

Report of the Directors



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

FINANCIAL RESULTS

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

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

CAPITAL

The authorised capital of your Company remained unchanged at Rs.5,542,000,000/- divided into 395,000,000 equity shares of Rs.10/- each and 159,200,000 preference shares of Rs.10/- each.

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

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

GLOBAL DEPOSITORY SHARES

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

As on August 29, 2014 there were outstanding GDSs of 13,83,254 representing 691,627 Equity Shares.

PERFORMANCE OF THE COMPANY

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

SUBSIDIARIES

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

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

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

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

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

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

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

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

Report of the Directors (Contd.)



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

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

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

In view of the above, the balance sheet, statement of profit and loss and other documents/details of the subsidiary companies, which are required to be attached with the balance sheet of the Company, are not attached. The annual accounts of the subsidiary companies and the related detailed information will be made available to any shareholder of the Company and subsidiary companies seeking such information at any point in time. The annual accounts of the subsidiary companies will also be kept for inspection by any shareholder at the respective registered offices of the Company and the subsidiary companies concerned, during the business hours on any working day.

The accounting year of United Spirits Nepal Private Limited ("USNPL"), your Company's subsidiary in Nepal, is from mid-July to mid-July every year. Accordingly, accounting year of 2012-13 of USNPL ended on July 15, 2013 and the accounting year 2013-14 ended on July 15, 2014 i.e., after the end of the close of the financial year of the Company, which ended on March 31, 2014. For the purpose of compliance under Accounting Standard - 21, relating to "Consolidated Financial Statement," the Accounts of USNPL has been drawn up to March 31, 2014.

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

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

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

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

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

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

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

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

ASSET PURCHASE AGREEMENT WITH JP IMPEX INCORP

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

PROSPECTS

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

In a scenario where nearly three out of every four cases is sold by the Company to parastatal organisations, price increases are not easy to come by. However, your Company continues to be in the forefront of discussions with these agencies to push through price increases. Notwithstanding this, your Company has managed price increases in various states through a mix of upgraded product launches at higher price points and judicious price corrections in certain markets as also through reduced trade spends.

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

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

DEPOSITORY SYSTEM

The trading in the equity shares of your Company is under compulsory dematerialisation mode. As on August 29, 2014, equity shares representing 98.58% of the equity share capital are in dematerialised form. As the depository system offers numerous advantages, members are requested to take advantage of the same and avail of the facility of dematerialisation of the Company's shares.

DIRECTORS

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

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

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

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

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

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

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

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

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

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

AUDITORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report of the Directors (Contd.)



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

LISTING OF SHARES OF THE COMPANY

The Equity Shares of your Company continue to remain listed with Bangalore Stock Exchange Limited, BSE Limited and National Stock Exchange of India Limited. The listing fees for the year 2014-15 have been paid to these Stock Exchanges.

CORPORATE GOVERNANCE

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

FIXED DEPOSITS

Fixed Deposits from the public and shareholders, stood at Rs. 3909.371 Million as at March 31, 2014. Matured deposits for which disposal instructions had not been received from the depositors concerned stood at Rs.52.504 Million as at March 31, 2014. Of this, a sum of Rs.26.759 Million (as of August 29, 2014) has since been paid as per instructions received after the year end.

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

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

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

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

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

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

HUMAN RESOURCES

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

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

EMPLOYEE STOCK OPTION SCHEME

The Company has not offered any stock option to the Employees during the year 2013-14.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION, ETC.

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

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, in relation to financial statements (together with the notes

to such financial statements) for the year 2013-14, the Board of Directors reports that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- accounting policies have been selected and applied consistently and that the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the loss of the Company for the year ended March 31, 2014;
- proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The annual accounts have been prepared on a going concern basis.
- The statutory auditors have issued a qualified opinion on the financial statements of the Company for the financial year ended 31 March 2014. Such qualifications relate to transactions of earlier years, which have come to the knowledge of this Board only recently. The Board has initiated a detailed and independent inquiry as

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

THANK YOU

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

By Authority of the Board

Mumbai
September 04, 2014

ANAND KRIPALU
Managing
Director and Chief
Executive Officer

P.A. MURALI
Executive Director

UNITED SPIRITS