (Eco.) | 36 | 20-Nov-02 | Executive Director - The Empee Distilleries Ltd. |
| 9 | RAVI NEDUNGADI | 47 | President & Chief Financial Officer | 13,317,249 | B.Com. (Hons.), ICWA, CA | 25 | 14-Apr-97 | Group Finance Director, UB International Ltd., U.K. |
| 10 | REKHI V K | 59 | Managing Director | 15,632,531 | MBA | 32 | 03-Jan-72 | Regional Director UB International Ltd., U.K. |
| 11 | SUBBA RAO P V | 67 | President - Research & Development | 3,288,782 | M.Sc., Ph.D. | 45 | 01-Apr-96 | Chairman, Dept. of Bio-Chemistry, Indian Institute of Science |

Notes:

No employee is on contract employment. Other terms and conditions are as per service rules of the Company from time to time.

None of the above mentioned employees is related to any Director of the Company.

Remuneration as shown above includes salary, house rent allowance, Company's contribution to PF & Super Annuation Fund, value of residential accommodation, bonus, medical and other facilities.



Corporate Governance Report

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Your Company follows best corporate practices and believes that adopting and adhering to good corporate governance framework is a key element in attaining economic efficiency and growth. Good corporate governance apart from improving the image of the Company builds stakeholders' confidence.

Your Company's Corporate Governance Philosophy recognizes the significance of integrity, transparency, accountability and responsibility and the Company follows these basic tenets in its dealings to achieve sustained business growth and enhancing value to all its stakeholders.

2. BOARD OF DIRECTORS

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

During the financial year under review seven Board Meetings were held i.e., on April 24, 2003, July 25, 2003, August 19, 2003, September 9, 2003, September 26, 2003, October 22, 2003 and January 31, 2004.

Attendance of each Director at the Board Meetings and the last Annual General Meeting and details of number of outside Directorship and Committee position held by each of the Directors.

| Name of Director | Category of Directorship | No. of Board Meetings attended | Attendance at last AGM held on 26.9.2003 | No. of other Companies in which Director | No. of Committees (other than the Company) in which Chairman/Member |
|-----------------------------|------------------------------------|--------------------------------|--|--|---|
| Dr. Vijay Mallya | Non-Executive Chairman | 4 | Yes | 20 | 1 (Chairman of 1) |
| Mr. S.R. Gupte | Non-Executive Vice Chairman | 6 | Yes | 16 | 6 (Chairman of 4) |
| Mr. V.K. Rekhi | Executive/Managing Director | 7 | Yes | 5 | 2 |
| Mr. M.R. Doraiswamy Iyengar | Independent Non-Executive Director | 6 | Yes | 2 | NIL |
| Mr. P.K. Kakodkar | Independent Non-Executive Director | 7 | Yes | 1 | 3 |
| Mr. B.M. Labroo | Independent Non-Executive Director | 6 | Yes | 9 | 1 (Chairman of 1) |
| Mr. A.B. Godrej* | Independent Non-Executive Director | 2 | No | N.A. | N.A. |

* Ceased to be a Director with effect from January 5, 2004

NOTE:

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

- Out of 20 other Companies in which Dr. Vijay Mallya is a Director, 7 are Private Limited Companies and 2 are Section 25 Companies.
- Out of 16 other Companies in which Mr. S.R. Gupte is a Director, 3 are Private Limited Companies.
- The 2 other Companies in which Mr. M.R. Doraiswamy Iyengar is a Director are Private Limited Companies.
- Out of 9 other Companies in which Mr. B.M. Labroo is a Director, 5 are Private Limited Companies.



Corporate Governance Report (Contd.)

DISCLOSURES REGARDING APPOINTMENT AND REAPPOINTMENT OF DIRECTORS

Directors retiring by rotation and being re-appointed

Mr. B.M. Labroo

Mr. B.M. Labroo, aged 73 years, is an industrialist and has wide experience in Marketing, Finance and Corporate Governance. Mr. Labroo is an M.A. in Political Science from Punjab University and is the Promoter and Chairman of Asahi India Glass Ltd.

| Other Directorships | Position Held |
|--------------------------------------|---------------|
| Asahi India Glass Limited | Chairman |
| Ajay Handicrafts & Garments (P) Ltd. | Director |
| Allied Fincap Services Pvt. Ltd. | Director |
| Flavours & Food (India) Pvt. Ltd. | Director |
| Maltex Masters Ltd. | Director |
| North-West Distilleries Pvt. Ltd. | Director |
| Samir Paging Systems Ltd. | Director |
| Shield Autoglass Ltd. | Chairman |
| Sunny International Pvt. Ltd. | Director |

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

Mr. Labroo is the Chairman of the Investor Grievance Committee of Asahi India Glass Limited.

Dr. Vijay Mallya

Dr. Vijay Mallya, aged 48 years, is a well-known industrialist and a Member of Parliament (Council of States). Dr. Mallya, who holds a Ph.D. in Business Administration conferred by the University of Southern California, USA, is the Chairman of the Board of Directors of your Company. Dr. Mallya is also the Chairman of the United Breweries Group, a multi-national conglomerate and several other Public Companies both in India and abroad.

Dr. Mallya has won wide recognition from distinguished institutions throughout the span of his career, which includes;

- The Fellowship Award 2003 – the Institute of Directors, New Delhi.
- Global Leader for Tomorrow – World Economic Forum, Davos, Switzerland.
- Sir M. Visvesvaraya Memorial Award instituted by the Federation of Karnataka Chambers and Commerce.

Other Directorships

Position Held

| | |
|--|--------------------|
| Asianage Holdings Limited | Director |
| Associated Breweries & Distilleries Limited | Director |
| Aventis Pharma Limited | Chairman |
| Bayer CropScience Limited | Chairman |
| Herbertsons Limited | Executive Chairman |
| Indian Premier Football Association Limited | Director |
| Kamsco Industries Private Limited | Chairman |
| Kingfisher Airlines Limited | Director |
| Mallya Private Limited | Chairman |
| Mangalore Chemicals and Fertilizers Limited | Chairman |
| McDowell Alcobev Private Limited | Chairman |
| Pharma Trading Company Private Limited | Chairman |
| The Gem Investment & Trading Company Private Limited | Chairman |
| United Breweries Limited | Chairman |
| United Breweries (Holdings) Limited | Chairman |
| United East Bengal Football Team Private Limited | Chairman |
| United Mohun Bagan Football Team Private Limited | Chairman |
| United Racing and Bloodstock Breeders Limited | Chairman |

Dr. Mallya is a Managing Committee Member of Bangalore Turf Club Limited, Bangalore and Motor Sports Association of India, Mumbai.

Dr. Mallya is the Chairman of the Remuneration Committee of McDowell Alcobev Private Limited.

3. AUDIT COMMITTEE

The Audit Committee constituted on April 19, 2001 to meet the requirements under both the Listing Agreement and Section 292A of the Companies Act, 1956, comprises the following Directors.

| | |
|-----------------------------|--------------------------------------|
| Mr. M.R. Doraiswamy Iyengar | – Non-Executive Independent Director |
| Mr. P.K. Kakodkar | – Non-Executive Independent Director |
| Mr. B.M. Labroo | – Non-Executive Independent Director |
| Mr. S.R. Gupte | – Non-Executive Director |



Corporate Governance Report (Contd.)

The following terms of reference stipulated by the Board of Directors to the Audit Committee covers all matters specified under the Listing Agreement as well as the provisions of Section 292A of the Companies Act, 1956.

- a) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- c) Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
 - Any changes in accounting policies and practices
 - Major accounting entries based on exercise of judgement by management
 - Qualifications in draft audit report
 - Significant adjustments arising out of audit
 - The going concern assumption
 - Compliance with Accounting Standards
 - Compliance with Stock Exchange and legal requirements concerning financial statements
 - Any related party transactions i.e. Transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interests of company at large.
- d) Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- e) Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- f) Discussion with internal auditors on any significant findings and follow up thereon.
- g) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

- h) Discussion with external auditors before the audit commences on nature and scope of audit as well as have post-audit discussions to ascertain any area of concern.
- i) Reviewing the Company's financial and risk management policies.
- j) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

The Committee, *inter alia*, has reviewed the financial statements including Auditors Report for the year ended March 31, 2004 and has recommended its adoption. In addition, the Committee has also reviewed quarterly results for June 2003, quarterly and half yearly results for September 30, 2003 and quarterly results for December 2003, which were subjected to a Limited Review by the Statutory Auditors of the Company.

During the financial year six meetings were held on i.e., April 4, 2003, April 24, 2003, July 25, 2003, August 19, 2003, October 22, 2003 and January 31, 2004. The details of attendance by members of the Committee are as below:

| Name of the Director | No. of Meetings | Meetings attended |
|--|-----------------|-------------------|
| Mr. M.R. Doraiswamy Iyengar (Chairman) | 6 | 6 |
| Mr. S.R. Gupte | 6 | 6 |
| Mr. B.M. Labroo | 6 | 5 |
| Mr. P.K. Kakodkar | 6 | 5 |

4. COMPENSATION COMMITTEE

The Compensation Committee constituted by the Company comprises the following Directors.

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

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

Corporate Governance Report (Contd.)

employees from the level of Executive Vice President and above.

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

During the financial year one meeting was held on December 22, 2003, which was attended by Mr. B.M. Labroo, Chairman, Mr. P.K. Kakodkar, Director and Mr. M.R. Doraiswamy Iyengar, Director. Mr. S.R. Gupte, Director could not attend the meeting on account of prior commitment.

Remuneration of Directors:

The details of Remuneration paid/payable to the Directors during the Financial Year April 1, 2003 to March 31, 2004 are given below:

a) Executive Directors

Managing Director Mr. V.K. Rekhi

| Salary & Allowances | Commission/ Performance Linked incentive | Perquisites | Retirement Benefits |
|---------------------|--|-------------|---------------------|
| Rs | Rs. | Rs. | Rs. |
| 79,56,111 | 36,66,874 | 20,16,946 | 19,92,600 |

Notes:

- Mr. V.K. Rekhi was appointed as the Managing Director of the Company for a period of five years with effect from April 19, 2001. The terms and conditions of appointment and remuneration of Mr. Rekhi is as set out in the resolution and as per the rules of the company as applicable approved by the shareholders at the Annual General Meeting held on September 22, 2001.
- The employment of Mr. V.K. Rekhi is terminable on either side by giving six months notice as per the rules of the Company.
- There is no severance fee.
- No stock option was granted during the year.

b) Non-Executive Directors

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

| Name of the Director | Sitting fees |
|-----------------------------|--------------|
| Dr. Vijay Mallya | Nil |
| Mr. S.R. Gupte | 84,000 |
| Mr. V.K. Rekhi | Nil |
| Mr. A.B. Godrej* | 10,000 |
| Mr. M.R. Doraiswamy Iyengar | 1,26,000 |
| Mr. P.K. Kakodkar | 80,000 |
| Mr. B.M. Labroo | 57,000 |

* Ceased to be a Director with effect from January 5, 2004.

Non-Executive Directors are also eligible for Commission on Profits as approved by the shareholders at the Annual General Meeting held on September 22, 2001. Such Commission may be apportioned amongst the Directors in any manner they deem fit.

The commission on profits of Rs. 40,60,924 for the year ended March 31, 2004 will be paid after adoption of Accounts by Shareholders at the Annual General Meeting to be held on September 29, 2004 and apportioned amongst the Directors in any manner they deem fit.

5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

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

The Committee comprises the following Directors:

Mr. P.K. Kakodkar, Chairman

Mr. B.M. Labroo

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

During the financial year three meetings were held on April 24, 2003, July 25, 2003 and December 22, 2003 attended by both the members of the Committee.

The Company/Company's Registrars received 1084 complaints during the financial year, all of which were resolved to the satisfaction of shareholders/investors.

The company had 11 transfers pending at the close of the financial year, owing to signature difference and these have been registered subsequently within the stipulated time.



Corporate Governance Report (Contd.)

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

The Committee comprises the following Directors:

Mr. S.R. Gupte
Mr. M.R. Doraiswamy Iyengar
Mr. V.K. Rekhi
Mr. P.K. Kakodkar

6. GENERAL BODY MEETING

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

| Financial Year ended | Date | Time | Venue |
|----------------------|----------------|------------|---|
| March 31, 2001 | Sept. 22, 2001 | 2.30 p.m. | Dr. B.R. Ambedkar Bhavana, Miller's Road, Vasanthanagar, Bangalore 560 052. |
| March 31, 2002 | Sept. 27, 2002 | 10.15 a.m. | Dr. B.R. Ambedkar Bhavana, Miller's Road, Vasanthanagar, Bangalore 560 052. |
| March 31, 2003 | Sept. 26, 2003 | 10.00 a.m. | Dr. B.R. Ambedkar Bhavana, Miller's Road, Vasanthanagar, Bangalore 560 052. |

All the resolutions set out in the Notices were passed by the Shareholders.

The Company has not passed any resolution at any annual general meeting which was required to be passed through postal ballot as per the provisions of the Companies Act, 1956 and the rules framed thereunder.

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

7. DISCLOSURES

There were no transactions of material nature with its promoters, the Directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

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

8. MEANS OF COMMUNICATION

The unaudited quarterly and half-yearly results are sent to all the Stock Exchanges where the shares of the Company are listed. The results are normally published in 'The Asian Age', and 'Kannada Prabha'. The results are displayed on the Company's Website www.clubmcdowell.com.

The results are also posted in the website www.sebiedifar.nic.in of the Securities and Exchange Board of India.

The Management Discussion and Analysis is a part of this Annual Report.



Corporate Governance Report (Contd.)

9. GENERAL SHAREHOLDER INFORMATION

- a) AGM Date, Time and Venue
September 29, 2004, 11.00 a.m at
Dr. B.R. Ambedkar Bhavana, Miller's Road,
Vasanthanagar, Bangalore 560 052
- Financial Calendar
Annual General Meeting
September 29, 2004
First Quarterly Results
July 28, 2004
Second Quarterly Results
3rd or 4th week of October, 2004
Third Quarterly Results
3rd or 4th week of January, 2005
Fourth quarterly Results
3rd or 4th week of April, 2005
- b) Date of Books closure
September 23, 2004 to September 29, 2004
- c) Dividend payment date
After September 29, 2004
- d) Listing on Stock Exchanges
The shares of the Company are listed on the following Stock Exchanges:
1. Bangalore Stock Exchange Limited (BgSE)
2. The Stock Exchange, Mumbai (BSE)
3. National Stock Exchange of India Limited (NSE)
4. Madras Stock Exchange Limited (MSE)
5. The Delhi Stock Exchange Association Limited (DSE)
6. The Calcutta Stock Exchange Association Limited (CSE)
7. The Stock Exchange, Ahmedabad (ASE)
- The listing fees for the years 2003-2004 and 2004-2005 have been paid to all the Stock Exchanges.
- e) Stock Code
BSE
Demat 532432 Physical 32432
NSE
SYMBOL-McDOWELL-N
DSE
13044
ASE
36311
MSE
McDowell
CSE
23926 & 10023926
BgSE
McDowell
- f) ISIN No.
INE854D01016
- g) Market price data
(As per Annexure A)
- h) Stock performance in comparison to
BSE sensex
(As per Annexure B)
- i) Registrar and Transfer Agents
Alpha Systems Private Limited
Registered Office:
30, Ramana Residency, 4th Cross, Sampige Road,
Malleswaram, Bangalore 560 003
- j) Share Transfer System
The power to consider and approve share transfers/transmission/
transposition/consolidation/subdivision etc. have been delegated
to a Committee of Directors as indicated under the heading
Shareholders/Investors Grievance Committee. The Committee meets
generally once in a fortnight. The requirements under the Listing
Agreement/Statutory regulations in this regard are being followed.
- k) Distribution of Shareholding
(As per Annexure C)



Corporate Governance Report (Contd.)

- l) Dematerialisation of Shares 89% of paid up share capital is held in dematerialised form
- m) Outstanding GDRs/ADRs/Warrants or any other Convertible instruments Not issued
- n) Plant Location
1. Cherthala (Kerala)
 2. Hyderabad (Andhra Pradesh)
 3. Goa (Goa)
 4. Hathidah (Bihar)
 5. Kumbalgodu (Karnataka)
 6. Rosa (Uttar Pradesh)
 7. Udaipur (Rajasthan)
 8. Serampore (West Bengal)
 9. Bhopal (Madhya Pradesh)
 10. Asansol (West Bengal)
 11. Nasik (Maharashtra)
 12. Pondicherry (Pondicherry)
- o) Address for Correspondence
- Shareholder correspondence should be addressed to the Company's Registrars and Transfer Agents:
Alpha Systems Private Limited
Registered Office:
30, Ramana Residency, 4th Cross
Sampige Road, Malleswaram, Bangalore 560 003
Tel. Nos.: (080) 2346 0815-818
Fax No.: (080) 2346 0819
- Investors may also write or contact the Company Secretary, Mr. V.S. Venkataraman or Assistant Company Secretary, Mr. N. Kannan at the Registered Office of the Company at No. 51, Richmond Road, Bangalore 560 025.
Tel. Nos.: (080) 2227 4452, 2227 4458, 2221 5415
Fax No.: (080) 2227 2973

NON-MANDATORY REQUIREMENTS

- a) Chairman of the Board Dr. Vijay Mallya
Whether Chairman of the Board is entitled to maintain a Chairman's Office at the Company's expenses and also allowed reimbursement of expenses incurred in performance of his duties Expenses incurred in performance of his duties are reimbursed
- b) Remuneration Committee The Company has formed a Compensation Committee
- c) Shareholders Rights:
The half-yearly declaration of financial performance including summary of the significant events in the last 6 months should be sent to each household of shareholders. The Company's half-yearly results are published in English and Kannada Newspapers. Hence the same are not sent to the shareholders.
- d) Postal Ballot The Company has not transacted any business through postal ballot. The Company shall comply with the provisions of law in this regard whenever so required.



Corporate Governance Report (Contd.)

ANNEXURE A:

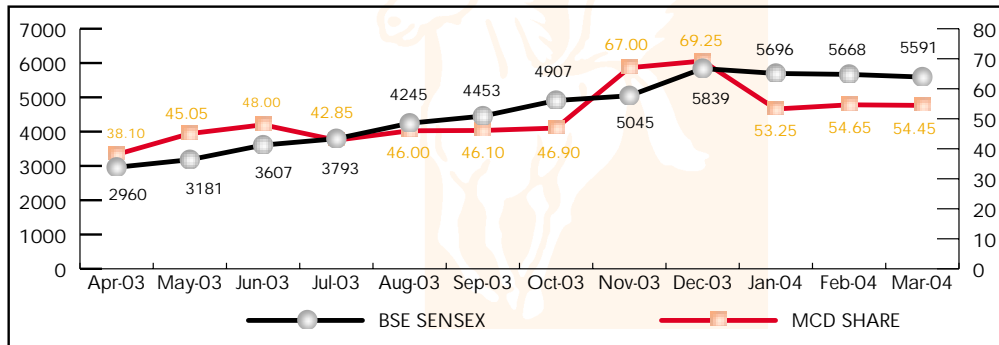
McDowell & Company Limited - Monthly BSE

| Month | High Rs. | Low Rs. | Volume |
|-----------|----------|---------|-----------|
| Mar. 2004 | 61.40 | 52.00 | 1,219,607 |
| Feb. 2004 | 57.95 | 48.20 | 1,268,877 |
| Jan. 2004 | 71.45 | 50.05 | 2,300,380 |
| Dec. 2003 | 75.20 | 63.20 | 6,468,496 |
| Nov. 2003 | 68.90 | 45.70 | 7,347,704 |
| Oct. 2003 | 52.70 | 44.85 | 1,958,995 |
| Sep. 2003 | 55.50 | 43.95 | 1,659,494 |
| Aug. 2003 | 51.25 | 43.25 | 1,768,098 |
| Jul. 2003 | 56.80 | 42.50 | 2,413,108 |
| Jun. 2003 | 51.25 | 43.05 | 2,143,906 |
| May 2003 | 47.45 | 37.75 | 882,423 |
| Apr. 2003 | 39.50 | 33.55 | 338,010 |

McDowell & Company Limited - Monthly NSE

| Month | High Rs. | Low Rs. | Volume |
|-----------|----------|---------|------------|
| Mar. 2004 | 61.60 | 50.00 | 2,006,760 |
| Feb. 2004 | 58.20 | 48.20 | 2,755,510 |
| Jan. 2004 | 71.00 | 51.00 | 4,716,160 |
| Dec. 2003 | 75.00 | 63.10 | 13,740,578 |
| Nov. 2003 | 68.70 | 45.50 | 13,387,335 |
| Oct. 2003 | 52.50 | 44.80 | 3,393,292 |
| Sep. 2003 | 51.90 | 44.00 | 3,502,515 |
| Aug. 2003 | 51.15 | 43.25 | 3,331,011 |
| Jul. 2003 | 56.40 | 42.20 | 4,327,814 |
| Jun. 2003 | 51.25 | 43.00 | 3,729,174 |
| May 2003 | 47.40 | 37.65 | 1,770,825 |
| Apr. 2003 | 39.80 | 33.50 | 699,149 |

ANNEXURE B: McDOWELL & COMPANY LIMITED, SHARE PRICES COMPARED TO BSE INDEX



ANNEXURE C : DISTRIBUTION OF HOLDINGS AS ON MARCH 31, 2004

Valuewise

Categorywise

| Shareholding of nominal value of | Shareholders | | Share Capital | | Category | No. of shares | % of Equity |
|----------------------------------|--------------|--------|---------------|--------|-------------------------|---------------|-------------|
| | Rs. | Number | % to Total | In Rs. | | | |
| (1) | (2) | (3) | (4) | (5) | | | |
| Upto - 5,000 | 84,618 | 93.77 | 112,686,860 | 21.79 | Promoter Group | 21,964,462 | 42.47 |
| 5,001 - 10,000 | 3,130 | 3.47 | 25,000,700 | 4.83 | Resident Body Corporate | 2,378,006 | 4.60 |
| 10,001 - 20,000 | 1,343 | 1.49 | 20,230,260 | 3.91 | Banks/FI/FII/MF/Trust | 6,204,956 | 12.00 |
| 20,001 - 30,000 | 429 | 0.48 | 10,996,080 | 2.13 | NRI/OCB/FFI | 1,534,789 | 2.97 |
| 30,001 - 40,000 | 196 | 0.22 | 6,948,030 | 1.34 | Resident Individuals | 19,637,815 | 37.96 |
| 40,001 - 50,000 | 155 | 0.17 | 7,347,970 | 1.42 | | | |
| 50,001 - 100,000 | 214 | 0.24 | 15,375,010 | 2.97 | | | |
| 100,001 - and above | 155 | 0.16 | 318,615,370 | 61.61 | | | |
| Total | 90,240 | 100.00 | 517,200,280 | 100.00 | Total | 51,720,028 | 100.00 |



Certificate from Auditors Regarding Compliance of Conditions of Corporate Governance





Annexure to Report of The Directors

MANAGEMENT DISCUSSION & ANALYSIS REPORT





Annexure to Report of The Directors (Contd.)





Annexure to Report of The Directors (Contd.)





Annexure to Report of The Directors (Contd.)





Annexure to Report of The Directors (Contd.)





Annexure to Report of The Directors (Contd.)



US GAAP Reconciliation

Reconciliation of Net Profit determined under Indian GAAP with Net Income in accordance with US GAAP for the year ended March 31, 2004

The following statement reconciles profit after tax as computed in accordance with accounting standards generally accepted in India and the Companies Act, 1956 (Collectively "Indian GAAP") with net income as computed under accounting principles generally accepted in the United States.

| | (Rs. Million) | |
|--|----------------|------------|
| | Year ended | |
| | 31.03.2004 | 31.03.2003 |
| Profit after Taxation as per Indian GAAP | 247.476 | 116.737 |
| Add: | | |
| Income related to unconsolidated Subsidiaries and affiliates # | - | - |
| Difference in depreciation | 34.449 | 34.677 |
| Net Income as per US GAAP | 281.925 | 151.414 |

There are no unconsolidated subsidiaries and affiliates for the year 2003-04.

a) Investments in Affiliates:

Under Indian GAAP, investments in affiliates are carried at cost, less any provision for diminutions in value that are permanent. Under US GAAP, the Company accounts for investments between 20% and 50% or where it would be otherwise able to exercise significant influence over the operating and financial policies of the investees using the equity method. The Company's equity in the income/loss of equity method affiliates is included in the statements of operations. Inter-company profits and losses have been eliminated until realized by the investor or investee.

b) Investments in Subsidiaries:

Under Indian GAAP statutory financial statements, investments in subsidiaries are carried at cost less any provision for diminutions in value that are permanent. Under US GAAP, the Company accounts for the income/loss of unconsolidated subsidiaries in its statement of operations under the equity method. All material inter-company accounts and transactions are eliminated on consolidation.

c) Depreciation:

Depreciation under Indian GAAP has been computed with reference to the fair values for the fixed assets acquired on the amalgamations whereas under US GAAP, depreciation has been calculated on the historic carrying amounts of the assets in the books of the amalgamating companies.



Auditors' Report to the Members McDowell & Company Limited

1. We have audited the attached Balance Sheet of **McDowell & Company Limited**, as at March 31, 2004, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the 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 of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in paragraph 3 above, we report that:
 - 4.1. *Attention is drawn to Note 4(a) on Schedule 18. No provision has been made in the accounts towards receivables from certain toll manufacturers aggregating to Rs.376.467 million (2003: Rs.385.841 million) that may not ultimately be recoverable, having possible impact on the financial results for the year, the extent of which cannot be currently ascertained.*
 - 4.2. *Attention is drawn to Note 5 on Schedule 18. Provision has not been made in the accounts for possible loss arising on account of diminution in the value of certain long term investments having carrying value aggregating to Rs.357.631 million (2003: Rs.284.014 million), which the management has considered as temporary in nature, having possible impact on the financial results for the year, the extent of which cannot be currently ascertained.*
5. Further to our comments in paragraph 4 above, we report that:
 - 5.1. We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - 5.2. 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;
 - 5.3. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - 5.4. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - 5.5. On the basis of written representations received from the Directors, as on March 31, 2004, and taken on record by the Board of Directors of the Company, we report that none of the Directors is disqualified as on March 31, 2004 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - 5.6. Subject our observations in paragraphs 4.1 and 4.2 above, in our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2004;
 - ii) in case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

J. Majumdar

Partner

Membership No. F51912

For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Bangalore
June 25, 2004



Annexure to Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of McDowell & Company Limited on the financial statements for the year ended March 31, 2004.]

- i) a) The Company is maintaining proper records showing full particulars including quantitative details and situation of its fixed assets.
- b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
- c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- ii) a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii) a) The Company has granted unsecured loans to two companies covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans aggregates to Rs.360 million and Rs.200 million respectively. The Company has only taken unsecured loan from one company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loan aggregates to Rs.25 million.
- b) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
- c) In respect of the aforesaid loan, the Company has repaid the principal amount as stipulated and was also regular in payment of interest. The parties are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable.
- d) In respect of the aforesaid loans, there were no overdue amounts more than Rupee one lakh.
- iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
- v) a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into the register in pursuance of Section 301 of Act, 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 into the register in pursuance of Section 301 of the Act and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) 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 Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no Order under the aforesaid Sections has been passed by the Company Law Board on the Company.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-



Annexure to Auditors' Report (Contd.)

section (1) of Section 209 of the Act for any of the products of the Company.

- ix) a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, customs duty, excise duty, cess and

other material statutory dues as applicable with the appropriate authorities.

- b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of sales-tax, income-tax, customs duty, wealth tax, excise duty and cess as at March 31, 2004 which have not been deposited on account of a dispute, are as follows:

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of McDowell & Company Limited on the financial statements for the year ended March 31, 2004.]

| Name of the Statute | Amount* (Rs. in Million) | Forum where dispute is pending | Year to which the Amount Relates |
|---|--|--|---|
| The Income Tax Act, 1961 | 1.233 38.595 | Income Tax Appellate Tribunal Commissioner of Income Tax – Appeals | 1990-91, 1992-93 1997-98, 1998-99, 2000-01 and 2001-02 |
| The Wealth Tax Act, 1957 | 1.019 | Commissioner of Income Tax – Appeals | 1993-94 to 1997-98 |
| Central and Respective State Sales Tax Acts | 30.655 192.336 0.636 0.350 3.894 18.820 11.215 | High Court Appellate Tribunal Appellate and Revisional Court Joint Commissioner Deputy Commissioner Assistant Commissioner Commercial Tax Officer | 1982-83, 1984-85 to 1991-92, 1996-97, 2002-03 and 2003-04 1982-83 to 1995-96, 1998-2000, 2002-03, 1993-94 1982-83 and 1983-84 1992-93, 1994-95 to 1997-98 1973-74 to 1984-85, 1994-95 to 1996-97, 1999-2000, 2000-2001 1974-75, 1983-86, 1993-96 |
| Respective State Excise Acts | 4.380 82.828 15.792 15.000 0.732 0.081 197.790 | Supreme Court High Court Second Division Judicial Magistrate V Metropolitan Magistrate Court Collector-Court Collector of Excise Excise Commissioner | 1971-72 to 1973-74, 1977-2000, 2001-2004 1973-74, 1979-94, 1995-96 to 2001-02, 2003-04 1990-91 1983-84 2003-2004 1994-95 1963-64 to 1972-73, 1976-77 and 1977-78, 1980-81 to 1991-92 to 2003-04. |
| Central Excise Act, 1944 | 14.880 718.055 1.829 | High Court Customs, Excise & Service Tax Appellate Tribunal Assistant Commissioner of Customs | 1989-1997 1996-97, 1997-98 to 2000-01 1995-96 |
| Finance Act, 1994 | 5.861 | Customs, Excise & Service Tax Appellate Tribunal | 1997-1999 |

* Net of amounts paid under protest or otherwise.

Appendix 1 to the Auditor's Report

- x) The Company has no accumulated losses as at March 31, 2004 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi) According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The provision of any special statute applicable to chit fund/nidhi/ mutual benefit fund/societies are not applicable to the Company.
- xiv) In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- xv) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company.
- xvi) In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- xvii) On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for a long-term investment, and vice-versa.
- xviii) The Company has not made any preferential allotment of shares to parties and companies in the register maintained under Section 301 of the Act during the year.
- xix) The Company did not have debentures outstanding at the year end.
- xx) The Company has not raised any money by public issues during the year.
- xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management except for two cases of frauds during the year, as reported in the audit committee meeting.

Bangalore
June 25, 2004

J. Majumdar
Partner
Membership No. F51912

For and on behalf of
PRICE WATERHOUSE
Chartered Accountants



Balance Sheet as at March 31, 2004

| | Schedule | 2004 | | Rs. Million 2003 |
|--|----------|------------------|------------------|---------------------|
| SOURCES OF FUNDS | | | | |
| Shareholders' Funds | | | | |
| Capital | 1 | 517.200 | 517.200 | |
| Reserves and Surplus | 2 | <u>2,208.288</u> | <u>2,111.516</u> | |
| | | 2,725.488 | | 2,628.716 |
| Loan Funds | | | | |
| Secured Loans | 3 | 2,617.560 | 1,915.263 | |
| Unsecured Loans | 4 | <u>602.278</u> | <u>1,453.676</u> | |
| | | 3,219.838 | | 3,368.939 |
| Deferred Tax Liability (Net) [Sch.18.13(b)] | | 100.495 | | <u>115.461</u> |
| | | 6,045.821 | | <u>6,113.116</u> |
| APPLICATION OF FUNDS | | | | |
| Fixed Assets | | | | |
| | 5 | | | |
| Gross Block | | 2,680.984 | 2,582.670 | |
| Less : Depreciation | | <u>538.875</u> | <u>341.377</u> | |
| Net Block | | 2,142.109 | 2,241.293 | |
| Capital Work in Progress | | <u>71.674</u> | <u>39.068</u> | |
| | | 2,213.783 | | 2,280.361 |
| Investments | | | | |
| | 6 | | | |
| | | 1,029.098 | | 962.073 |
| Current Assets, Loans and Advances | | | | |
| Inventories | 7 | 1,287.453 | 1,245.190 | |
| Sundry Debtors | 8 | 1,995.700 | 1,849.855 | |
| Cash and Bank Balances | 9 | 149.892 | 78.269 | |
| Other Current Assets | 10 | 131.613 | 117.911 | |
| Loans and Advances | 11 | <u>1,791.652</u> | <u>2,155.425</u> | |
| | | 5,356.310 | <u>5,446.650</u> | |
| Less: Current Liabilities and Provisions | | | | |
| Liabilities | 12 | 2,296.866 | 2,407.327 | |
| Provisions | | <u>256.504</u> | <u>168.641</u> | |
| | | 2,553.370 | <u>2,575.968</u> | |
| Net Current Assets | | | 2,802.940 | <u>2,870.682</u> |
| | | | 6,045.821 | <u>6,113.116</u> |
| Statement on Significant Accounting Policies | 17 | | | |
| Notes on Accounts | 18 | | | |

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

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

J. MAJUMDAR
Partner

V.K. REKHI
Managing Director

VIJAY MALLYA
Chairman

For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

V.S. VENKATARAMAN
Company Secretary

M.R. DORAISWAMY IYENGAR
Director

Bangalore
June 25, 2004



Profit and Loss Account for the year ended March 31, 2004

| | Schedule | 2004 | Rs. Million 2003 |
|--|----------|-------------------|---------------------|
| INCOME | | | |
| Sales | | 15,637.715 | 14,086.854 |
| Less: Excise Duty | | <u>5,696.662</u> | <u>4,858.952</u> |
| | | 9,941.053 | 9,227.902 |
| Income from Brand Franchise | | 875.685 | 627.568 |
| Other Income | 13 | <u>329.149</u> | <u>175.274</u> |
| | | <u>11,145.887</u> | <u>10,030.744</u> |
| EXPENDITURE | | | |
| Materials | 14 | 6,344.479 | 5,706.168 |
| Manufacturing and Other Expenses | 15 | 3,876.749 | 3,640.973 |
| Interest and Finance Charges (Net) | 16 | <u>330.934</u> | <u>267.697</u> |
| | | <u>10,552.162</u> | <u>9,614.838</u> |
| Profit before Depreciation and Taxation | | 593.725 | 415.906 |
| Depreciation | | <u>203.226</u> | <u>125.263</u> |
| Profit before Taxation | | 390.499 | 290.643 |
| Provision for Taxation: | | | |
| Current Tax | | 192.000 | 137.000 |
| Deferred Tax (Credit)/Debit | | <u>(14.966)</u> | <u>22.501</u> |
| | | <u>177.034</u> | <u>159.501</u> |
| Profit after Taxation | | 213.465 | 131.142 |
| Profit brought forward from previous year | | <u>383.148</u> | <u>382.199</u> |
| | | <u>596.613</u> | <u>513.341</u> |
| Appropriations : | | | |
| Proposed Dividend | | 103.440 | 103.440 |
| Corporate Tax on Proposed Dividend | | 13.253 | 13.253 |
| Transfer to General Reserve | | <u>25.000</u> | <u>13.500</u> |
| | | <u>141.693</u> | <u>130.193</u> |
| Profit carried to Balance Sheet | | 454.920 | 383.148 |
| Basic/Diluted Earnings Per Share (Rupees) | | <u>4.13</u> | <u>2.54</u> |
| Statement on Significant Accounting Policies | 17 | | |
| Notes on Accounts | 18 | | |

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

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

J. MAJUMDAR
Partner

V.K. REKHI
Managing Director

VIJAY MALLYA
Chairman

For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

V.S. VENKATARAMAN
Company Secretary

M.R. DORAISWAMY IYENGAR
Director

Bangalore
June 25, 2004



Schedules forming part of Balance Sheet as at March 31, 2004

| | 2004 | Rs. Million 2003 |
|--|------------------|---------------------|
| 1. CAPITAL | | |
| Authorised 60,000,000 Equity Shares of Rs.10/- each | <u>600.000</u> | <u>600.000</u> |
| Issued, Subscribed and Paid-up 51,720,028 Equity Shares of Rs.10/- each fully paid-up | <u>517.200</u> | <u>517.200</u> |
| | <u>517.200</u> | <u>517.200</u> |
| Note : | | |
| Of the above 51,719,968 shares were allotted as fully paid-up on July 9, 2001 to the shareholders of the erstwhile McDowell & Co. Ltd., pursuant to the schemes of Amalgamation. | | |
| 2. RESERVES AND SURPLUS | | |
| Contingency Reserve As per last Balance Sheet | 110.000 | 110.000 |
| General Reserve As per last Balance Sheet | 1,618.368 | 1,604.868 |
| Add : Transferred from Profit and Loss Account | <u>25.000</u> | <u>13.500</u> |
| | 1,643.368 | 1,618.368 |
| Surplus in Profit and Loss Account | <u>454.920</u> | <u>383.148</u> |
| | <u>2,208.288</u> | <u>2,111.516</u> |



Schedules forming part of Balance Sheet as at March 31, 2004 (Contd.)

| | 2004 | Rs. Million 2003 |
|---|------------------|---------------------|
| 3. SECURED LOANS | | |
| Term Loans | | |
| From Banks [Note (i)] [Repayable within one year: Rs.220.549 Million (2003: Rs. 168.854 Million)] | 660.540 | 474.854 |
| From Others [Note (ii)] [Repayable within one year: Rs.11.549 Million (2003: Rs. 5.557 Million)] | 207.376 | 163.196 |
| | <u>867.916</u> | 638.050 |
| Working Capital Loan/Cash Credit from Banks [Notes (iii) & (iv)] | 1,746.225 | 1,276.728 |
| Interest accrued and due | 3.419 | 0.485 |
| | <u>2,617.560</u> | <u>1,915.263</u> |
| Notes: | | |
| (i) Out of the above loan, Rs.660.056 Million (2003: Rs.242.495 Million) are secured on certain fixed assets of the Company including Land and Building. The balance Term Loans are secured by hypothecation of specific fixed assets acquired under respective agreements. | | |
| (ii) Rs.180.000 Million secured by a charge on certain fixed assets including Land and Building. The balance term loans are secured by hypothecation of specific fixed assets acquired under term loan agreements. | | |
| (iii) Secured by hypothecation of inventories, book debts and other Current Assets. | | |
| (iv) Includes Foreign Currency Non-Resident (FCNR) Loan of Rs.943.348 Million (2003: Rs.432.477 Million). | | |
| 4. UNSECURED LOANS | | |
| Fixed Deposits [Repayable within one year: Rs.79.670 Million (2003: Rs.151.456 Million)] | 501.556 | 539.327 |
| Short Term Loan from Bank | 100.000 | - |
| Interest accrued and due | 0.722 | - |
| From Others Including Rs. Nil (2003: Rs.137.572 Million) by way of Deferred Sales Tax Loan (interest free) from State Industrial Corporation of Maharashtra and repayable in 5 annual instalments starting from June 2012. | - | 914.349 |
| | <u>602.278</u> | <u>1453.676</u> |



Schedules forming part of Balance Sheet as at March 31, 2004 (Contd.)

5. FIXED ASSETS

| Rs. Million | | | | | | | | | | |
|--|------------------|----------------|---------------------------|------------------|----------------|----------------|---------------------------|----------------|------------------|------------------|
| | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
| | 2003 | Additions | Deletions/ Adjustments | 2004 | 2003 | Additions | Deletions/ Adjustments | 2004 | 2004 | 2003 |
| Land: | | | | | | | | | | |
| Freehold | 400.810 | 25.093 | 83.810 | 342.093 | – | – | – | – | 342.093 | 400.810 |
| Leasehold | 118.287 | – | – | 118.287 | – | – | – | – | 118.287 | 118.287 |
| Buildings (Notes 1 and 2) | 645.772 | 19.779 | 11.876 | 653.675 | 42.087 | 16.209 | 0.382 | 57.914 | 595.761 | 603.685 |
| Plant and Machinery | 1,189.701 | 86.211 | 14.599 | 1,261.313 | 204.001 | 140.283 | 2.020 | 342.264 | 919.049 | 985.700 |
| Furniture & Fixtures and Office Equipments (Note 3) | 130.110 | 54.485 | 0.675 | 183.920 | 41.046 | 25.496 | 0.559 | 65.983 | 117.937 | 89.064 |
| Vehicles | 97.990 | 27.668 | 3.962 | 121.696 | 54.243 | 21.238 | 2.767 | 72.714 | 48.982 | 43.747 |
| | 2,582.670 | 213.236 | 114.922 | 2,680.984 | 341.377 | 203.226 | 5.728 | 538.875 | 2,142.109 | 2,241.293 |
| 2003 | 2,367.229 | 384.461 | 169.020 | 2,582.670 | 233.362 | 125.263 | 17.248 | 341.377 | | |
| Capital Work-in-Progress (Including Advances) | | | | | | | | | 71.674 | 39.068 |
| | | | | | | | | | 2,213.783 | 2,280.361 |

Notes:

1. Include Rs.41.737 Million (2003 : Rs. 41.737 Million) being the value of property jointly used with another company.
2. Include value of fully paid shares Rs. 0.003 Million held in Cooperative Housing Societies for occupation of flats.
3. Include assets jointly owned with another company valuing Rs. 8.531 Million (2003 : Rs.8.450 Million).



Schedules forming part of Balance Sheet as at March 31, 2004 (Contd.)

| Rs. Million | | | | | |
|--|-------------------|-----------|----------------|-----------|----------------|
| 6. INVESTMENTS AT COST | | | | | |
| Particulars | Face Value Rs. | Nos. | 2004 | Nos. | 2003 |
| LONG TERM | | | | | |
| Quoted Investments | | | | | |
| A. Fully Paid Equity Shares | | | | | |
| Trade | | | | | |
| Aventis Pharma Ltd. | 10 | 17,550 | 8.205 | 17,550 | 8.205 |
| Castle Breweries Ltd. | 10 | 11,350 | 0.023 | 11,350 | 0.023 |
| Herbertsons Ltd. (Note 1) | 10 | 421,109 | 21.292 | 421,109 | 21.292 |
| Mangalore Chemicals & Fertilizers Ltd. | 10 | 7,026,828 | 35.345 | 7,026,828 | 35.345 |
| UB Engineering Ltd. | 10 | 326,620 | 3.168 | 326,620 | 3.168 |
| United Breweries (Holdings) Ltd. | 10 | 2,630,001 | 284.014 | 2,630,001 | 284.014 |
| United Breweries Ltd. | 10 | 1,753,334 | 189.342 | 1,753,334 | 189.342 |
| | | | 541.389 | | 541.389 |
| Non-Trade | | | | | |
| Corporation Bank | 10 | 3,100 | 0.234 | 3,100 | 0.234 |
| H.D.F.C. Bank Ltd. | 10 | 500 | 0.128 | 500 | 0.128 |
| Housing Development Finance Corpn. Ltd. | 10 | 1,680 | 0.297 | 1,680 | 0.297 |
| Shaw Wallace & Company Ltd. (Note 2) | 10 | 10,100 | 0.186 | 10,100 | 0.186 |
| State Bank of Bikaner & Jaipur | 100 | 1,380 | 0.376 | 1,380 | 0.376 |
| State Bank of Travancore | 100 | 2,335 | 0.517 | 2,335 | 0.517 |
| Vijaya Bank | 10 | 97,200 | 0.972 | 97,200 | 0.972 |
| B. Units (Fully Paid) | | | | | |
| Unit Trust of India (Note 3) | | | | | |
| 6.75% Tax Free US 64 Bonds | 100 | 312,246 | 31.225 | 3,110,496 | 45.316 |
| US 2002 | 10 | 426,318 | 2.711 | 426,318 | 2.711 |
| | | | 36.646 | | 50.737 |
| Total Quoted Investments | | | 578.035 | | 592.126 |
| C. Unquoted Investments | | | | | |
| Trade | | | | | |
| Fully paid Equity Shares | | | | | |
| Asianage Holdings Ltd. | 10 | 14,650 | 73.617 | - | - |
| Asian Age (South) Ltd. | 10 | 60,000 | 0.600 | 60,000 | 0.600 |
| Baramati Grape Industries Ltd. | 100 | 38,220 | 3.822 | 38,220 | 3.822 |
| Goa Fruit Distilleries Pvt. Ltd. | 100 | 350 | 0.035 | 350 | 0.035 |
| Madhav Co-operative Housing Society Ltd. | 50 | 5 | 0.000 | 5 | 0.000 |
| North West Distilleries Pvt. Ltd. | 10 | 1,000 | 0.010 | 1,000 | 0.010 |
| Phipson & Co. (Pakistan) Ltd. | 100 | 3,942 | 0.000 | 3,942 | 0.000 |
| Pixray (India) Ltd. | 100 | - | - | 1,050 | 0.105 |
| Sangam Bhavan Cooperative Housing Society Ltd. | 50 | 10 | 0.001 | 10 | 0.001 |
| Utkal Distilleries Ltd. | 100 | 10,700 | 7.448 | 10,700 | 7.448 |
| UB Electronic Instruments Ltd. | 100 | 1,991 | 0.127 | 1,991 | 0.127 |
| In Subsidiary Companies | | | | | |
| Asian Opportunities & Investments Ltd. | US\$1 | 4,998,706 | 301.000 | 4,998,706 | 301.000 |
| McDowell International Brands Ltd. | 10 | 50,000 | 0.499 | 50,000 | 0.499 |
| Nepal Liquors Ltd. | NRS 100 | 63,966 | 65.366 | 63,966 | 65.366 |
| Phipson Distillery Ltd. | 10 | 50,000 | 0.500 | 50,000 | 0.500 |
| Other Investments | | | | | |
| McDowell & HRB Emp. Co-op. Society Ltd. | 200 | 10 | 0.002 | 10 | 0.002 |
| In Convertible Warrants | | | | | |
| United Breweries Ltd. | 1 | - | - | 2,640,500 | 2.641 |
| | | | 453.028 | | 382.157 |



Schedules forming part of Balance Sheet as at March 31, 2004 (Contd.)

| 6. INVESTMENTS AT COST (Contd.) | | | | Rs. Million | |
|---|-------------------|------------|------------------|-------------|----------------|
| Particulars | Face Value Rs. | Nos. | 2004 | Nos. | 2003 |
| D. Non-Trade Other Investments | | | | | |
| Indira Vikas Patra | | | 0.003 | | 0.003 |
| In Fully Paid Debentures | | | | | |
| Non-Redeemable | | | | | |
| 6.5% Bengal Chamber of Commerce & Industry | | | 0.002 | | 0.002 |
| 5% Woodland Hospital & Medical Centre Ltd. | | | 0.007 | | 0.007 |
| NATIONAL SAVINGS/PLAN/DEF. CERTIFICATES (Deposited with Government Authorities) | | | 1.059 | | 1.289 |
| | | | <u>1.071</u> | | <u>1.301</u> |
| Total Unquoted Investments | | | <u>454.099</u> | | <u>383.458</u> |
| Total Quoted and Unquoted Investments | | | <u>1,032.134</u> | | <u>975.584</u> |
| Less: Provision for diminution in the value of investments [Note 3(ii)] | | | <u>3.036</u> | | <u>13.511</u> |
| | | | <u>1,029.098</u> | | <u>962.073</u> |
| Aggregate Value of Quoted Investments | | | | | |
| – Book Value | | | 575.644 | | 578.615 |
| – Market Value | | | 413.294 | | 235.198 |
| Aggregate book value of Unquoted Investments | | | 453.454 | | 383.458 |
| Additions during the year | | | | | |
| Long Term: | | | | | |
| Asianage Holdings Ltd. | 10 | 14,650 | 73.617 | | |
| National Savings Certificates | | | 0.550 | | |
| Current: | | | | | |
| Principal Cash Management Fund Liquid Option Growth Plan | Units | 806,491 | 10.000 | | |
| SBI Magnum Instacash Fund | Units | 29,006,524 | 225.000 | | |
| | | | <u>309.167</u> | | |
| Sold during the year | | | | | |
| Long Term: | | | | | |
| National Savings Certificates | | | 0.780 | | |
| Pixray (India) Ltd. | 100 | 1,050 | 0.105 | | |
| Proceeds for fractional holding on conversion of US 64 to Bonds to 6.75 Tax Free US 64 Bonds (Note 3) | | | 0.000 | | |
| Current: | | | | | |
| Principal Cash Management Fund Liquid Option Growth Plan | Units | 806,491 | 10.000 | | |
| SBI Magnum Instacash Fund | Units | 29,006,524 | 225.000 | | |
| United Breweries Ltd., Convertible warrants | 1 | 2,640,500 | 2.641 | | |
| | | | <u>238.526</u> | | |



Schedules forming part of Balance Sheet as at March 31, 2004 (Contd.)

Notes:

1. 347,400 shares of Herbertsons Limited have been lodged for transfer and are pending registration.
2. (i) Transfer of 5,100 shares of Shaw Wallace & Company Limited in favour of the Company was refused by Shaw Wallace & Company Ltd. On a petition by the Company, the Company Law Board has directed Shaw Wallace & Company Limited to register the aforesaid shares in favour of the Company, which order has been stayed by the High Court of Calcutta in an appeal filed by Shaw Wallace & Company Limited.

(ii) In respect of balance 5,000 equity shares of Shaw Wallace & Company Limited, the Company Law Board on the petition filed by Shaw Wallace & Company Limited for rectification of its Register of Members by deleting the name of the Company, has passed an Order suspending the voting rights of the Company in respect of these shares. Appeal has been preferred by the Company before the Hon'ble High Court of Calcutta.

Subsequent to the Balance Sheet date, the Company has sold both its legal and beneficial interest in the above 10,100 equity shares of Shaw Wallace & Company Limited at or for the average price of Rs.38.69 per share. As a result of this sale, the Appeals pending before the Calcutta High Court and the petition pending before the Company Law Board have been rendered infructuous and steps are being taken to withdraw these proceedings.
3. (i) 3,110,496 units of Unit Scheme 64 with face value of Rs.10 each have been converted during the year to 312,246, 6.75% Tax Free US 64 Bonds with face value of Rs.100 effective from June 1, 2003 and proceeds for fractional part of units have been received.

(ii) Cost of 6.75% Tax Free US 64 Bonds have been written off to the extent of Rs.14.091 Million and has been adjusted against provision for diminution in the value of investments.

(iii) The Investments in Unit Trust of India of Rs.33.936 Million represent investments made under Rule 3A of the Companies (Acceptance of Deposit) Rules, 1975.
4. The erstwhile amalgamating Carew Phipson Limited has submitted its claim to Custodian of Enemy Property for India towards the full payment of the value of shares of which 25% was received and the balance value of investment was written off in the books in 1977 retaining a token amount of Re.1 in the books pending disposal of the representation to the custodian for final payment in this regard.



Schedules forming part of Balance Sheet as at March 31, 2004 (Contd.)

| | 2004 | Rs. Million 2003 |
|---|------------------|---------------------|
| 7. INVENTORIES | | |
| Raw Materials | 250.540 | 242.097 |
| Raw Materials in transit | 2.204 | 22.073 |
| Packing Materials, Stores and Spare Parts including in transit | 170.095 | 125.186 |
| Finished goods | 333.744 | 316.585 |
| Work-in-Progress | 530.870 | 539.249 |
| | <u>1,287.453</u> | <u>1,245.190</u> |
| 8. SUNDRY DEBTORS | | |
| (Unsecured, considered good) | | |
| Exceeding six months | 448.886 | 381.145 |
| Others | 1,546.814 | 1,468.710 |
| | <u>1,995.700</u> | <u>1,849.855</u> |
| 9. CASH AND BANK BALANCES | | |
| Cash on Hand | 3.333 | 2.594 |
| Remittances-in-Transit/Cheques on Hand | 25.595 | 24.678 |
| Balances with Scheduled Banks: | | |
| On Current Accounts | 89.202 | 32.165 |
| On Unpaid Dividend Account | 15.826 | 13.634 |
| On Deposit Account * | 15.936 | 5.198 |
| | <u>120.964</u> | <u>50.997</u> |
| | <u>149.892</u> | <u>78.269</u> |
| * Includes Rs.3 Million pledged with a bank for overdraft facility. | | |
| 10. OTHER CURRENT ASSETS | | |
| Balance with Excise Authorities | 0.135 | 41.204 |
| Income accrued on Investments and Deposits | 1.698 | 1.174 |
| Other Deposits | 129.780 | 75.533 |
| | <u>131.613</u> | <u>117.911</u> |
| 11. LOANS AND ADVANCES | | |
| (Unsecured, considered good) | | |
| Inter-corporate Deposits | 200.000 | - |
| Loans and Advances to Subsidiaries | 436.973 | 250.404 |
| Advances recoverable in cash or in kind or for value to be received | | |
| Advances to Contract bottlers under franchise arrangement | 534.517 | 489.108 |
| Taxes and Duties paid under protest | 328.666 | 324.454 |
| Taxes and Duties – Others | 34.783 | 21.672 |
| Advance Income Tax (Net of Provisions) | - | 12.355 |
| Other Advances | 256.713 | 1,057.432 |
| | <u>1,791.652</u> | <u>2,155.425</u> |



Schedules forming part of Balance Sheet as at March 31, 2004 (Contd.)

| | 2004 | Rs. Million 2003 |
|---|------------------|---------------------|
| 12. CURRENT LIABILITIES AND PROVISIONS | | |
| A. Liabilities | | |
| Acceptances * | 490.953 | 578.463 |
| Sundry Creditors | | |
| Dues to Small Scale Industrial (SSI) undertakings | 86.040 | 86.373 |
| Others | 1,396.338 | 1,414.122 |
| | 1,482.378 | 1,500.495 |
| Dues to Subsidiaries | - | 5.644 |
| Dues to Directors | 15.244 | 14.213 |
| Investor Education and Protection Fund ** | | |
| Unclaimed Debentures | 5.588 | 7.631 |
| Unclaimed Dividends | 15.745 | 13.514 |
| Unclaimed Fixed Deposits | 5.082 | 3.686 |
| | 26.415 | 24.831 |
| Security Deposits | 110.518 | 92.836 |
| Advances from Customers | 66.579 | 88.322 |
| Interest accrued but not due | 30.140 | 37.188 |
| Other Liabilities | 74.639 | 65.335 |
| | 2,296.866 | 2,407.327 |
| | | |
| * Includes bills drawn against inland letters of credit of Rs.375.686 Million (2003: Rs.401.636 Million) and secured by a charge on debtors and stock | | |
| ** Refer Schedule 18 Note 7 | | |
| B. Provisions | | |
| Taxation (Net of Advance Tax) | 58.740 | - |
| Proposed Dividend | 103.440 | 103.440 |
| Corporate Tax on Proposed Dividend | 13.253 | 13.253 |
| Gratuity and Leave Encashment | 81.071 | 51.948 |
| | 256.504 | 168.641 |



Schedules forming part of Profit and Loss Account for the year ended March 31, 2004

| | 2004 | 2003 |
|---|------------------|------------------|
| 13. OTHER INCOME | | |
| Income from Investments: | | |
| Dividend income from subsidiary (Gross) | 49.955 | 14.978 |
| [Tax deducted at source Rs.2.498 Million (2003: Rs.0.837 Million)] | | |
| Dividend income from trade investments (Gross) | 0.904 | 0.748 |
| [Tax deducted at source Rs. Nil (2003: Rs. Nil)] | | |
| Dividend income from other investments (Gross) | 1.060 | 0.277 |
| [Tax deducted at source Rs. Nil (2003: Rs. Nil)] | | |
| | <u>51.919</u> | <u>16.003</u> |
| Lease Rent | 10.800 | 10.800 |
| Profit on Sale of Fixed Assets (Net) | 8.072 | 4.062 |
| Surplus arising on premature repayment of Deferred Sales Tax Loan | 95.262 | - |
| Liabilities no longer required written back | 55.389 | 70.820 |
| Bad debts/advances recovered | 12.747 | - |
| Scrap Sales | 40.726 | 26.076 |
| Insurance Claims | 25.157 | 0.177 |
| Miscellaneous | 29.077 | 47.336 |
| | <u>329.149</u> | <u>175.274</u> |
| 14. MATERIALS | | |
| Raw Materials Consumed | 1,400.363 | 1,443.506 |
| Purchase of Finished Goods | 2,619.248 | 2,411.389 |
| Packing Materials Consumed | 2,328.490 | 1,938.043 |
| Movement in Stocks: | | |
| Opening Stock: | | |
| Work-in-Progress | 539.249 | 444.226 |
| Finished Goods | 316.585 | 294.864 |
| | <u>855.834</u> | <u>739.090</u> |
| Closing Stock: | | |
| Work-in-Progress | 530.870 | 539.249 |
| Finished Goods | 333.744 | 316.585 |
| | <u>864.614</u> | <u>855.834</u> |
| (Increase)/Decrease in Stocks | (8.780) | (116.744) |
| Excise Duty on Opening/Closing Stock of Finished Goods (Net) | 5.158 | 29.974 |
| | <u>6,344.479</u> | <u>5,706.168</u> |



Schedules forming part of Profit and Loss Account for the year ended March 31, 2004 (Contd.)

| | 2004 | Rs. Million 2003 |
|--|-------------------------|-------------------------|
| 15. MANUFACTURING AND OTHER EXPENSES | | |
| Employee Cost: | | |
| Salaries, Wages and Bonus | 661.250 | 589.565 |
| Contribution to Provident and Other Funds | 112.187 | 85.831 |
| Workmen and Staff Welfare | 44.129 | 39.353 |
| | <u>817.566</u> | 714.749 |
| Power and Fuel | 61.764 | 47.606 |
| Stores and Spares Consumed | 31.522 | 18.742 |
| Repairs and Maintenance: | | |
| Buildings | 43.196 | 19.228 |
| Plant and Machinery | 20.884 | 23.736 |
| Others | 36.089 | 25.810 |
| | <u>100.169</u> | 68.774 |
| Rent | 63.468 | 61.954 |
| Rates and Taxes | 93.831 | 64.970 |
| Insurance | 18.415 | 14.334 |
| Travelling and Conveyance | 273.765 | 169.292 |
| Legal and Professional | 92.368 | 93.930 |
| Freight Outwards | 296.629 | 291.730 |
| Advertisement and Sales Promotion | 1,074.859 | 1,030.526 |
| Commission on Sales | 240.675 | 242.929 |
| Cash Discount | 103.797 | 97.702 |
| Sales Tax | 64.864 | 22.020 |
| Fixed Assets written off | 1.467 | 0.054 |
| Directors' Remuneration | | |
| Directors' Sitting Fee | 0.357 | 0.281 |
| Directors' Commission | 4.061 | 3.030 |
| | <u>4.418</u> | 3.311 |
| Exchange Loss (Net) | 4.777 | 21.040 |
| Bad Debts & Advances written off | 70.230 | 165.444 |
| Provision for diminution in value of investments | 3.616 | - |
| Research and Development | 9.759 | 12.115 |
| Others | | |
| Personnel and Administration | 145.443 | 124.890 |
| Selling & Distribution | 230.253 | 306.232 |
| Miscellaneous | 73.094 | 68.629 |
| | <u>448.790</u> | 499.751 |
| | <u><u>3,876.749</u></u> | <u><u>3,640.973</u></u> |



Schedules forming part of Profit and Loss Account for the year ended March 31, 2004 (Contd.)

| | 2004 | Rs. Million 2003 |
|--|-----------------------|-----------------------|
| 16. INTEREST AND FINANCE CHARGES | | |
| Interest on: | | |
| Fixed Loans | 251.455 | 216.932 |
| Other Loans | 69.622 | 118.126 |
| Bill Discounting Charges | 55.225 | 54.613 |
| | <u>376.302</u> | 389.671 |
| Less: Interest Income: | | |
| on Investments (Gross) | 1.155 | |
| [Tax Deducted at Source Rs. Nil (2003: Rs. Nil)] | | |
| on Deposits and Other Accounts (Gross) | 43.661 | 99.134 |
| [Tax Deducted at Source Rs.8.396 Million (2003: Rs.20.761 Million)] | | |
| on Income Tax Refunds | 0.552 | 22.840 |
| | <u>45.368</u> | 121.974 |
| | <u><u>330.934</u></u> | <u><u>267.697</u></u> |





Schedules forming part of accounts for the year ended March 31, 2004

17. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

1. Basis of presentation of Financial Statements

The Financial Statements of the Company have been prepared under historical cost convention, except as otherwise stated, in accordance with the Generally Accepted Accounting Principles (GAAP) in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

2. Fixed Assets

Fixed assets are stated at their original cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation of the assets concerned. Interest on borrowings attributable to qualifying assets are capitalised and included in the cost of fixed assets as appropriate. The cost of Fixed Assets acquired in the amalgamations have been determined with reference to their fair values on April 1, 2000 or nearer thereto.

3. Depreciation

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

- a) Computers and Vehicles over a period of three and five years respectively, commencing from the beginning of the year in which these are acquired;
- b) In respect of certain items of Plant & Machinery eligible for triple shift allowance, depreciation for the full year on triple shift basis.

Leasehold Land are not amortised over the lives of the respective lease agreements.

Depreciation charged as above is not less than the minimum specified as per Schedule XIV of the Companies Act, 1956.

4. Investments

Long-term Investments acquired at the time of amalgamations are stated at cost determined with reference to their fair values as on April 1, 2000 and the acquisition thereafter are stated at cost to the Company. Provision for diminution in the value is made to recognise a decline, other than temporary, in the value of long-term investments. Current investments are valued at cost or market value, whichever is less.

5. Inventories

Inventories are valued at lower of cost and net realisable value. The costs are, in general, ascertained under Weighted Average Method. Finished goods and work-in-progress include appropriate manufacturing overheads and borrowing costs as applicable.

6. Revenue Recognition

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

Income from brand franchise is recognised at contract rates on sale of the branded products by the franchisees.

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

7. Foreign Currency Translation

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rates of exchange at the



Schedules forming part of accounts for the year ended March 31, 2004 (Contd.)

Balance Sheet date and resultant gain or loss is recognised in the Profit and Loss Account. In case of forward contracts, the difference between the forward rate and the exchange rate at the inception of a forward exchange contract is recognised as income or expense over the life of the contract. Exchange differences relating to fixed assets are adjusted to the cost of the assets.

8. Retirement Benefits

Contributions to Provident and Superannuation funds are made at the applicable rates and charged to Profit and Loss Account as incurred. Accrued liability on account of Gratuity is ascertained based on actuarial valuation at the year end and is funded in the approved Gratuity Funds. Leave salary payable at the time of retirement has been actuarially ascertained at the year-end and provided for in the accounts.

9. Research and Development

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

10. Taxes on Income

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

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

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

11. Earnings per Share

Earnings per equity share (basic and diluted) is arrived at based on Net Profit after taxation to the basic/weighted average number of equity shares.



Schedules forming part of accounts for the year ended March 31, 2004 (Contd.)

18. NOTES ON ACCOUNTS

1. Contingent Liabilities

| | 2004 | 2003 |
|---|----------------|---------------|
| | | (Rs. Million) |
| a) (i) Guarantee given on behalf of other bodies corporate (including performance guarantees) | 507.500 | 1,975.000 |
| (ii) Guarantees given by the Company's bankers for which Counter Guarantees have been given by the Company | 68.697 | 60.610 |
| b) Disputed claims against the Company not acknowledged as debts; presently under appeal/sub judice: | | |
| (i) Excise demands for excess wastages and distillation losses [excluding likely relief of Rs.332.106 Million (2003: Rs.218.137 Million)]. [Deposits made under protest included under Loans and Advances Rs.42.355 Million (2003: Rs.41.952 Million)]. | 34.402 | 80.930 |
| (ii) Other miscellaneous claims | 40.438 | 25.632 |
| (iii) Income Tax demand (including interest) under appeal. [Excluding relief of Rs.73.141 Million (2003: Rs.97.073 Million) expected in respect of disputed demands based on the decision of the Income Tax Appellate Tribunal on similar matters for earlier years] | - | - |
| (iv) Sales Tax demands under appeal in various states [Excluding relief of Rs.449.335 Million (2003: Rs.51.939 Million) expected in respect of disputed demands]. [Deposits made under protest included under Loans and Advances Rs.286.311 Million (2003: Rs.282.502 Million)]. | 8.197 | 19.433 |
| (v) Bills Receivables discounted - since settled | 140.207 | 80.183 |
| c) Co-accepted bills of contract distilleries under Franchise arrangement - Since settled Rs.49.897 Million | 55.394 | 53.126 |
| d) A demand has been raised by Central Excise Authorities towards differential duty – Rs.354.586 Million (2003: Rs.354.586 Million) and penalty of similar amount on royalty received on sale of Indian Made Foreign Liquor (IMFL) and allegedly attributed to despatches of food flavour during April 1997 to March 2001. The Company has filed an appeal against the same in Customs, Excise and Service Tax Appellate Tribunal (CESTAT). | | |

The Management is hopeful of succeeding in the above appeals/disputes based on legal opinions/legal precedents. Further, the balance of Rs.110 Million in the Contingency Reserve Account will be available to meet any eventuality.

2. The Company had availed a sum of Rs.137.572 Million by way of Deferred Sales Tax Loan (interest free) from Government of Maharashtra during 2002-03 and the same was repayable starting 2012. However, as per the scheme announced by the Government of Maharashtra for the prepayment of the liability at its net present value, the Company has discharged the above liability.



Schedules forming part of accounts for the year ended March 31, 2004 (Contd.)

3. Fixed Assets

- a) During the year, the Company has reassessed useful life of certain assets including Plant and Machinery and based on the above reassessment, these assets have been depreciated fully during the year. As such, depreciation during the year is higher by Rs.43.689 Million. Consequently, the profit for the year is lower by the same amount.
- b) A few assets of the Company are located/used by certain other Companies with whom the Company has trading and business connections, the expenses for maintenance thereof are being borne by the user Companies.
- c) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) - Rs.29.985 Million (2003: Rs.30.734 Million).

4. Current Assets, Loans and Advances

- a) Sundry Debtors include:

Receivables aggregating to Rs.376.470 Million (2003: Rs.385.841 Million) due from two Toll Manufacturers who are under financial restructuring with their bankers/financial institutions. One of the unit has now been referred to Board for Industrial and Financial Reconstruction (BIFR). Negotiations are in progress to recover the amount.

- b) Loans and Advances include:

- (i) A sum of Rs. NIL (2003: Rs.638.440 Million) advanced to McDowell Alcobev Limited (MAL) out of the unsecured loans availed by the Company from Rabo India Finance Private Limited. The said loans were secured by assets of Breweries acquired by MAL. The amount alongwith interest has been repaid during the year.

- (ii) Rs.423.479 Million (2003: Rs.249.510 Million) given as loan to the subsidiaries. Out of the above, loan of Rs.249.732 Million (2003: Rs.249.510 Million) is interest bearing and the interest has been serviced.

- (iii) An amount of Rs.262.354 Million (2003: Rs.Nil) due from a contract bottling unit secured by the assets of the unit.

- (iv) Due by an Officer of the Company Rs. 0.533 Million (2003: Rs.0.386 Million). Maximum amount outstanding at any time during the year Rs. 0.533 Million (2003: Rs.0.386 Million).

- (v) Due from the Managing Director of the Company Rs.1.950 Million (2003: Rs.1.772 Million). Maximum amount outstanding at any time during the year Rs. 1.950 Million (2003: Rs.1.772 Million).

- c) Certain confirmation of balances from Sundry Debtors, Loans and Advances, Deposits and Sundry Creditors are awaited and the account reconciliations of some parties where confirmations have been received are in progress. Adjustment for differences, if any, arising out of such confirmations/reconciliations would be made in the accounts on receipt of such confirmations and reconciliation thereof. The Management is of the opinion that the impact of such adjustments, if any, is not likely to be significant. Further, in the opinion of the management, all current assets, loans and advances including advances on capital accounts would be realised at the values at which these are stated in the accounts, in the ordinary course of business.

5. Investments

- a) Carrying cost of investment in United Breweries (Holdings) Limited (UBHL) as at March 31, 2004 amounting to Rs.284.014 Million substantially exceed the net worth of and the market value of shares in UBHL. However,

considering the intrinsic value of the investments along with the value of proposed real estate development activities being planned by UBHL, the management is of the opinion that such erosion in net worth/decline in market value of shares of UBHL is purely temporary in nature and hence, no provision is considered necessary for the same.

b) Carrying value of investments in Asianage (Holdings) Limited (AAHL) as at March 31, 2004 amounting to Rs.73.617 Million substantially exceed the net worth of the Company. However, considering the strategic nature of the investments on media as well as future prospects of AAHL and the value that is likely to be generated from the investments, the management is of the opinion that such decline in value is purely temporary in nature and hence, no provision is considered necessary.

6. Names of Small Scale Industrial (SSI) Undertakings to whom the Company owes any sum, which is outstanding for more than thirty days (but within normal credit period) as on March 31, 2004 is given below:

Agarwal Paper Products, Appco Industries, Avasas Pack & Print, Balaji Packaging, Bhargava Packagings, Blue Ton Paper Industries, Central India Laminates, Chromaprint, Citizen Packaging Industries, Classic Image Offset Pvt. Ltd., Consolidated Containers, Creative Aromatics (Speciality) Pvt. Ltd., Creative Carton P. Ltd., Dastagir Packaging, Euby Corrugated, Excel Prints & Packs, Gopinath Tech Labels, Kamala Board Box, Kamala Packaging Ltd., Kengeri Packers Pvt. Ltd., Lawande Packaging, Mahabir Cartons & Containers, Mahima Industries, Mahima Packwell, Manohar Canisters Pvt. Ltd., Manohar Packaging Pvt. Ltd., Margaret Packaging, National Packaging Industries, Nirmal Packagings, Packwell Industries, Packcare Products, Packwell India, Peninsular Packers Pvt. Ltd., Pranam Impressions, Priya Packaging, Raghava Containers, Rajshil Papers Pvt. Ltd., Rama Industries, S K Graphics, Shah Pack & Print, Shakunta Industries, Sharda Packaging Pvt. Ltd., Shree Packwell Ind. P. Ltd., Shree Swami Samarath, Sree Kailash Packaging, Subhodaya Enterprises, Subhodaya Packaging, Tirumala Corrugated, Udaya Enterprises, Udaya Kartons, United Packers, Vindya's Corrugators.

The above information and that disclosed in Schedule 12 - "Current Liabilities and Provisions" regarding SSI undertakings has been determined to the extent such parties have been identified on the basis of information provided by the Company, which has been relied upon by the auditors.

7. As required under Section 205C of the Companies Act, 1956, the Company has transferred Rs.2.528 Million (Rs.6.275 Million) to the Investor Education and Protection Fund (IEPF) during the year. As of March 31, 2004, no amount was due for transfer to the IEPF.

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

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

(Rs. Million)

| 9. Borrowing Costs | 2004 | 2003 |
|---|---------------|--------|
| a) Interest capitalised on fixed assets | 0.171 | 0.213 |
| b) Interest included in the Closing Stock of Malt and Grape Spirit under maturation | 17.957 | 24.097 |



Schedules forming part of accounts for the year ended March 31, 2004 (Contd.)

10. Segment Reporting

The Company is engaged in the business of manufacture, purchase and sale of Indian Made Foreign Liquor in India including brand franchise, which constitutes a single business segment. The Company has no export sales and as such there are no reportable geographical segments. Accordingly, segment reporting disclosure as envisaged in AS-17 is not applicable to the Company.

11. Related Party Disclosures

a) Names of related parties and description of relationship

| Subsidiary Companies | Associates | Key Management Personnel | Employees' Benefit Plans where there is significant influence |
|--|---|--------------------------------------|---|
| Nepal Liquors Limited (NLL) | Baramathi Grape Industries Limited (BGIL) | Mr. V. K. Rekhi Managing Director | McDowell & Company Limited Staff Gratuity Fund (McD SGF) |
| McDowell International Brands Ltd. (MIBL) | Herbertsons Limited (HL) | — | McDowell & Company Limited Officers' Gratuity Fund (McD SGF) |
| Phipson Distillery Limited (PDL) | Utkal Distilleries Limited (Utkal) | — | |
| Asian Opportunities & Investments Limited (AOIL) | | | |
| Triumph Distillers & Vintners Private Limited (TDV)* | | — | |

* subsidiary of Phipson Distillery Limited and hence ultimate subsidiary.

b) Summary of the transactions with related parties is as follows:

| | | 2004 | | | | | 2003 | | | | |
|---------|--------------------------|--------------|------------|--------------------------|---|-----------|--------------|------------|--------------------------|---|-----------|
| Sl. No. | Nature of Transactions * | Subsidiaries | Associates | Key Management Personnel | Employees' Benefit Plans where there is significant influence | Total | Subsidiaries | Associates | Key Management Personnel | Employees' Benefit Plans where there is significant influence | Total |
| 1. | Purchase of goods | | | | | | | | | | |
| | – BGIL | – | 2,445.084 | – | – | 2,445.084 | – | 2,617.408 | – | – | 2,617.408 |
| | – Others | 1.278 | 75.440 | – | – | 76.718 | 26.104 | 182.961 | – | – | 209.065 |
| 2. | Sale of goods | | | | | | | | | | |
| | – BGIL | – | 1,269.310 | – | – | 1,269.310 | – | 197.037 | – | – | 197.037 |
| | – HL | – | 2,260.262 | – | – | 2,260.262 | – | 1,934.415 | – | – | 1,934.415 |
| | – Others | 6.930 | 1.144 | – | – | 8.074 | 24.218 | 5.837 | – | – | 30.055 |
| 3. | Sales of fixed assets | | | | | | | | | | |
| | – NLL | 2.379 | – | – | – | 2.379 | – | – | – | – | – |
| | – BGIL | – | – | – | – | – | – | 3.374 | – | – | 3.374 |
| | – HL | – | – | – | – | – | – | 1.059 | – | – | 1.059 |
| 4. | Service Income | | | | | | | | | | |
| | – BGIL | – | 15.731 | – | – | 15.731 | – | 222.993 | – | – | 222.993 |
| | – HL | – | 0.156 | – | – | 0.156 | – | 300.566 | – | – | 300.566 |
| | – Others | 0.047 | 0.075 | – | – | 0.122 | 0.841 | 39.961 | – | – | 40.802 |



Schedules forming part of accounts for the year ended March 31, 2004 (Contd.)

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

| | | 2004 | | | | | 2003 | | | | |
|---------------|---|--------------|-------------|--------------------------|---|-------------|--------------|-------------|--------------------------|---|-------------|
| Sl. No. | Nature of Transactions * | Subsidiaries | Associates | Key Management Personnel | Employees' Benefit Plans where there is significant influence | Total | Subsidiaries | Associates | Key Management Personnel | Employees' Benefit Plans where there is significant influence | Total |
| (Rs. Million) | | | | | | | | | | | |
| 5. | Service Income | | | | | | | | | | |
| | – BGIL | – | – | – | – | – | – | 95.501 | – | – | 95.501 |
| | – HL | – | 198.424 | – | – | 198.424 | – | 257.879 | – | – | 257.879 |
| | – Others | 5.527 | – | – | – | 5.527 | 3.230 | 11.161 | – | – | 14.391 |
| 6. | Income from Brand Franchise | | | | | | | | | | |
| | – Utkal | – | 78.620 | – | – | 78.620 | – | 71.833 | – | – | 71.833 |
| | – Others | 3.902 | – | – | – | 3.902 | 2.003 | – | – | – | 2.003 |
| 7. | Interest Income (net) | | | | | | | | | | |
| | – PDL | 21.849 | – | – | – | 21.849 | 11.562 | – | – | – | 11.562 |
| | – Others | 7.358 | – | – | – | 7.358 | – | – | – | – | – |
| 8. | Rental Deposit | – | – | 0.178 | – | 0.178 | – | – | 0.307 | – | 0.307 |
| 9. | Finance (including loans & equity contributions in cash or in kind) | | | | | | | | | | |
| | – BGIL | – | 1,186.845 | – | – | 1,186.845 | – | 2,266.526 | – | – | 2,266.526 |
| | – HL | – | (2,051.775) | – | – | (2,051.775) | – | (1,639.060) | – | – | (1,639.060) |
| | – AOIL | 185.732 | – | – | – | 185.732 | – | – | – | – | – |
| | – PDL | (36.405) | – | – | – | (36.405) | 239.247 | – | – | – | 239.247 |
| | – Others | (20.081) | (46.848) | – | – | (66.929) | (27.830) | (23.558) | – | – | (51.388) |
| 10. | Guarantees & Collaterals | | | | | | | | | | |
| | – BGIL | – | 50.000 | – | – | 50.000 | – | 50.000 | – | – | 50.000 |
| | – TDV | 160.000 | – | – | – | 160.000 | – | – | – | – | – |
| | – Others | 20.000 | 7.500 | – | – | 27.500 | 20.000 | 7.500 | – | – | 27.500 |
| 11. | Managing Directors' Remuneration | – | – | 15.632 | – | 15.632 | – | – | 13.048 | – | 13.048 |
| 12. | Contribution to Gratuity Fund | | | | | | | | | | |
| | – McD OGF | – | – | – | 30.514 | 30.514 | – | – | – | 25.714 | 25.714 |
| | – McD SGF | – | – | – | 30.125 | 30.125 | – | – | – | 11.294 | 11.294 |
| 13. | Amount due from | | | | | | | | | | |
| | – AOIL | 193.090 | – | – | – | 193.090 | – | – | – | – | – |
| | – PDL | 231.544 | – | – | – | 231.544 | 249.517 | – | – | – | 249.517 |
| | – Utkal | – | 262.354 | – | – | 262.354 | – | 227.925 | – | – | 227.925 |
| | – HL | – | 390.176 | – | – | 390.176 | – | 422.801 | – | – | 422.801 |
| | – Others | 12.339 | 40.747 | 1.950 | – | 55.036 | 0.887 | 61.564 | 1.772 | – | 64.223 |
| 14. | Amount due to | | | | | | | | | | |
| | – NLL | – | – | – | – | – | 3.518 | – | – | – | 3.518 |
| | – MIBL | – | – | – | – | – | 2.151 | – | – | – | 2.151 |

* Excludes Reimbursement of Expenses and Cost sharing arrangements.

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



Schedules forming part of accounts for the year ended March 31, 2004 (Contd.)

12. Earning Per Share

(Rs. Million)

| | 2004 | 2003 |
|---|------------|------------|
| a) Net Profit after tax available for equity shares (Rs. Million) | 213.465 | 131.142 |
| b) Basic/Weighted Average number of Equity Shares of Rs.10 each | 51,720,028 | 51,720,028 |
| c) Basic and Diluted Earnings Per Share (Rs.) | 4.13 | 2.54 |

13. Taxes on Income

a) Current Taxation

(i) Provision for current taxation includes:

| | | |
|---------------|----------------|----------------|
| a) Income Tax | 188.000 | 132.000 |
| b) Wealth Tax | 4.000 | 5.000 |
| | <u>192.000</u> | <u>137.000</u> |

(ii) The Finance Act 2001 has introduced, with effect from assessment year 2002-03 (effective April 1, 2001) detailed Transfer Pricing regulations for computing the income from 'international transactions' between 'associated enterprises' on an 'arm's length' basis. These regulations, inter alia, also require the maintenance of prescribed documents and information including furnishing a report from an Accountant within the due date of filing the Return of Income. For the tax year ended March 31, 2003, the Company had undertaken a study to comply with the said transfer pricing regulations for which the prescribed certificate of the Accountant has been obtained and this did not envisage any tax liability. For the tax year ending March 31, 2004, the Company will carry out a similar study to comply with the said regulations.

b) Deferred Taxation

The net Deferred Tax (Asset)/Liability as on March 31, 2004 amounting to Rs.100.495 Million (2003: Rs.115.461 Million) has been arrived at as follows:

| Particulars | Deferred Tax (Assets)/Liabilities as on 1.4.2003 | Current Year charge/(credit) | Deferred Tax (Assets)/Liability as on 31.03.2004 |
|--|--|---------------------------------|--|
| Difference between book and tax depreciation | 118.640 | 1.721 | 120.361 |
| Turnover tax provision | - | (15.424) | (15.424) |
| Others | (3.179) | (1.263) | (4.442) |
| TOTAL | 115.461 | (14.966) | 100.495 |

14. Remuneration paid/payable to Managing Director

(Rs. Million)

| | 2004 | 2003 |
|---|---------------|---------------|
| Salary and Allowances | 7.956 | 6.804 |
| Incentives paid | 3.667 | 1.929 |
| Contribution to Provident and other Funds * | 1.992 | 1.837 |
| Value of Perquisites | 2.017 | 2.478 |
| | <u>15.632</u> | <u>13.048</u> |

* Excluding contribution to Group Gratuity Fund and provision for leave encashment



Schedules forming part of accounts for the year ended March 31, 2004 (Contd.)

| | (Rs. Million) | |
|---|----------------|---------|
| 15. Directors' Commission | 2004 | 2003 |
| Computation of net profits under Section 198 of the Companies Act, 1956 | | |
| Profit Before Tax | 390.499 | 290.643 |
| Add : Depreciation as per Books | 203.226 | 125.263 |
| Remuneration to Managing Director | 15.632 | 13.048 |
| Directors' Fees | 0.357 | 0.281 |
| Directors' Commission | 4.061 | 3.030 |
| Diminution in Value of Investments | 3.616 | - |
| | 617.391 | 432.265 |
| Less : Depreciation as per Section 350 of the Companies Act, 1956 | 203.226 | 125.263 |
| Profit on Sale of Fixed Assets | 8.072 | 4.062 |
| Net profit | 406.093 | 302.940 |
| Commission 1% thereof | 4.061 | 3.030 |

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

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

a) Particulars of Capacity and Production:

| Description | Unit | 2004 | | | 2003 | | |
|-----------------|-------|-------------------|--------------------|--------------------|-------------------|--------------------|-------------------|
| | | Licensed Capacity | Installed Capacity | Actual Production | Licensed Capacity | Installed Capacity | Actual Production |
| Potable Alcohol | | | | | | | |
| [Note (i)] | Ltrs. | 14,354,600 | 30,118,295 | 124,159,149 | 14,354,600 | 30,118,295 | 117,335,548 |

Notes:

- (i) Includes alcohol produced and bottled out of purchased rectified spirit. This activity is not considered as manufacture under the Industries (Development and Regulation) Act, 1951.
- (ii) The capacities specified under 'Licensed Capacity' represent the licensed capacity of one Unit and the Company's applications for the Carry On Business licenses for other Units are still pending with the authority.
- (iii) The Installed Capacity has been certified by the Company's management and relied upon by the Auditors, this being a technical matter.



Schedules forming part of accounts for the year ended March 31, 2004 (Contd.)

b) Particulars of opening stock of Stocks in Trade:

| | Unit | 2004 | | (Rs. Million) 2003 | |
|--------------------------------|--------|----------|----------------|-----------------------|----------------|
| | | Quantity | Value | Quantity | Value |
| Potable Alcohol | Cases | 415,211 | 310.370 | 397,325 | 290.210 |
| Beer | Dozens | 6,262 | 2.385 | 5,367 | 2.111 |
| Others (including by-products) | | | 3.830 | | 2.543 |
| | | | 316.585 | | 294.864 |

(Rs. Million)

c) Particulars of closing stock of Stocks in Trade:

| | Unit | 2004 | | 2003 | |
|--------------------------------|--------|----------|----------------|----------|----------------|
| | | Quantity | Value | Quantity | Value |
| Potable Alcohol | Cases | 500,356 | 325.884 | 415,211 | 310.370 |
| Beer | Dozens | 5,743 | 2.199 | 6,262 | 2.385 |
| Others (including by-products) | | | 5.661 | | 3.830 |
| | | | 333.744 | | 316.585 |

d) Particulars of Turnover of Stocks in Trade:

| | Unit | 2004 | | 2003 | |
|--------------------------------|--------|------------|-------------------|------------|-------------------|
| | | Quantity | Value | Quantity | Value |
| Potable Alcohol | Cases | 15,306,756 | 15,123.086 | 14,832,117 | 13,602.307 |
| Beer | Dozens | 331,032 | 155.035 | 416,454 | 182.024 |
| Others (including by-products) | | | 359.594 | | 302.523 |
| | | | 15,637.715 | | 14,086.854 |

e) Particulars of purchase of traded goods:

| | Unit | 2004 | | 2003 | |
|-----------------|--------|-----------|------------------|-----------|------------------|
| | | Quantity | Value | Quantity | Value |
| Potable Alcohol | Cases | 1,379,954 | 2,486.024 | 1,423,037 | 2,252.549 |
| Beer | Dozens | 331,177 | 133.224 | 418,526 | 158.840 |
| | | | 2,619.248 | | 2,411.389 |

Schedules forming part of accounts for the year ended march 31, 2004 (Contd.)

17. Particulars of Raw Materials Consumed

| | Unit | Quantity | Value | Quantity | Value |
|------------|-------|------------|------------------|------------|------------------|
| Spirit | Ltrs. | 40,983,102 | 746.130 | 39,125,333 | 692.760 |
| Malt | Kg. | 1,666,358 | 28.267 | 4,526,845 | 73.111 |
| Molasses | Kg. | 69,958,105 | 173.368 | 48,561,875 | 144.484 |
| Others | | | 452.598 | | 533.151 |
| | | | 1,400.363 | | 1,443.506 |
| | | % | Value | % | Value |
| Whereof: | | | | | |
| Imported | | 5 | 69.825 | 6 | 84.865 |
| Indigenous | | 95 | 1,330.538 | 94 | 1,358.641 |
| | | 100 | 1,400.363 | 100 | 1,443.506 |

(Rs. Million)

18. Consumption of Packing Material, Stores and Spare Parts

| | 2004 | | 2003 | |
|------------|------|------------------|------|------------------|
| | % | Value | % | Value |
| Imported | - | - | - | - |
| Indigenous | 100 | 2,360.012 | 100 | 1,956.785 |
| | | 2,360.012 | | 1,956.785 |

19. Value of Imports on C.I.F. basis

| | 2004 | 2003 |
|----------------------------|---------------|---------------|
| Raw Materials | 46.424 | 41.470 |
| Components and Spare Parts | 4.786 | 3.631 |
| | 51.210 | 45.101 |

20. Expenditure in Foreign Currency

| | 2004 | 2003 |
|---|---------------|---------------|
| Interest | 34.593 | 12.788 |
| Others (Foreign Travel Expenses, Professional Fees, Cost of Magazines etc.) | 6.502 | 3.949 |
| | 41.095 | 16.737 |

21. Auditors' Remuneration [included under Legal and Professional Charges in Schedule 15]

| | 2004 | 2003 |
|--|--------------|--------------|
| Statutory Audit | 3.500 | 2.500 |
| Tax Audit Fee | 0.350 | 0.125 |
| Other Services * | 1.350 | 0.900 |
| Out-of-Pocket Expenses (including service tax) * | 0.447 | 0.207 |
| | 5.647 | 3.732 |

* Including paid to erstwhile statutory auditors



Schedules forming part of accounts for the year ended march 31, 2004 (Contd.)

| | 2004 | 2003 |
|---|--------------|---------------|
| 22. (a) Repairs to Plant and Machinery include: | | |
| Wages | 0.392 | 0.477 |
| Stores Consumed | 8.600 | 15.205 |
| | <u>8.992</u> | <u>15.682</u> |
| (b) Repairs to Building include: | | |
| Wages | 0.250 | 0.206 |
| Stores consumed | 0.440 | 1.503 |
| | <u>0.690</u> | <u>1.709</u> |
| | | |
| 23. Research and Development expenses comprise the following | | (Rs. Million) |
| | 2004 | 2003 |
| Salaries and Wages | 5.353 | 6.073 |
| Contribution to Provident Fund and other Funds | 0.564 | 0.729 |
| Staff Welfare Expenses | 0.573 | 1.804 |
| Rent | 0.906 | 0.329 |
| Rates and Taxes | 0.003 | 0.001 |
| Miscellaneous Expenses | 2.360 | 3.179 |
| | <u>9.759</u> | <u>12.115</u> |

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



Cash Flow Statement for the year Ended March 31, 2004

| | 2004 | Rs. Million 2003 |
|--|------------------|---------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net profit/(loss) before tax and extraordinary items | 390.499 | 290.643 |
| Adjustments for: | | |
| Depreciation | 203.226 | 125.263 |
| Unrealised Foreign Exchange Loss/(Gain) | (8.471) | - |
| Bad Debts/Advances written off | 70.230 | 165.444 |
| Loss/(Gain) on Fixed Assets Sold/Written Off (Net) | (6.605) | (4.008) |
| Liabilities no longer required written back | (55.389) | (70.820) |
| Provision for diminution in value of Investments | 3.616 | - |
| Provision – Others | 29.123 | 16.567 |
| Surplus arising on premature – repayment of Deferred Sales Tax Loan | (95.262) | - |
| Interest Expense | 376.302 | 389.671 |
| Income from Investments | (51.919) | (16.003) |
| Interest Income | (45.368) | (121.974) |
| | 419.483 | 484.140 |
| Operating profit before working capital changes | 809.982 | 774.783 |
| (Increase)/Decrease in Trade and other Receivables | (201.969) | (583.141) |
| (Increase)/Decrease in Inventories | (42.263) | (156.933) |
| Increase/(Decrease) in Trade payables | (51.651) | 237.240 |
| | (295.883) | (502.835) |
| Cash generated from operations | 514.099 | 271.949 |
| Direct Taxes paid | (120.905) | (68.626) |
| Cash flow before and after extraordinary items and net cash from operating activities | 393.194 | 203.323 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (245.842) | (175.829) |
| Sale of Fixed Assets | 115.799 | 29.639 |
| Purchase of long term Investments | (0.550) | (0.625) |
| Sale of long term Investments | 3.421 | 0.355 |
| Advance against Share Application Money | - | (35.898) |
| Investments in Subsidiaries | - | (301.994) |
| Disposal of Investments in Associates | 0.105 | - |
| Loan given to: | | |
| Subsidiaries | (367.950) | (249.510) |
| Others – (including Inter Corporate Deposit) | (360.000) | - |
| Loan realised from: | | |
| Subsidiaries | 185.510 | - |
| Others | 798.440 | 52.860 |
| Interest received | 44.844 | 121.834 |
| Dividend received | 51.919 | 16.003 |
| Net cash used in investing activities | 225.696 | (543.165) |



Cash Flow Statement for the year Ended March 31, 2004 (Contd.)

| | 2004 | Rs. Million 2003 |
|---|------------------|---------------------|
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds/(Repayment) of long term loans | | |
| Proceeds | 528.732 | 298.904 |
| Repayment | (298.866) | - |
| Proceeds/(Repayment) of short term loans | (676.777) | 20.228 |
| Working Capital Loan/Cash Credit from Banks (net) | 472.485 | 173.748 |
| Proceeds/(Repayment) of Fixed Deposits | (36.375) | 138.214 |
| Deferred Sales Tax Loan | | |
| – Proceeds/(Premature repayment) | (42.310) | 137.572 |
| Interest paid | (379.694) | (403.329) |
| Dividends paid | (101.209) | (89.926) |
| Tax on distributed profit | (13.253) | - |
| | <hr/> | <hr/> |
| Net cash used in financing activities | (547.267) | 275.411 |
| Net increase in cash and cash equivalents | 71.623 | (64.431) |
| Cash and cash equivalents as at March 31, 2003 | 78.269 | 142.700 |
| Cash and cash equivalents as at March 31, 2004 | 149.892 | 78.269 |
| | <hr/> | <hr/> |
| | 71.623 | (64.431) |

Notes :

- The above Cash Flow 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.
- The above cash flow statement has been prepared under the indirect method as set out in the AS 3 on Cash Flow Statements issued by The Institute of Chartered Accountants of India and reallocation required for this purpose are as made by the Company
- Previous year's figures have been regrouped/rearranged wherever necessary in order to confirm to this year's presentation.

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

| | | | | |
|-------------------------------|---|--|--|---------------------------------|
| J. MAJUMDAR Partner | V.S. VENKATARAMAN Company Secretary | M.R. DORAISWAMY IYENGAR Director | V.K. REKHI Managing Director | VIJAY MALLYA Chairman |
|-------------------------------|---|--|--|---------------------------------|

For and on behalf of
Price Waterhouse
Chartered Accountants

Bangalore
June 25, 2004



Balance Sheet Abstract

27. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details :

Registration No. - Balance Sheet Date State Code

II. Capital Raised during the year : (Amount in Rs. Million)

Public Issue Rights Issue Bonus Shares Private Placement Others Naked Warrants/Pref. offer

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

Total Liabilities . Total Assets .

Sources of Funds

Paid-up Capital . Reserves and Surplus . Secured Loans . Unsecured Loans . Deferred Tax Liability (Net) .

Application of Funds

Net Fixed Assets . Investments . Net Current Assets . Miscellaneous Expenditure Accumulated Losses

IV. Performance of Company : (Amount in Rs. Million)

Turnover (Gross Revenue) . Total Expenditure . + Profit/(-) Loss Before Tax
 + . + Profit/(-) Loss After Tax (incl. Deferred Tax)
 + . Earnings per Share in Rs. . Dividend Rate (%)

V. Generic Name of Three Principal Products/Services of the Company : (as per monetary terms)

Item Code No. (ITC Code) Product Description Item Code No. (ITC Code) Product Description Item Code No. (ITC Code) Product Description **V.S. VENKATARAMAN**
Company Secretary**M.R. DORAISWAMY IYENGAR**
Director**V.K. REKHI**
Managing Director**VIJAY MALLYA**
ChairmanBangalore
June 25, 2004



Additional information to comply with Securities Exchange Board of India's (SEBI) listing agreement requirements (Clause 32)

- a) Loans and advances in the nature of loans to subsidiaries: Phipson Distillery Limited: Rs.231.545 Million (2003: Rs.249.560 Million) [Maximum amount outstanding during the year Rs.249.560 Million (2003: Rs.249.560 Million)]. Out of the same, Rs.167.545 Million (2003: Rs. Nil) is given free of interest. Asian Opportunities & Investments Limited: Rs.185.732 (2003: Rs. Nil) [Maximum amount outstanding during the year Rs.185.732 Million (2003: Rs. Nil)]. McDowell International Brands Limited: Interest Free - Rs.6.202 Million (2003: Rs. Nil) [Maximum amount outstanding during the year Rs.6.202 Million (2003: Rs. Nil)].
- b) Loans to companies in which a director is interested: United Breweries Limited: Rs.200 Million (2003: Rs. Nil) [Maximum amount outstanding during the year Rs.200.000 Million (2003: Rs. Nil)]. United Breweries (Holdings) Limited: Rs. Nil (2003: Rs. Nil) [Maximum amount outstanding during the year Rs.160.000 Million (2003: Rs. Nil)].

Statement Pursuant to Section 212(1) (e) of the Companies Act, 1956 as at March 31, 2004

| Sl. No. | Name of the subsidiary | a) No. of equity shares held at the end of the financial year of the subsidiary | | b) Extent of holding | | Net aggregate Profit/loss of the subsidiary so far as it concerns the members of the company | | | |
|---------|---|---|----------------------------|----------------------|-----|--|--|--|---|
| | | McDowell & Company Ltd. | Other subsidiary companies | % | % | a) Not dealt within the accounts of the company | | b) Dealt within the accounts of the company | |
| | | | | | | (i) for the subsidiary's financial year ended 31.03.2004 | (ii) for the previous financial years of the subsidiary since it became a subsidiary | (i) for the subsidiary's financial year ended 31.03.2004 | (ii) for the previous financial years of the subsidiary since it became a subsidiary (Rs. in Million) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | |
| 1. | Asian Opportunities & Investments Ltd. | 4,998,706 Shares | - | 100% | - | 3.118 | (14.654) | - | - |
| 2. | McDowell International Brands Ltd. | 50,000 Shares | - | 100% | - | (1.453) | 7.256 | - | - |
| 3. | Nepal Liquors Ltd. | 63,966 Shares | - | 77.90% | - | 33.434 | 43.424 | - | - |
| 4. | Phipson Distillery Ltd. | 50,000 Shares | - | 100% | - | 5.165 | 1.625 | - | - |
| 5. | Triumph Distillers & Vintners Pvt. Ltd. # | - | 85,000 | - | 85% | 22.565 | 1.683 | - | - |

Subsidiary of Phipson Distillery and hence ultimate subsidiary.

VIJAY MALLYA
Chairman

V.K. REKHI
Managing Director

M.R. DORAISWAMY IYENGAR
Director

V.S. VENKATARAMAN
Company Secretary

Bangalore
June 25, 2004



Statement Pursuant to Section 212(1) (f) of the Companies Act, 1956 as at March 31, 2004

| Sl. No. | Name of the subsidiary | Subsidiary Financial year ended on | Company's Interest in the Subsidiary | Material changes that have occurred between the close of subsidiary's financial year and March 31, 2004 | | | |
|---------|------------------------|------------------------------------|--------------------------------------|---|--------------------------|-------------------------------|---|
| | | | | Subsidiary's Fixed Assets | Subsidiary's Investments | Moneys lent by the Subsidiary | Moneys borrowed by the subsidiary for the purposes other than that of meeting current liabilities |
| 1. | Nepal Liquors Limited | 16.07.2003 | 77.90% | 2.978 | - | - | - |

(Rs. Million)

VIJAY MALLYA
Chairman

V.K. REKHI
Managing Director

M.R. DORAISWAMY IYENGAR
Director

V.S. VENKATARAMAN
Company Secretary

Bangalore
June 25, 2004

Details of Subsidiary Companies

(Amount in Millions)

| Name of Subsidiary Company | Asian Opportunities & Investments Ltd. | | McDowell International Brands Ltd. | Nepal Liquors Ltd. | | Phipson Distillery Ltd. | Triumph Distillers & Vintners Pvt. Ltd. |
|----------------------------|--|---------|------------------------------------|--------------------|---------|-------------------------|---|
| | US \$ | INR | | NRS | INR | | |
| 1. Capital | 4.999 | 220.243 | 0.500 | 8.212 | 5.132 | 0.500 | 1.000 |
| 2. Reserves | 0.002 | 0.079 | (1.367) | 141.521 | 88.451 | 6.790 | 17.480 |
| 3. Total Assets | 9.216 | 406.054 | (0.867) | 150.081 | 93.800 | 238.875 | 205.606 |
| 4. Total Liabilities | 9.216 | 406.054 | (0.867) | 150.081 | 93.800 | 238.875 | 205.606 |
| 5. Investments | - | - | - | - | - | 147.018 | - |
| 6. Turnover | 3.972 | 175.027 | 3.906 | 314.710 | 196.694 | - | 211.860 |
| 7. Profit before Taxation | 0.111 | 4.917 | (1.337) | 71.849 | 44.905 | 7.577 | 30.209 |
| 8. Provision for Taxation | 0.041 | 1.799 | 0.116 | 16.988 | 10.618 | 2.412 | 7.357 |
| 9. Profit after Taxation | 0.071 | 3.118 | (1.453) | 53.495 | 33.434 | 5.165 | 22.565 |
| 10. Proposed Dividend | - | - | - | 102.645 | 64.153 | - | 5.000 |

Exchange Rate as on 31.03.2004:

1US \$ = Rs.44.06

1NRS = Rs. 0.625



Auditors' Report to the Board of Directors of McDowell & Company Limited

1. We have audited the attached consolidated balance sheet of McDowell & Company Limited and its subsidiaries (McDowell & Company Limited Group) as at March 31, 2004, the consolidated profit and loss account for the year ended on that date annexed thereto, and the consolidated cash flow statement for the year ended on that date, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the McDowell & Company Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are 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. a) We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 737.862 Million as at March 31, 2004, total revenues of Rs. 394.729 Million and net cash outflows amounting to Rs.18.203 Million for the year ended on that date and associates whose financial statements reflect the McDowell & Company Limited Group's share of profits (net) for the year of Rs.2.530 Million for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements and other information of these subsidiaries and associates have been, audited except as indicated in paragraph 3(b) below, by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of the other auditors.
 - b) *As stated in Schedule 17 Note 3 on the Consolidated Financial Statements, the audited financial statements for the year ended March 31, 2004 are not available in respect of certain associates of the Company. Consequently, the McDowell & Company Limited Group's share in the profits of these associates aggregating to Rs.1.233 Million (2003: 2.452 Million) and the value of investments aggregating to Rs.172.055 Million (2003: Rs. 2.452 Million) in the Consolidated Financial Statement are included on the basis on un-audited financial statements for the year ended March 31, 2004 as published/ provided by the management of these associates.*
4. Subject to our remark in paragraph 3 (b) above, we report that the consolidated financial statements have been prepared by McDowell and Company Limited's management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements and Accounting Standard 23, Accounting for Investments in the Associates in the Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.
5. Further to our comments in paragraph 3 above, we report that:
 - 5.1 *Attention is drawn to Note 4(a) on Schedule 18. No provision has been made in the accounts towards receivables from certain toll manufacturers aggregating to Rs.376.470 Million (2003: Rs.385.841 Million) that may not ultimately be recoverable, having possible impact on the financial results for the year, the extent of which cannot be currently ascertained.*

Auditors' Report to the Board of Directors of McDowell & Company Limited

- 5.2 Attention is drawn to Note 5 on Schedule 18. Provision has not been made in the accounts for possible loss arising on account of diminution in the value of certain long term investments having carrying value aggregating to Rs.357.631 Million (2003: Rs.284.014 Million), which the management has considered as temporary in nature, having possible impact on the financial results for the year, the extent of which cannot be currently ascertained.
6. Based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the components, in our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements, *subject to our observations in paragraphs 3 (b) and 5 above*, give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) in the case of the consolidated balance sheet, of the state of affairs of the McDowell & Company Limited Group as at March 31, 2004;
 - ii) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
 - iii) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

J. Majumdar

Partner

Membership No. F 51912

For and on behalf of

Price Waterhouse

Chartered Accountants

Bangalore

June 25, 2004



Consolidated Financial Statement Balance Sheet as at March 31, 2004

| | Schedule | 2004 | | Rs. Million 2003 |
|---|----------|------------------|------------------|---------------------|
| SOURCES OF FUNDS | | | | |
| a) Shareholders' Funds | | | | |
| Capital | 1 | 517.200 | 517.200 | |
| Reserves and Surplus | 2 | <u>2,220.702</u> | <u>2,109.577</u> | 2,626.777 |
| | | 2,737.902 | | |
| b) Minority Interest | | | | |
| Capital | | 1.284 | 1.284 | |
| Reserves and Surplus | | <u>18.740</u> | <u>22.270</u> | 23.554 |
| | | 20.024 | | |
| Loan Funds | | | | |
| Secured Loans | 3 | 2,740.492 | 1,918.655 | |
| Unsecured Loans | 4 | <u>602.278</u> | <u>1,453.676</u> | 3,372.331 |
| | | 3,342.770 | | |
| Deferred Tax Liability (Net) [Sch. 18.12(b)] | | | | |
| | | 100.905 | | 115.511 |
| | | 6,201.601 | | 6,138.173 |
| APPLICATION OF FUNDS | | | | |
| a) Fixed Assets | | | | |
| Gross Block | 5 | 2,752.631 | 2,932.939 | |
| Less: Depreciation | | <u>560.722</u> | <u>359.260</u> | |
| Net Block | | 2,191.909 | 2,573.679 | |
| Capital Work-in-Progress | | <u>71.674</u> | <u>40.272</u> | 2,613.951 |
| | | 2,263.583 | | |
| b) Goodwill on Consolidation | | | | |
| Investments | 6 | 67.855 | | 67.855 |
| Current Assets, Loans and Advances | | 815.646 | | 599.865 |
| Inventories | 7 | 1,342.443 | 1,294.147 | |
| Sundry Debtors | 8 | 2,058.119 | 1,899.675 | |
| Cash and Bank Balances | 9 | 198.282 | 150.017 | |
| Other Current Assets | 10 | 149.083 | 99.093 | |
| Loans and Advances | 11 | <u>2,096.438</u> | <u>2,186.265</u> | |
| | | 5,844.365 | 5,629.197 | |
| Less: Current Liabilities and Provisions | | | | |
| Liabilities | 12 | 2,539.201 | 2,601.895 | |
| Provisions | | <u>250.647</u> | <u>170.800</u> | |
| | | 2,789.848 | 2,772.695 | |
| Net Current Assets | | | | |
| | | 3,054.517 | | 2,856.502 |
| | | 6,201.601 | | 6,138.173 |
| Statement on Significant Accounting Policies | 17 | | | |
| Notes on Accounts | 18 | | | |

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

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

J. MAJUMDAR Partner **V.S. VENKATARAMAN** Company Secretary **M.R. DORAISWAMY IYENGAR** Director **V.K. REKHI** Managing Director **VIJAY MALLYA** Chairman

For and on behalf of
Price Waterhouse
Chartered Accountants

Bangalore
June 25, 2004



Consolidated Financial Statement Profit and Loss Account for the year ended March 31, 2004

| | Schedule | 2004 | Rs. Million 2003 |
|---|----------|-------------------|---------------------|
| INCOME | | | |
| Sales | | 16,114.449 | 14,643.547 |
| Less: Excise Duty | | 5,979.727 | 5,214.634 |
| | | 10,134.722 | 9,428.913 |
| Export Sales | | 220.543 | 56.997 |
| Income from Brand Franchise | | 1,368.503 | 766.393 |
| Other Income | 13 | 293.630 | 164.669 |
| | | 11,017.398 | 10,416.972 |
| EXPENDITURE | | | |
| Materials | 14 | 6,553.452 | 5,851.827 |
| Manufacturing and Other Expenses | 15 | 4,469.915 | 3,842.745 |
| Interest and Finance Charges (Net) | 16 | 344.268 | 282.196 |
| | | 11,367.635 | 9,976.768 |
| Profit before Depreciation and Taxation | | 649.763 | 440.204 |
| Depreciation | | 207.413 | 127.230 |
| Profit before Extraordinary Item | | 442.350 | 312.974 |
| Extraordinary Item | | - | 12.500 |
| Profit before Taxation | | 442.350 | 300.474 |
| Provision for Taxation: | | | |
| Current Tax | | 215.377 | 157.883 |
| Deferred Tax (Credit)/Debit | | (14.396) | 22.551 |
| | | 200.981 | 180.434 |
| Profit after Taxation and before share in profits of Associates | | 241.369 | 120.040 |
| Share in profits of Associates | | 2.530 | 1.738 |
| Profit before Minority Interest | | 243.899 | 121.778 |
| Minority Interest in Profit/(Loss) | | (3.577) | 5.041 |
| Net Profit | | 247.476 | 116.737 |
| Profit brought forward from previous year | | 362.630 | 381.089 |
| Profit and Loss of Associates on initial adoption as on April 1, 2002 | | - | 3.233 |
| Deferred tax adjustment on initial adoption (net of Minority Interest Rs.0.046 Million) | | 0.163 | - |
| | | 362.793 | 384.322 |
| Profit available for appropriation | | 610.269 | 501.059 |
| Appropriations: | | | |
| Employee Housing Fund | | (2.630) | 3.190 |
| Proposed Dividend | | 107.690 | 103.440 |
| Corporate tax on Proposed Dividend | | 13.894 | 13.381 |
| Transfer to General Reserve | | 30.000 | 14.000 |
| Minority portion of Proposed Dividend in subsidiary | | 14.930 | 4.418 |
| | | 163.884 | 138.429 |
| Profit carried to Balance Sheet | | 446.385 | 362.630 |
| Basic/Diluted Earnings Per Share (Rs.) | | 4.78 | 2.26 |
| Statement on Significant Accounting Policies | 17 | | |
| Notes on Accounts | 18 | | |

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

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

J. MAJUMDAR Partner **V.S. VENKATARAMAN** Company Secretary **M.R. DORAISWAMY IYENGAR** Director **V.K. REKHI** Managing Director **VIJAY MALLYA** Chairman

For and on behalf of
Price Waterhouse
Chartered Accountants
Bangalore
June 25, 2004



Consolidated Financial Statement Schedules forming part of Balance Sheet as at March 31, 2004 (Contd.)

| | 2004 | Rs. Million 2003 |
|---|------------------|---------------------|
| 1. CAPITAL | | |
| Authorised 60,000,000 Equity Shares of Rs.10/- each | <u>600.000</u> | <u>600.000</u> |
| Issued, Subscribed and Paid-up 51,720,028 Equity Shares of Rs.10/- each fully paid-up | <u>517.200</u> | <u>517.200</u> |
| | <u>517.200</u> | <u>517.200</u> |
| Note: Of the above 51,719,968 shares were allotted as fully paid-up on July 9, 2001 to the shareholders of the erstwhile McDowell & Co. Ltd., pursuant to the schemes of Amalgamation. | | |
| 2. RESERVES AND SURPLUS | | |
| Contingency Reserve As per last Balance Sheet | <u>110.000</u> | <u>110.000</u> |
| Employee Housing Fund As per last Balance Sheet | <u>18.079</u> | <u>14.889</u> |
| Add : Transferred from/(to) Profit & Loss Account | <u>(2.630)</u> | <u>3.190</u> |
| | <u>15.449</u> | <u>18.079</u> |
| General Reserve As per last Balance Sheet | <u>1,618.868</u> | <u>1,604.868</u> |
| Add : Transferred from Profit and Loss Account | <u>30.000</u> | <u>14.000</u> |
| | <u>1,648.868</u> | <u>1,618.868</u> |
| Surplus in Profit and Loss Account | <u>446.385</u> | <u>362.630</u> |
| | <u>2,220.702</u> | <u>2,109.577</u> |
| 3. SECURED LOANS | | |
| Term Loans | | |
| From Banks [Note (i)] [Repayable within one year: Rs.221.595 Million (2003: Rs.168.854 Million)] | <u>663.190</u> | <u>474.854</u> |
| From Others [Note (ii)] [Repayable within one year: Rs.11.549 Million (2003: Rs.5.557 Million)] | <u>207.376</u> | <u>163.196</u> |
| | <u>870.566</u> | <u>638.050</u> |
| Working Capital Loan/Cash Credit from Banks [Note (iii) & (iv)] | <u>1866.149</u> | <u>1280.120</u> |
| Interest accrued and due | <u>3.777</u> | <u>0.485</u> |
| | <u>2,740.492</u> | <u>1,918.655</u> |

Notes:

- (i) Out of the above loan, Rs.660.056 Million (2003 : Rs.242.495 Million) are secured on certain fixed assets of the company including Land and Building. The balance term loans are secured by hypothecation of specific fixed assets acquired under respective agreements.
- (ii) Rs.180.000 Million secured by a charge on certain Fixed Assets including Land and Buildings. The balance term loans are secured by hypothecation of specific fixed assets acquired under term loan agreements.
- (iii) Secured by hypothecation of inventories, book debts and other Current Assets. Out of the above, Rs.119.925 Million is further secured by stocks and debts in the premises/books of certain brand franchisees.
- (iv) Includes Foreign Currency Non-Resident (FCNR) Loan of Rs.943.548 Million (2003: Rs.432.447 Million)



Consolidated Financial Statement Schedules forming part of Balance Sheet as at March 31, 2004 (Contd.)

| | 2004 | Rs. Million 2003 |
|---|----------------|---------------------|
| 4. UNSECURED LOANS | | |
| Fixed Deposits [Repayable within one year: Rs. 79.670 Million (2003: Rs.151.456 Million)] | 501.556 | 539.327 |
| Short Term Loan from Bank: | 100.000 | - |
| Interest accrued and due | 0.722 | - |
| From Others | - | 914.349 |
| Including Rs.NIL (2003: Rs.137.572 Million) by way of Deferred Sales Tax Loan (interest free) from State Industrial Corporation of Maharashtra and repayable in 5 annual instalments starting from June 2012. | | |
| | 602.278 | 1,453.676 |

5. FIXED ASSETS

| | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|--|------------------|----------------|---------------------------|------------------|----------------|----------------|---------------------------|----------------|------------------|------------------|
| | 2003 | Additions | Deletions/ Adjustments | 2004 | 2003 | Additions | Deletions/ Adjustments | 2004 | 2004 | 2003 |
| | | | | | | | | | | |
| Tangible | | | | | | | | | | |
| Land: | | | | | | | | | | |
| Freehold | 401.013 | 25.093 | 83.810 | 342.296 | - | - | - | - | 342.296 | 401.013 |
| Leasehold | 118.287 | - | - | 118.287 | - | - | - | - | 118.287 | 118.287 |
| Buildings (Notes 1 and 2) | 661.113 | 20.647 | 11.876 | 669.884 | 46.262 | 16.597 | 0.382 | 62.477 | 607.407 | 614.851 |
| Plant & Machinery | 1,225.456 | 89.396 | 13.799 | 1,301.053 | 215.527 | 141.890 | 1.829 | 355.588 | 945.465 | 1,009.929 |
| Furniture & Fixtures and Office Equipments (Note 3) | 134.037 | 56.592 | 0.677 | 189.952 | 42.171 | 26.477 | 0.560 | 68.088 | 121.864 | 91.866 |
| Vehicles | 100.432 | 35.141 | 4.414 | 131.159 | 55.300 | 22.449 | 3.180 | 74.569 | 56.590 | 45.132 |
| Intangible Asset (Schedule 18 Note 8) | 292.601 | - | 292.601 | - | - | - | - | - | - | 292.601 |
| | 2,932.939 | 226.869 | 407.177 | 2,752.631 | 359.260 | 207.413 | 5.951 | 560.722 | 2,191.909 | 2,573.679 |
| 2003 | 2,394.294 | 707.666 | 169.021 | 2,932.939 | 249.279 | 127.230 | 17.249 | 359.260 | | |
| Capital Work-in-Progress (including Advances) | | | | | | | | | 71.674 | 40.272 |
| | | | | | | | | | 2,263.583 | 2,613.951 |

Notes:

1. Include Rs.41.737 Million (2003 : Rs.41.737 Million) being the value of property jointly used with another company.
2. Include value of fully paid shares – Rs.0.003 Million held in Cooperative Housing Societies for occupation of flats.
3. Include assets jointly owned with another company valuing Rs.8.531 Million (2003 : Rs.8.450 Million).
4. Fixed assets stated above do not include certain vehicles and office equipments (as detailed in the Fixed Assets Register), obtained free of cost on acquisition of the business under the Sale and Purchase Agreement – refer Schedule 18 Note 6.



Consolidated Financial Statement Schedules forming part of Balance Sheet as at March 31, 2004 (Contd.)

| Particulars | 2004 | 2003 |
|---|---------|---------|
| 6. INVESTMENTS AT COST | | |
| Rs. Million | | |
| LONG TERM | | |
| Quoted Investments | | |
| A. Fully Paid Equity Shares | | |
| Trade | | |
| Associate* (Note 1) | 168.233 | 21.292 |
| Add: Accumulated Profits/(Losses) of Associates (net of dividend received) | 4.162 | 2.173 |
| Others | 172.395 | 23.465 |
| | 520.097 | 520.097 |
| | 692.492 | 543.562 |
| *Including Goodwill on acquisition of associates Rs.116.832 Million (2003: Rs.2.899 Million). | | |
| Non-Trade (Note 2) | 2.787 | 2.710 |
| B. Units (Fully Paid) (Note 3) | 33.936 | 48.027 |
| | 36.723 | 50.737 |
| Total Quoted Investments | 729.215 | 594.299 |
| C. Unquoted Investments | | |
| Trade | | |
| Fully paid Equity Shares | | |
| Associates** | 11.270 | 11.562 |
| Add: Accumulated Profits/(Losses) of Associates (net of dividend received) | 2.734 | 2.798 |
| | 14.004 | 14.360 |
| Others (Note 2 below) | 74.392 | 0.775 |
| In Convertible Warrants | - | 2.641 |
| | 88.396 | 17.776 |
| ** Including Goodwill on acquisition of associates Rs.7.310 Million (2003: Rs.7.603 Million) and Capital Reserve on acquisition of associates Rs.3.941 Million (2003: Rs.3.941 Million). | | |
| D. Non-Trade Other Investments | 1.071 | 1.301 |
| Total Unquoted Investments | 89.467 | 19.077 |
| Total Quoted and Unquoted Investments | 818.682 | 613.376 |
| Less: Provision for diminution in the value of investments [Note 3(ii)] | 3.036 | 13.511 |
| | 815.646 | 599.865 |
| Additions during the year | 456.185 | 0.814 |
| Sold during the year | 238.714 | 0.355 |
| Aggregate Value of Quoted Investments | | |
| – Book Value | 729.215 | 594.299 |
| – Market Value | 476.383 | 235.198 |
| Aggregate book value of Unquoted Investments | 89.467 | 19.077 |

Notes:

- 1,024,383 shares of Herbertsons Limited have been lodged for transfer and are pending registration.



Consolidated Financial Statement Schedules forming part of Balance Sheet as at March 31, 2004 (Contd.)

2. (i) Transfer of 5,100 shares of Shaw Wallace & Company Limited in favour of the Company was refused by Shaw Wallace & Company Ltd. On a petition by the Company, the Company Law Board has directed Shaw Wallace & Company Limited to register the aforesaid shares in favour of the Company, which order has been stayed by the High Court of Calcutta in an appeal filed by Shaw Wallace & Company Limited.
- (ii) In respect of balance 5000 Equity Shares of Shaw Wallace & Company Limited, the Company Law Board on the petition filed by Shaw Wallace & Company Limited for rectification of its Register of Members by deleting the name of the Company, has passed an Order suspending the voting rights of the Company in respect of these shares. Appeal has been preferred by the Company before the Hon'ble High Court of Calcutta.
- Subsequent to the Balance Sheet date, the Company has sold both its legal and beneficial interest in the above 10,100 equity shares of Shaw Wallace & Company Limited at or for the average price of Rs.38.69 per share. As a result of this sale, the Appeals pending before the Calcutta High Court and the petition pending before the Company Law Board have been rendered infructuous and steps are being taken to withdraw these proceedings.
3. (i) 3,110,496 units of Unit Scheme 64 with face value of Rs.10 each have been converted during the year to 312,246, 6.75% Tax Free US 64 Bonds with face value of Rs.100 effective from June 1, 2003 and proceeds for fractional part of units received.
- (ii) Cost of 6.75% Tax Free US 64 Bonds have been written off to the extent of Rs.14.091 Million and has been adjusted against provision for diminution in the value of investments.
- (iii) The Investments in Unit Trust of India of Rs.33.936 Million represent investments made under Rule 3A of the Companies (Acceptance of Deposit) Rules, 1975.
4. The erstwhile amalgamating Carew Phipson Limited has submitted its claim to Custodian of Enemy Property for India towards the full payment of the value of shares of which 25% was received and the balance value of investment was written off in the books in 1977 retaining a token amount of Re.1 in the books pending disposal of the representation to the custodian for final payment in this regard.

7. INVENTORIES

Rs. Million

| | 2004 | 2003 |
|--|------------------|------------------|
| Raw Materials | 254.077 | 251.442 |
| Raw Materials in transit | 2.204 | 22.074 |
| Packing Materials, Stores and Spare Parts including in transit | 182.101 | 138.923 |
| Finished goods | 359.452 | 334.472 |
| Finished goods in transit | 8.327 | - |
| Work-in-Progress | 536.282 | 547.236 |
| | <u>1,342.443</u> | <u>1,294.147</u> |

8. SUNDRY DEBTORS

(Unsecured)

Exceeding six months

Considered Good

450.844

384.251

Considered Doubtful

0.827

-

451.671

384.251

Others - Considered Good

1,607.275

1,515.424

2,058.946

1,899.675

Less: Provision for Doubtful debts

0.827

-

2,058.119

1,899.675

9. CASH AND BANK BALANCES

Cash on Hand

3.596

2.824

Remittances-in-Transit/Cheques on Hand

25.595

24.678

Balances with Scheduled Banks:

On Current Accounts

122.108

51.183

On Unpaid Dividend Account

15.826

13.634

On Deposit Account *

31.157

57.698

169.091

122.515

198.282

150.017

* Includes Rs.3 Million pledged with a bank for overdraft facility.



Consolidated Financial Statement Schedules forming part of Balance Sheet as at March 31, 2004 (Contd.)

| | 2004 | 2003 |
|---|------------------|------------------|
| 10. OTHER CURRENT ASSETS | | Rs. Million |
| Balance with Excise Authorities | 0.135 | 41.205 |
| Income accrued on Investments and Deposits | 10.025 | 2.008 |
| Other Deposits | 138.923 | 55.880 |
| | 149.083 | 99.093 |
| 11. LOANS AND ADVANCES | | |
| (Unsecured, considered good) | | |
| Inter-corporate Deposits | 200.000 | - |
| Advances recoverable in cash or in kind or for value to be received | | |
| Advances to Contract bottlers under franchise arrangement | 820.258 | 737.546 |
| Taxes and Duties paid under protest | 328.666 | 324.454 |
| Taxes and Duties - Others | 39.054 | 26.863 |
| Advance Income Tax (Net of Provisions) | - | 14.417 |
| Advances for acquisition of Trade Marks | 220.243 | - |
| Other Advances | 488.217 | 1,082.985 |
| (Net of provision for doubtful advances Rs.1.323 Million (2003:Nil)) | | |
| | 2,096.438 | 2,186.265 |
| 12. CURRENT LIABILITIES AND PROVISIONS | | |
| A. Liabilities | | |
| Acceptances * | 490.953 | 578.463 |
| Sundry Creditors | | |
| Due to Small Scale Industrial (SSI) undertakings | 128.878 | 86.373 |
| Others | 1,498.124 | 1,601.939 |
| | 1,627.002 | 1,688.312 |
| Dues to Directors | 15.244 | 14.213 |
| Investor Education and Protection Fund ** | | |
| Unclaimed Debentures | 5.588 | 7.631 |
| Unclaimed Dividends | 15.745 | 13.514 |
| Unclaimed Fixed Deposits | 5.082 | 3.686 |
| | 26.415 | 24.831 |
| Security Deposits | 164.883 | 96.594 |
| Advances from customers | 66.579 | 88.322 |
| Interest accrued but not due | 30.140 | 37.188 |
| Other Liabilities | 117.985 | 73.972 |
| | 2,539.201 | 2,601.895 |
| (*) Includes bills drawn against inland letters of credit of Rs.375.686 Million (2003: Rs.401.636 Million) and secured by a charge on debtors and stock | | |
| (**) Refer Schedule 18 Note 8 | | |
| B. Provisions | | |
| Taxation (Net of Advance Tax) | 43.582 | - |
| Proposed Dividend | 108.440 | 103.590 |
| Corporate Tax on Proposed Dividend | 13.894 | 13.381 |
| Gratuity and Leave Encashment | 84.731 | 53.830 |
| | 250.647 | 170.801 |



Consolidated Financial Statement Schedules forming part of Profit and Loss Account for the year ended March 31, 2004

| | 2004 | Rs. Million 2003 |
|--|------------------|---------------------|
| 13. OTHER INCOME | | |
| Income from Investments: | | |
| Dividend income from trade investments (Gross) [Tax deducted at source Rs. Nil (2003: Rs. Nil)] | 0.298 | 0.748 |
| Dividend income from other investments (Gross) [Tax deducted at source Rs. Nil (2003: Rs. Nil)] | 1.913 | 0.277 |
| | <u>2.211</u> | <u>1.025</u> |
| Lease Rent | 10.800 | 10.800 |
| Profit on Sale of Fixed Assets (Net) | 9.455 | 4.162 |
| Surplus arising on premature repayment of Deferred Sales Tax Loan | 95.262 | - |
| Liabilities no longer required written back | 55.425 | 70.846 |
| Bad debts/advances recovered | 12.747 | - |
| Scrap Sales | 40.726 | 26.076 |
| Insurance Claims | 25.157 | 0.177 |
| Export Incentive | 10.270 | 2.413 |
| Miscellaneous | 31.577 | 49.170 |
| | <u>293.630</u> | <u>164.669</u> |
| 14. MATERIALS | | |
| Raw Materials Consumed | 1,423.346 | 1,491.709 |
| Purchase of Finished Goods | 2,753.442 | 2,445.459 |
| Packing Materials consumed | 2,378.922 | 1,995.698 |
| Movement in Stocks: | | |
| Opening Stock: | | |
| Work-in-Progress | 547.236 | 444.934 |
| Finished Goods | 334.472 | 324.190 |
| | <u>881.708</u> | <u>769.124</u> |
| Closing Stock: | | |
| Work-in-Progress | 536.282 | 547.236 |
| Finished Goods | 359.452 | 334.472 |
| | <u>895.734</u> | <u>881.708</u> |
| (Increase)/Decrease in Stocks | (14.026) | (112.584) |
| Excise Duty on Opening/Closing Stock of Finished Goods (Net) | 11.768 | 31.545 |
| | <u>6,553.452</u> | <u>5,851.827</u> |



Consolidated Financial Statement Schedules forming part of Profit and Loss Account for the year ended March 31, 2004 (Contd.)

| | 2004 | | Rs. Million 2003 |
|---|------------------|------------------|---------------------|
| 15. MANUFACTURING AND OTHER EXPENSES | | | |
| Employee Cost: | | | |
| Salaries, Wages and Bonus | 726.053 | 611.152 | |
| Contribution to Provident and Other Funds | 116.535 | 86.774 | |
| Workmen and Staff Welfare | 47.109 | 41.001 | |
| | <u>889.697</u> | <u>738.927</u> | |
| Power and Fuel | 66.202 | | 51.619 |
| Stores and Spares Consumed | 31.687 | | 18.961 |
| Repairs and Maintenance: | | | |
| Buildings | 43.196 | 19.228 | |
| Plant and Machinery | 21.308 | 24.340 | |
| Others | 37.499 | 26.734 | |
| | <u>102.003</u> | | 70.302 |
| Rent | 68.230 | | 63.663 |
| Rates and Taxes | 95.315 | | 67.113 |
| Insurance | 21.217 | | 15.487 |
| Travelling and Conveyance | 303.136 | | 180.933 |
| Legal and Professional | 103.892 | | 94.705 |
| Freight Outwards | 300.368 | | 292.632 |
| Advertisement and Sales Promotion | 1,438.652 | | 1,115.016 |
| Commission on Sales | 279.433 | | 249.400 |
| Cash Discount | 103.797 | | 97.702 |
| Sales Tax | 64.864 | | 22.020 |
| Fixed Assets written off | 1.467 | | 0.054 |
| Directors' Remuneration | | | |
| Directors' Sitting Fee | 0.437 | 0.311 | |
| Directors' Commission | 4.061 | 3.030 | |
| | <u>4.498</u> | <u>3.341</u> | |
| Exchange Loss (Net) | 2.055 | | 22.781 |
| Bad Debts and Advances written off | 70.170 | | 165.444 |
| Provision for doubtful debts/advances | 2.150 | | - |
| Provision for diminution in value of investments | 3.616 | | - |
| Research and Development | 9.760 | | 12.115 |
| Others | | | |
| Personnel & Administrative | 159.477 | 149.574 | |
| Selling & Distribution | 245.702 | 332.672 | |
| Miscellaneous | 102.527 | 78.284 | |
| | <u>507.706</u> | <u>560.530</u> | |
| | <u>4,469.915</u> | <u>3,842.746</u> | |
| 16. INTEREST AND FINANCE CHARGES | | | |
| Interest on | | | |
| Fixed Loans | 251.649 | 217.952 | |
| Others Loans | 82.447 | 121.882 | |
| Bill Discounting Charges | 55.226 | 54.613 | |
| | <u>389.322</u> | <u>394.447</u> | |
| Less : Interest Income: | | | |
| On Investments (Gross) | 1.155 | - | |
| [Tax Deducted at Source Rs. Nil (2003: Rs. Nil)] | | | |
| On Deposits and other accounts (Gross) | 43.347 | 89.411 | |
| [Tax Deducted at Source Rs.3.155 Million (2003: Rs.18.125 Million)] | | | |
| On Income Tax Refunds | 0.552 | 22.840 | |
| | <u>45.054</u> | <u>112.251</u> | |
| | <u>344.268</u> | <u>282.196</u> | |

Consolidated Financial Statement Schedules forming part of Accounts for the year ended March 31, 2004

17. STATEMENT ON 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 consolidated financial statements are:

1. Asian Opportunities & Investments Limited (AOIL)
2. McDowell International Brands Limited (MIBL)
3. Nepal Liquors Limited (NLL)
4. Phipson Distillery Limited (PDL)
5. Triumph Distillers & Vintners Pvt. Limited (TDV)

The associate companies considered in the consolidated financial statements are:

1. Baramathi Grape Industries Limited (BGIL)
2. Herbertsons Limited (HL)
3. Utkal Distillery Limited (Utkal)

2. Principles of Consolidation

The Consolidated financial statements relate to McDowell & Company Limited (The Parent Company), and its subsidiaries namely, NLL, MIBL, PDL, AOIL and TDV. The financial statements of the Parent Company and that of MIBL, PDL, NLL and TDV have been prepared in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India and the financial statement of AOIL has been prepared as per the Accounting Policies followed in Mauritius and realigned to GAAP applicable in India for the purpose of consolidation. These financial statements have been prepared by consolidation of the financial statements of the Parent Company and its subsidiaries on a line-by-line basis after fully eliminating the inter-company transactions. The financial year of NLL ended on July 16, 2003 but for the purpose of consolidation, NLL has prepared and audited its accounts for the year ended March 31, 2004.

3. Accounting for Investment in Associates

Accounting for Investments in Associate Companies has been carried out under the Equity method of accounting prescribed under AS 23. Wherein Goodwill/Capital Reserve arising at the time of acquisition and the Groups Share of profit or losses after the date of acquisition has been adjusted in the Investment value on the following basis:

- In the case of Utkal Distillery Limited as per the audited financial statements for the year ended March 31, 2004.
- In the case of Herbertsons Limited and Baramathi Grape Industries Limited, the unaudited financial results for the year ended March 31, 2004 as published by Herbertsons Limited and the unaudited financial results for the year ended March 31, 2004 as confirmed by the management of Baramati Grape Industries Limited have been considered.

4. Proportion of ownership interest in Subsidiary and Associate Companies included in consolidation

(A) Subsidiary Companies

| Sl. No. | Name of the Company | Country of Incorporation | Proportion of ownership interest (%) | |
|---------|---|--------------------------|--------------------------------------|-------|
| | | | 2004 | 2003 |
| 1. | Nepal Liquors Limited | Nepal | 77.90 | 77.90 |
| 2. | McDowell International Brands Limited | India | 100 | 100 |
| 3. | Asian Opportunities & Investments Limited | Mauritius | 100 | 100 |
| 4. | Phipson Distillery Limited | India | 100 | 100 |
| 5. | Triumph Distillers & Vintners Private Limited * | India | 85 | 85 |

(* is a subsidiary of Phipson Distillery Ltd. and hence the ultimate subsidiary)



Consolidated Financial Statement Schedules forming part of accounts for the year ended March 31, 2004 (Contd.)

(B) Associate Companies

| Sl. No. | Name of the Company | Country of Incorporation | Proportion of ownership interest (%) | |
|---------|---|--------------------------|--------------------------------------|------|
| | | | 2004 | 2003 |
| 1. | Pixray (India) Limited** | India | - | 49 |
| 2. | Utkal Distillery Limited | India | 43 | 43 |
| 3. | Baramathi Grape Industries Limited * | India | 18 | 18 |
| 4. | Herbertsons Limited * | India | 11 | 4 |
| 5. | United Mohun Bagan Football Team Pvt. Limited** | India | - | 49 |

* Due to the materiality of transactions and significant influence.

** Sold off during the year.

5. Basis of presentation of Financial Statements

The Financial Statements of the Group have been prepared under historical cost convention, except as otherwise stated, in accordance with the Generally Accepted Accounting Principles (GAAP) in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

6. Fixed Assets

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

The cost of Fixed Assets acquired in the amalgamations have been determined with reference to their fair values on April 1, 2000 or nearer thereto.

Goodwill represents the difference between the Parent company'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. Negative goodwill is shown separately as Capital Reserves on consolidation. Goodwill arising on consolidation is not amortised.

7. Depreciation

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

- Computers and Vehicles over a period of three and five years respectively, commencing from the beginning of the year in which these are acquired;
- In respect of certain items of Plant & Machinery eligible for triple shift allowance, depreciation for the full year on triple shift basis.

Leasehold Land are not amortised over lives of respective lease agreements.

Depreciation charged as above is not less than the minimum specified as per Schedule XIV of the Companies Act, 1956.

8. Investments

Long-term Investments acquired at the time of amalgamations are stated at cost determined with reference to their fair values as on April 1, 2000 and the acquisition thereafter are stated at cost to the Group. Provision for diminution in the value is made to recognise a decline, other than temporary, in the value of long-term investments.

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

9. Inventories

Inventories are valued at lower of cost and net realisable value. The costs are, in general, ascertained under Weighted Average Method. Finished goods and work-in-progress include appropriate manufacturing overheads and borrowing costs as applicable.



Consolidated Financial Statement Schedules forming part of accounts for the year ended March 31, 2004 (Contd.)

10. Revenue Recognition

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

Income from brand franchise is recognised at contract rates on sale of the branded products by the franchisees.

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

11. Foreign Currency Translation

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rates of exchange at the Balance Sheet date and resultant gain or loss is recognised in the Profit and Loss Account. In case of forward contracts, the difference between the forward rate and the exchange rate at the inception of a forward exchange contract is recognised as income or expense over the life of the contract. Exchange differences relating to fixed assets are adjusted to the cost of the assets.

Foreign Company

In respect of overseas subsidiary companies, Income and Expenses are translated at average exchange rate for the year. Current assets and liabilities are translated at the year-end exchange rates. The fixed assets are translated at the rates prevailed on the date of transactions. Net foreign exchange difference is recognised in the Profit and Loss Account.

12. Retirement Benefits

Contributions to Provident and Superannuation funds are made at the applicable rates and charged to Profit and Loss Account as incurred. Accrued liability on account of Gratuity is ascertained based on actuarial valuation at the year-end and is funded in the approved Gratuity Funds. Leave salary payable at the time of retirement has been actuarially ascertained at the year-end and provided for in the accounts.

13. Research and Development

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

14. Taxes on Income

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

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

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

Foreign Company

Foreign company recognises its tax liability in accordance with the applicable local laws.

15. Earnings per Share

Earnings per equity share (basic and diluted) is arrived at based on Net Profit after Taxation as per the Consolidated Profit and Loss Account to the basic/weighted average number of equity shares.



Consolidated Financial Statement Schedules forming part of accounts for the year ended March 31, 2004 (Contd.)

18. NOTES ON ACCOUNTS

| | (Rs. Million) | |
|--|----------------|-----------|
| 1. Contingent Liabilities | 2004 | 2003 |
| a) (i) Guarantee given on behalf of other bodies corporate (including performance guarantees) | 507.500 | 1,975.000 |
| (ii) Guarantees given by the Parent Company's bankers for which Counter Guarantees have been given by the Parent Company | 68.697 | 60.610 |
| b) Disputed claims against the Parent Company not acknowledged as debts; currently under appeal/sub judice: | | |
| (i) Excise demands for excess wastages and distillation losses [Excluding likely relief of Rs.332.106 Million (2003: Rs.218.137 Million)]. [Deposits made under protest included under Loans and Advances Rs.42.355 Million (2003: Rs.41.952 Million)] | 34.402 | 80.930 |
| (ii) Other miscellaneous claims | 40.438 | 25.632 |
| (iii) Income Tax demand (including interest) under appeal. [Excluding relief of Rs.73.141 Million (2003: Rs.97.073 Million) expected in respect of disputed demands based on the decision of the Income Tax Appellate Tribunal on similar matters for earlier years] Including Income Tax demand under appeal with Honorable Supreme Court of Nepal | 2.792 | 2.792 |
| (iv) Sales Tax demands under appeal in various states [Excluding relief of Rs.449.335 Million (2003: Rs.51.939 Million expected in respect of disputed demands)]. Deposits made under protest included under Loans and Advances Rs.286.311 Million (2003: Rs.282.502 Million). | 8.195 | 19.433 |
| (v) Bills Receivables discounted - since fully settled | 140.207 | 80.183 |
| c) Co-accepted bills of contract bottling under Franchise arrangement - since settled Rs. 49.897 Million | 55.394 | 53.126 |
| d) A demand has been raised by Central Excise Authorities towards differential duty - Rs. 354.586 Million (2003: Rs.354.586 Million) and penalty of similar amount, on royalty received on sale of Indian Made Foreign Liquor (IMFL) and allegedly attributed to despatches of food flavour during April 1997 to March 2001. The Parent Company has filed an appeal against the same in Customs, Excise and Service Tax Appellate Tribunal (CESTAT). | | |

The Management is hopeful in succeeding in the above appeals/disputes based on legal opinions/legal precedents. Further, the balance of Rs.110 Million in the Contingency Reserve Account will be available to meet any eventuality.

2. The Parent Company had availed a sum of Rs.137.572 Million by way of Deferred Sales Tax Loan (interest free) from Government of Maharashtra during 2002-03 and the same was repayable starting 2012. However, as per the scheme announced by the Government of Maharashtra for the prepayment of the liability at its net present value, the Parent Company has discharged the above liability.



Consolidated Financial Statement Schedules forming part of accounts for the year ended March 31, 2004 (Contd.)

3. Fixed Assets

- a) During the year, the Parent Company has reassessed useful life of certain assets including Plant & Machinery and based on the above reassessment, these assets are depreciated fully during the year. As such, depreciation during the year is higher by Rs.43.689 Million. Consequently, the profit for the year is lower by the same amount.
- b) A few assets of the Parent Company are located/used by certain other Companies with whom the Parent Company has trading and business connections, the expenses for maintenance thereof are being borne by the user Companies.
- c) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances), Rs.29.985 Million (2003: Rs.30.734 Million).

4. Current Assets, Loans & Advances

- a) Sundry Debtors include:

Receivables aggregating to Rs.376.470 Million (2003: Rs.385.841 Million) due from two Toll Manufacturers who are under financial restructuring with their bankers/financial institutions. One of the unit has now been referred to Board for Industrial and Financial Reconstruction (BIFR). Negotiations are in progress to recover the amount.
- b) Loans and Advances include:
 - (i) A sum of Rs. NIL (Rs.638.440 Million), advanced to McDowell Alcobev Limited (MAL), out of the unsecured loans availed by the Parent Company from Rabo India Finance Private Limited. The said loans were secured by the assets of Breweries acquired by MAL. The amount alongwith interest has been repaid during the year.
 - (ii) An amount of Rs.262.354 Million, due from a contract bottler under franchise arrangement secured by the assets of the unit.
 - (iii) Due by an Officer of the Parent Company Rs.0.533 Million (2003: Rs.0.386 Million). Maximum amount outstanding at any time during the year Rs.0.533 Million (2003: Rs.0.386 Million).
 - (iv) Due from the Managing Director of the Parent Company Rs.1.950 Million (Rs.1.772 Million). Maximum amount outstanding at any time during the year Rs.1.950 Million (Rs.1.772 Million).
- c) Certain confirmation of balances from Sundry Debtors, Loans and Advances, Deposits and Sundry Creditors are awaited and the account reconciliations of some parties where confirmations have been received are in progress. Adjustment for differences, if any, arising out of such confirmations/reconciliations would be made in the accounts on receipt of such confirmations and reconciliation thereof. The Management is of the opinion that the impact of such adjustments, if any, is not likely to be significant. Further, in the opinion of the management, all current assets, loans and advances including advances on capital accounts would be realised at the values at which these are stated in the accounts, in the ordinary course of business.

5. Investments

- a) Carrying cost of investment in United Breweries (Holdings) Limited (UBHL) as at March 31, 2004 amounting to Rs.284.014 Million substantially exceed net worth of and the market value of shares in UBHL. However, considering the intrinsic value of the investments along with the value of proposed real estate development activities being planned by UBHL, the management is of the opinion that such erosion in net worth/decline in market value of shares of UBHL is purely temporary in nature and hence no provision is considered necessary for the same.



Consolidated Financial Statement Schedules forming part of accounts for the year ended March 31, 2004 (Contd.)

- b) Carrying value of investments in Asianage (Holdings) Limited (AAHL) as at March 31, 2004 amounting to Rs. 73.617 Million (2003: Rs. Nil) substantially exceed net worth of the Company. However, considering the strategic nature of the investments on media as well as future prospects of AAHL and the value that are likely to be generated from the investments, the management is of the opinion that such decline is purely temporary in nature and hence, no provision is considered necessary.
- c) PDL has acquired shares in Herbertsons Limited through a counter offer with the objective of obtaining controlling interest and for strategic reasons. The cost of the long term investments aggregating to Rs. 146.941 Million has been carried at cost considering their intrinsic value and business potential. The shares acquired pursuant to the counter offer have been lodged for transfer. But the investee company has deferred consideration of the transfer, pending orders of the Supreme Court of India.

6. Pursuant to the Sale & Purchase Agreement (SAPA) between Triumph Distillers & Vintners Private Limited (TDV) and UDV India Limited (UDV) the Business, including the right, title and interest in the Working Capital of Contract Bottling Units together with the benefits of the contracts, services of the personnel and business information including certain specified assets as stated in the SAPA was acquired by TDV effective from December 30, 2002 and simultaneously TDV also entered into an IP Sub License arrangement with Asian Opportunities and Investments Limited to use the Licensed Trade Marks Copyright and Know-how in respect of the Licensed Products as defined therein in the territory of India, Nepal and UAE.

TDV was also obliged to acquire, on its own or through a nominee, the bottling unit located at Nira together with specified assets and employees of UDV (Nira Business) pursuant to SAPA and on the basis of a Memorandum of Understanding (MoU) dated March 8, 2003 between TDV and Jubilant Organosys Limited (JOL) the Nira business stood novated in favour of JOL on the execution of the Novation Agreement dated June 17, 2003. The price differential of Rs.12.500 Million of the Nira Business was recognised as an exceptional item of loss in the Profit and Loss Account of the previous year.

7. Asian Opportunities & Investments Limited (AOIL) entered into a license agreement on December 30, 2002 with Guinness United Distillers & Vintners Amsterdam, BV to use its license trade marks in specific territories. AOIL will acquire title to the trade marks only upon the expiry of the license agreement of five years or termination thereof, whichever is earlier and the same has been confirmed by an independent legal opinion. Therefore, the amount of Rs.238.118 Million (USD 4.998 Million) paid in the previous year for the acquisition of these trade marks which was shown as intangible assets and amortised over five years, has now been reclassified as "Advance for acquisition of trade marks" and Rs.11.234 Million (net) charged to the previous year's Profit and Loss Account has been reversed to respective head of accounts in the current year's Profit and Loss Account.
8. As required under Section 205C of the Companies Act, 1956, the Parent Company has transferred Rs.2.528 Million (2003: Rs.6.275 Million) to the Investor Education and Protection Fund (IEPF) during the year. As of March 31, 2004, no amount was due for transfer to the IEPF.

| 9. Borrowing Costs | (Rs. Million) | |
|---|---------------|--------|
| | 2004 | 2003 |
| a) Interest capitalised on fixed assets | 0.171 | 0.213 |
| b) Interest included in the Closing Stock of Malt and Grape Spirit under maturation | 17.957 | 24.097 |

10. Segment Reporting

The Group is engaged in the business of manufacture, purchase and sale of Indian Made Foreign Liquor including brand franchise, which constitutes a single business segment. The Groups operations outside India did not exceed the quantitative threshold for disclosure envisaged in Accounting Standard (AS 17) on 'Segment Reporting' issued by The Institute of Chartered Accountants of India.

In view of the above, primary and secondary reporting disclosures for business/geographical segments, as envisaged in AS 17 are not applicable to the Group.

Consolidated Financial Statement Schedules forming part of accounts for the year ended March 31, 2004 (Contd.)

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

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

12. Related Party Disclosures

a) Transaction with Related Parties

| Associates | Key Management Personnel | Employees' Benefit Plans where there is significant influence |
|---|--------------------------------------|---|
| Baramathi Grape Industries Limited (BGIL) | Mr. V. K. Rekhi Managing Director | McDowell & Company Limited Staff Gratuity Fund (McD SGF) |
| Herbertsons Limited (HL) | — | McDowell & Company Limited Officers' Gratuity Fund (McD SGF) |
| Utkal Distilleries Limited (Utkal) | — | |

b) Summary of the Transactions with Related Parties are as follows:

(Rs. Million)

| Sl. No. | Nature of Transactions * | 2004 | | | | 2003 | | | |
|---------|---|-------------|--------------------------|---|-------------|-------------|--------------------------|---|-------------|
| | | Associates | Key Management Personnel | Employees' Benefit Plans where there is significant influence | Total | Associates | Key Management Personnel | Employees' Benefit Plans where there is significant influence | Total |
| 1. | Purchase of goods | | | | | | | | |
| | – BGIL | 2,445.084 | – | – | 2,445.084 | 2,617.408 | – | – | 2,617.408 |
| | – Others | 75.491 | – | – | 75.491 | 182.961 | – | – | 182.961 |
| 2. | Sale of goods | | | | | | | | |
| | – BGIL | 1,269.310 | – | – | 1,269.310 | 197.037 | – | – | 197.037 |
| | – HL | 2,260.262 | – | – | 2,260.262 | 1,934.415 | – | – | 1,934.415 |
| | – Others | 1.144 | – | – | 1.144 | 5.837 | – | – | 5.837 |
| 3. | Sales of fixed assets | | | | | | | | |
| | – BGIL | – | – | – | – | 3.374 | – | – | 3.374 |
| | – HL | – | – | – | – | 1.059 | – | – | 1.059 |
| 4. | Service Income | | | | | | | | |
| | – BGIL | 15.731 | – | – | 15.731 | 228.965 | – | – | 228.965 |
| | – HL | 0.156 | – | – | 0.156 | 300.566 | – | – | 300.566 |
| | – Others | 0.075 | – | – | 0.122 | 39.961 | – | – | 39.961 |
| 5. | Service Income | | | | | | | | |
| | – BGIL | – | – | – | – | 95.501 | – | – | 95.501 |
| | – HL | 200.484 | – | – | 200.484 | 257.879 | – | – | 257.879 |
| | – Others | – | – | – | – | 11.161 | – | – | 11.161 |
| 6. | Income from Brand Franchise | | | | | | | | |
| | – Utkal | 83.766 | – | – | 83.766 | 71.833 | – | – | 71.833 |
| | – Others | 1.508 | – | – | 1.508 | – | – | – | – |
| 7. | Rental Deposit | – | 0.178 | – | 0.178 | – | 0.307 | – | 0.307 |
| 8. | Finance (including loans & equity contributions in cash or in kind) | | | | | | | | |
| | – BGIL | 1,197.651 | – | – | 1,197.651 | 2,266.526 | – | – | 2,266.526 |
| | – HL | (2,054.366) | – | – | (2,054.366) | (1,639.060) | – | – | (1,639.060) |
| | – Others | (42.449) | – | – | (42.449) | (23.558) | – | – | (23.558) |



Consolidated Financial Statement Schedules forming part of accounts for the year ended March 31, 2004 (Contd.)

II. Summary of the Transactions with Related Parties (Contd.)

(Rs. Million)

| Sl. No. | Nature of Transactions * | 2004 | | | | 2003 | | | |
|---------|----------------------------------|------------|--------------------------|---|---------|------------|--------------------------|---|---------|
| | | Associates | Key Management Personnel | Employees' Benefit Plans where there is significant influence | Total | Associates | Key Management Personnel | Employees' Benefit Plans where there is significant influence | Total |
| 9. | Guarantees & Collaterals | | | | | | | | |
| | – BGIL | 50.000 | – | – | 50.000 | 50.000 | – | – | 50.000 |
| | – Utkal | 7.500 | – | – | 7.500 | 7.500 | – | – | 7.500 |
| 10. | Managing Directors' Remuneration | – | 15.632 | – | 15.632 | – | 13.048 | – | 13.048 |
| 11. | Contribution to Gratuity Fund | | | | | | | | |
| | – McD OGF | – | – | 30.514 | 30.514 | – | – | 25.714 | 25.714 |
| | – McD SGF | – | – | 30.125 | 30.125 | – | – | 11.294 | 11.294 |
| 12. | Amount due from | | | | | | | | |
| | – HL | 388.416 | – | – | 388.416 | 427.940 | – | – | 427.940 |
| | – Utkal | 271.723 | – | – | 271.723 | 227.925 | – | – | 227.925 |
| | – Others | 53.061 | 1.950 | – | 55.011 | 61.564 | 1.772 | – | 63.336 |

* Excludes Reimbursement of Expenses and Cost sharing arrangements.

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

13. Earnings Per Share

| | 2004 | 2003 |
|---|-------------------|------------|
| a) Net Profit after tax as per Consolidated Profit and Loss Account (Rs. Million) | 247.476 | 116.737 |
| b) Basic/Weighted Average number of Equity Shares of Rs.10 each | 51,720,028 | 51,720,028 |
| c) Basic and Diluted Earnings Per Share (Rs.) | 4.78 | 2.26 |

14. Accounting for Taxes on Income

a) Current Taxation

(i) Provision for current taxation includes:

| | (Rs. Million) | |
|---------------|----------------|---------|
| | 2004 | 2003 |
| a) Income Tax | 211.377 | 152.883 |
| b) Wealth Tax | 4.000 | 5.000 |
| | 214.872 | 157.883 |

(ii) The Finance Act 2001 has introduced, with effect from assessment year 2002-03 (effective April 1, 2001) detailed Transfer Pricing regulations for computing the income from 'international transactions' between 'associated enterprises' on an 'arm's length' basis. These regulations, inter alia, also require the maintenance of prescribed documents and information including furnishing a report from an Accountant within the due date of filing the Return of Income. For the tax year ended March 31, 2003, the Group had undertaken studies, where applicable, to comply with the said transfer pricing regulations for which the prescribed certificates of the Accountant has been obtained and this did not envisage any tax liability. For the tax year ending March 31, 2004, similar studies to comply with the said regulations will be carried out.

Consolidated Financial Statement Schedules forming part of accounts for the year ended March 31, 2004 (Contd.)

b) Deferred Taxation

The net Deferred Tax (Asset)/Liability as on March 31, 2004 amounting to Rs.100.905 Million (2003: Rs.115.461 Million) has been arrived at as follows:

| (Rs. Million) | | | |
|--|--|-------------------------------|--|
| Particulars | Deferred Tax (Assets)/Liability as on 1.4.2003 | Current Year charge/ (credit) | Deferred Tax (Assets)/Liability as on 31.03.2004 |
| Difference between book and tax depreciation | 118.764 | 3.179 | 121.943 |
| Turnover Tax Provision | - | (15.424) | (15.424) |
| Others | (3.253) | (2.361) | (5.614) |
| | <u>115.511</u> | <u>(14.606)</u> | <u>100.905</u> |
| Less : Deferred Tax adjustment to profit brought forward from previous year on initial adoption by NLL | | 0.210 | |
| | | <u>(14.396)</u> | |

15. Remuneration paid/payable to Managing Director

| | (Rs Million) | |
|---|----------------------|---------------|
| | 2004 | 2003 |
| Salary and Allowances | 7.956 | 6.804 |
| Incentives paid | 3.667 | 1.929 |
| Contribution to Provident and other Funds * | 1.992 | 1.837 |
| Value of Perquisites | 2.017 | 2.478 |
| | <u>15.632</u> | <u>13.048</u> |

* Excluding contribution to Group Gratuity Fund and provision for leave encashment.

16. The provision in respect of employees housing fund required under Labour Act, 2048, Nepal has not been made as the management considers that the accumulated fund appropriated upto the previous year on this account is sufficient to ensure housing facility for NLL's employees. In view of the above, the provision for employees housing made in earlier years amounting to Rs.2.630 Million has been transferred to retained earnings.

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



Consolidated Financial Statement Cash Flow Statement for the year ended March 31, 2004

| | 2004 | 2003 |
|---|----------------|------------------|
| Rs. Million | | |
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net profit/(loss) before tax and extraordinary items | 442.350 | 312.974 |
| Adjustments for : | | |
| Depreciation | 207.413 | 127.237 |
| Bad Debts/Advances written off | 70.170 | 165.444 |
| Loss/(Gain) on Fixed Assets Sold/Written off (Net) | (7.988) | (4.108) |
| Liabilities no longer required written back | (55.425) | (70.846) |
| Provision for diminution in value of Investments | 3.616 | - |
| Provision for Doubtful Debts | 2.150 | - |
| Provision - Others | 30.901 | 17.559 |
| Surplus arising on premature repayment of Deferred Sales Tax Loan | (95.262) | - |
| Interest Expense | 389.322 | 394.447 |
| Income from Investments | (2.211) | (1.025) |
| Interest Income | (45.054) | (112.251) |
| | 497.632 | 516.457 |
| Operating profit before working capital changes | 939.982 | 829.431 |
| (Increase)/Decrease in Trade and other receivables | (419.771) | (833.239) |
| (Increase)/Decrease in Inventories | (48.296) | (153.842) |
| Increase/(Decrease) in Trade payables | (3.847) | 400.002 |
| | (471.914) | (587.079) |
| Cash generated from operations | 468.068 | 242.352 |
| Direct Taxes paid | (157.378) | (95.669) |
| Cash flow before extraordinary items | 310.690 | 146.683 |
| Extraordinary items | - | (12.500) |
| Cash flow after extraordinary items and net cash from operating activities | 310.690 | 134.183 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (258.271) | (613.700) |
| Sale of Fixed Assets | 116.613 | 155.880 |
| Purchase of long term Investments | (147.569) | (0.813) |
| Sale of long term Investments | 3.421 | 0.355 |
| Advance against Share Application Money | - | (35.898) |
| Investments in Subsidiaries | - | (61.011) |
| Disposal of Investments in Associates | 0.293 | - |
| Loan given including Inter Corporate Deposit | (360.000) | - |
| Loan realised | 798.440 | - |
| Interest received | 37.037 | 111.277 |
| Dividend received | 2.816 | 1.025 |
| Net cash used in investing activities | 192.780 | (442.885) |



Consolidated Financial Statement Cash Flow Statement for the year ended March 31, 2004 (Contd.)

| | 2004 | Rs. Million 2003 |
|--|------------------|---------------------|
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds/(Repayment) of long term loans | | |
| Proceeds | 531.382 | 298.904 |
| Repayment | (298.866) | - |
| Proceeds/(Repayment) of short term loans | (676.777) | 20.228 |
| Working Capital Loan/Cash Credit from Banks (net) | 589.017 | 171.630 |
| Proceeds/(Repayment) of fixed deposits | (36.375) | 138.214 |
| Deferred Sales Tax Loan - Proceeds/ (Premature repayment) | (42.310) | 137.572 |
| Interest paid | (392.356) | (408.590) |
| Dividends paid | (115.539) | (94.195) |
| Tax on distributed profit | (13.381) | - |
| Net cash used in financing activities | (455.205) | 263.763 |
| Net increase in cash and cash equivalents | 48.265 | (44.939) |
| Cash and cash equivalents as at March 31, 2003 | 150.017 | 194.956 |
| Cash and cash equivalents as at March 31, 2004 | 198.282 | 150.017 |
| | 48.265 | (44.939) |

Notes :

- The above Consolidated Cash Flow Statement has been compiled from and is based on the Consolidated Balance Sheet as at March 31, 2004 and the related Consolidated Profit and Loss Account for the year ended on that date.
- The above Consolidated Cash Flow Statement has been prepared under the indirect method as set out in the AS 3 on Cash Flow Statements issued by The Institute of Chartered Accountants of India and reallocation required for this purpose are as made by the Group.
- Previous year's figures have been regrouped/rearranged wherever necessary in order to confirm to this year's presentation.

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

J. MAJUMDAR **V.S. VENKATARAMAN** **M.R. DORAISWAMY IYENGAR** **V.K. REKHI** **VIJAY MALLYA**
Partner Company Secretary Director Managing Director Chairman

For and on behalf of
Price Waterhouse
Chartered Accountants

Bangalore
June 25, 2004