

**Courier**

DCS/COMP/NM/112/2014-15

October 29, 2014

The Company Secretary / Compliance Officer  
**United Breweries (Holdings) Ltd**  
Peninsula Centre  
UB Tower, Level 12  
UB City No 24, Vittal Mallya Road  
Bangalore – 560001  
Karnataka

Dear Sir/Madam,

**Sub: Audit Reports filed by listed companies**

This has reference to the provisions of Clause 31(a) of the Listing Agreement and SEBI Circulars pertaining to the "Manner of Dealing with Audit Reports filed by Listed Companies" dated August 13, 2012 and June 05, 2013 which inter-alia mandated listed companies to submit either Form A (Unqualified / Matter of Emphasis Report) or Form B (Qualified / Subject to / Except for Audit Report) along with the company's Annual Report to the Stock Exchange.

As per the provisions of the said circulars, the qualifications raised by the Statutory Auditors in their Audit Report, would be scrutinized by the Qualified Audit Review Committee (QARC) constituted by SEBI.

Accordingly, after scrutiny and discussion by QARC and thereafter by FRRB and as directed by SEBI, you are advised to:

Restate the Financial Statements pertaining to Financial Year 2012-13 giving effect to the qualifications\*, in terms of Clause 31A of the Listing Agreement and in terms of SEBI Circular No. CIR/CFD/DIL/7/2012 dated August 13, 2012 read with the SEBI's Clarificatory Circular CIR/CFD/DIL/9/2013 dated June 05, 2013.

(\* Refer Annexure-I for details)

You are requested to take note of the same and comply accordingly, under information to the Exchange.

In case you need any clarifications on the above, you may please contact Mr. Nitesh Mhatre on 02222728880 / Ms. Dhara Barot on 22728559 / Mr. Rakesh Parekh on 22728307 (email rakesh.parekh@bseindia.com, dhara.barot@bseindia.com) for assistance.

Yours truly,



**Netra Sahani**  
D.G.M - Listing Compliance



**Abhijit Pai**  
A.G.M – Listing Compliance

## **ANNEXURE I:**

### **United Breweries (Holdings) Ltd**

#### **Auditor Qualification:**

The company has significant financial exposure to Kingfisher Airlines Limited (KFA). These exposures are in the form of investments in equity of Rs. 20,953.043 million, loans and advances of Rs. 23,592.484 million, other receivables of Rs. 3,104.505 million and corporate guarantee of Rs. 89,643.800 million. KFA's licence to operate the airline business stands suspended (refer note 43 to financial statements). Its net worth is completely eroded. It is under severe financial stress and has defaulted in honouring its financial obligations on several counts. Having regard to the financial condition of KFA, the company has discontinued charging it interest, guarantee/security commission and logo fee. Consortium of lenders of KFA led by State Bank of India have recalled their loans. They have invoked the corporate guarantee of Rs. 64,932.900 million and demanded the company to honour its obligation under its guarantee agreements (refer note 40 to financial statements). Certain aircraft lessors of KFA have invoked the corporate guarantee given by the company and have also instituted proceedings under section 433/434 of the Companies Act, 1956 before the Honourable High Court of Karnataka (refer note 42 to financial statements). Above factors have resulted in substantial erosion in carrying value of company's investments in KFA and significantly impaired the recovery of loans and advances made to them. Similar losses may also arise on account of invocation of corporate guarantee given by the company. The management has not quantified and provided for erosion in the value of investments and the probable losses. Had the company made such provisions, the loss disclosed in the Statement of Profit and Loss would have been higher by such amount and the carrying amount of investments and loans and advances would have been lower by that amount.

Company carries investments in certain subsidiaries. The carrying value of such investments is Rs. 700.610 million. There are significant declines in the carrying value of these investments but the company has not quantified and provided for such declines. Had the company provided for such decline, the loss stated in Statement of Profit and Loss would have been higher by such amount and the carrying value of those investments would have been lower by an equal amount (refer note 32(e) to financial statements).

Certain subsidiaries owe to the company Rs. 1,709.556 millions. Net worth of these companies are eroded, significantly impairing the recovery of such loans and advances. Company has not quantified and provided for the probable loss. Had the company provided for such loss, the loss stated in the Statement of Profit and Loss would have been higher by such amount and the loans and advances stated in the Balance Sheet would have been lower by that amount (refer note 36 to financial statements).